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INFRASTRUCTURE & ECONOMIC DEVELOPMENT IN INDIA

Dr. Nitu Adhikary
Head Teacher in Basic Education
Government of Uttar Pradesh

Abstract

After the economic reform of 1991, the development of the infrastructure was never a top priority. The primary goals of reform were to manage the economic crisis and the requirement for both internal and external stabilisation. The primary goal was to reduce the fiscal deficit in order to restore macroeconomic stability and to implement a comprehensive set of efficiency-oriented reforms with the intention of the domestic economy. India's infrastructure services are gradually but steadily transitioning from being under government control to being under private sector ownership. The governmental sector predominated the private sector, which was only a supporting player in the economy until 1991. Since those years, India's industrial and infrastructure sectors have experienced tremendous growth because to the contributions of the public and private sectors.

A legislative change in 1991, FDI (Foreign Direct Investors) began to invest directly and indirectly in many businesses. With their assistance, India was able to create infrastructure and acquire the funds and machinery needed to do so. State-owned organisations are giving way to private sector organisations in a variety of industries, including telecommunications, highways, power, and ports, so that they can operate in a market-based environment and be subject to economic regulation as needed.

Government, both at the federal and state levels, is actively involved in regulating this shift from public to private by formulating policies and establishing organisations like the Central Road Fund and independent regulatory bodies in the power and telecommunications industries. Let's start by talking about the method of infrastructure development. This paper will study the benefits and the challenges which will come from the development of such ambitious infrastructure projects and how they will play an important role in India's growth story.

Keywords: Economic Development, Economic Reforms, Infrastructure Projects.

Introduction

A nation's infrastructure is crucial to its economic development because without the right infrastructure, it cannot experience rapid economic growth. Basic infrastructure was created throughout the colonial era, including ports, railroads, water transportation, and posts and telegraphs. Some would contend that it supported colonial interests more so than those of the general populace. But it has undoubtedly demonstrated that infrastructure is the key to a nation's development.

In an effort to hasten growth after independence, the Five-Year Plans concentrated on a variety of industries, although progress was gradual. An unbalanced infrastructure made it difficult or slow for businesses to expand. The country's development was hampered by the subpar roads that were built at the time and their lack of connectivity to rural areas.

Calcutta was the first city to launch an underground metro service as a way to strengthen the inadequate surface transportation infrastructure, according to the city's then-Railway Minister from Bengal, Gani Khan Choudhury, who campaigned for it. Despite numerous challenges, the project was completed in 1984—albeit for a short 3.40 km—and created history. The current underground system has a 42 kilometre length.

Currently, there are rapid transit (also known as metro) systems in more than 15 cities, and many more are being built. Delhi is the location of the largest network, 349 kilometres away. Kolkata takes pride in the fact that its tram services, which started in 1902, are still in operation.

After liberalisation in 1991, real industrial development started with the goal of ending the licence-permit raj by reducing government intervention in industry and driving economic growth through reforms. The government's actions exposed the nation to the world economy. It promoted market competition and discouraged public sector monopolies. Since then, investments have gradually increased.

Government control over infrastructure services was gradually but steadily being replaced by the private sector. State-owned organisations are making way for private sector companies that operate in a competitive environment and are subject to economic regulation as necessary across a variety of industries, including telecommunications, roads, power, and ports.

Governments, both at the federal and state levels, are actively managing this transformation by creating proper policy frameworks and putting in place the right institutions, such the Central

Road Fund and independent regulatory bodies for the power and telecommunications sectors. The primary focus of infrastructure is on essential areas like roads, trains, ports, and power.

The country's transport system has always been supported by its extensive road network. Atal Bihari Vajpayee, a former prime minister, thought that the building of arterial roadways would spur development. He started the Pradhanmantri Gramin Sadak Yojna and the Golden Quadrilateral road projects with this in mind. In 2000, a network of motorways called the Golden Quadrilateral linked Chennai, Kolkata, Delhi, and Mumbai, while the Pradhanmantri Gramin Sadak Yojna was designed to build a network of all-weather roads for isolated villages throughout India.

Over a few years, new roadways totalling more than 5,400 km were constructed around the nation. The largest infrastructure project in the post-independence Indian road sector. Both initiatives were a resounding success and helped India's economy expand and prosper. Vajpayee's programmes have also been carried out by succeeding administrations.

Infrastructure and Development

The Indian economy's main driver is the infrastructure industry. The government places a strong emphasis on this sector because it is crucial to India's overall growth and because it can help to ensure that world-class infrastructure is built in the nation on schedule. Power, bridges, dams, highways, and urban infrastructure development are all included in the infrastructure industry. In other words, the infrastructure sector propels the development of related industries including townships, housing, built-up infrastructure, and construction development projects, acting as a catalyst for India's economic growth.

It is essential for the development of the most fundamental goods in the economy, even though it does not directly contribute to the production of any goods or services; rather, it facilitates the flow of different goods and services among the primary, secondary, and tertiary sectors of the economy. It is a known truth that a nation's infrastructure development directly affects its level of economic development. It is clear that there has been significant expansion in both the economic and social infrastructure of the most developed nations in the world.

These nations have made tremendous breakthroughs in terms of communication and transportation. These nations' banking and insurance systems are among the finest designed and structured in the world, which benefits their financial sectors as well. There has been a lot of advancement in science and technology as well. However, countries like India lack such high standards of quality infrastructure, which has a slow and poor degree of economic development.

Infrastructure in Indian Economy

We need the highest-quality and most adequate infrastructure possible to make production and economic investment easier. Larger expenditures in that industry are made possible by the larger infrastructure facilities. However, the lack of these amenities in impoverished nations is an issue because of their slower economic growth. By the time India gained its independence, its economy was much behind the rest of the globe. So, once we became independent, building infrastructure was given top priority by the government planners.

About half of the entire anticipated spending was allocated to infrastructure. In the first plan, 27 percent went to transportation and communication, 13 percent went to power, 10 percent went to flood and irrigation control. We have caught up with the rest of the globe thanks to all the infrastructural development we have done since gaining independence, and the nation is now among the most promising in terms of development and growth.

In order to help India grow into a $26 trillion economy, infrastructure is a crucial enabler. Investments in physical infrastructure remain crucial to raising efficiency and costs, especially when made in coordination with initiatives to make conducting business easier. Recently, Mr. Narendra Modi, the prime minister, emphasised once more how important infrastructure is to ensuring effective governance in all sectors.

Given the number of projects that have lately been introduced, it is clear that the government is focused on developing the infrastructure of the future. In order to bring about systematic and effective reforms in the sector, the US$ 1.3 trillion national master plan for infrastructure, Gati Shakti, has been a pioneer and has already made tremendous progress.

Supporting the nation's manufacturers through infrastructure development continues to be a primary priority because it will fundamentally alter how goods and exports are moved, making goods delivery efficient and affordable.

Role and Importance of Infrastructure in India

The development of any nation's infrastructure is crucial for its expansion and progress, as well as for the peaceful and convenient existence of its residents. The government and the corporate sector are dedicated to giving the nation's youth the world-class infrastructure they desire in order to meet their expanding aspirations. For India to draw both domestic and foreign direct investment, it is very crucial to have world-class infrastructure. Since 1991, and especially since 2014, India has undergone extensive economic changes, which have made it a leader in the world's infrastructure projects. Developing the nation's rural infrastructure is crucial. Rural roads, dams, canal works for irrigation and drainage, rural housing, rural water supply, rural electrification, and rural telecommunication connectivity are a few examples of significant rural infrastructure projects.

The infrastructure of India is a crucial component of its economic system. World-class infrastructure is being built across the nation in the fields of roads, waterways, trains, airports, and ports, among other sectors, as a result of a substantial shift in the industry. The nationwide smart cities initiatives have changed the game for the economy. Because of India's need and desire for quick development, the infrastructure sector has seen a huge increase due to its crucial role in the development of the country. Urbanisation and a rise in foreign investment in the industry have facilitated the expansion.

Economic Reforms in India after liberalisation

In the 1990s and 2000s, India underwent reforms with the goal of improving its level of international competitiveness in a number of industries, including telecommunications, software, pharmaceuticals, biotechnology, research and development, and professional services. As a result of these reforms, which included decreasing taxes, deregulating markets, and slashing import tariffs, there was a significant rise in foreign investment and strong economic growth. India's GDP expanded from $266 billion in 1991 to $2.3 trillion in 2018, including a 316.9% rise in foreign investment between 1992 and 2005.

One study found that overall salaries increased along with the relative labor-to-capital share of earnings. However, because GDP doesn't reflect inequality or living conditions, some have argued that it is flawed. Despite the overall increase in salaries, some critique the GDP as a gauge of economic growth since it ignores inequality or living standards. Extreme poverty decreased from 36% in 1993–1994 to 24.1% in 1999–2000. These poverty statistics have drawn criticism for not accurately portraying the situation, nevertheless. Approximately 15% of the working population makes less than 5,000 (roughly $64) each month, whereas the richest one percent of the nation receives between 5 and 7% of the national income, according to one study.

Additionally, the liberalisation measures have come under fire for decreasing rural living standards, concentrating wealth, generating unemployment, and increasing the number of farmer suicides. Additionally, India's economy has become more connected with the world economy. From 7.3 percent in 1990 to 14 percent in 2000, India's overall exports of commodities and services as a percentage of GDP than doubled. On the import side, the increase from 9.9 percent in 1990 to 16.6 percent in 2000 was less pronounced but still significant. The proportion of global commerce in goods and services to GDP increased from 17.2 to 30.6 percent in just ten years. However, India still has a trade deficit and is dependent on foreign capital to keep its balance of payments in order, making it susceptible to external shocks.

Foreign investment in India expanded dramatically from US$132 million in 1991–1992 to $5.3 billion in 1995–1996 in the form of foreign direct investment, portfolio investment, and investment financed on international capital markets. The ratio of total exports of goods and services to GDP nearly doubled from 7.3 percent in 1990 to 14 percent in 2000, demonstrating India's economic integration with the world economy. Urban areas benefited more from the liberalisation than rural ones, though not equally across India.

Conclusion

India's government has also heralded the start of a new era of mobility for the country in addition to building the necessary infrastructure. The electrification of transport is being emphasised as the main technological road to achieving this transition, driven by Gadkari, as a result of the fast expanding economy of India and global technological trends.

Initiatives from the sector have supported the government's growing emphasis on EVs as the main technical route for future mobility. In order to create and test new products and business models, both established and emerging industry participants in the automotive, battery, charging infrastructure, and mobility services sectors have been investing and forming partnerships. India's continued focus on expanding its underdeveloped infrastructure is crucial. The multiplier impact of infrastructure investment is well established, and India needs to invest $5.5–6.0 trillion in improving its infrastructure over the next 30 years in order to close the gaps that now exist and make way for accelerating economic growth.

Even though economic need drove adjustment and reform in 1991, they were made possible by the political process. Instead of the people's economic priorities or long-term development goals, liberalisation was mostly influenced by the government's economic issues. There were therefore constraints in conception and design, which experience has now confirmed. Since economic liberalisation started, problems like as jobless growth, enduring poverty, and rising inequality have gotten worse.

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