



## The Apparent Surge of India 2020 and It's Infrastructure Chassis.

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### Abstract

*Infrastructure is essential for the development of any developing country. Transportation, telecommunication, sanitation, water, energy, housing and educational facility have become integral part of human existence. It is impossible to imagine the modern world without these modern facilities. Infrastructure plays a important role in promoting economic growth along with it, contributes to the reduction of economic disparity and deprivations in a country, greater access for humans to get education and proper health service, water and sanitation, road network and electricity is needed to bring impartial development.*

*Foreign direct investment in transport (railways, roads, port and civil aviation), power, watersheds, and irrigation, hydroelectric work, scientific research and training, communication and infomatics, sanitation and health; plays a strategic and indirect role in the development of the country. With the new government policies which are investment friendly, will take India to a new verge of sustainability and*

*prosperity. The new era of economic development and modern infrastructure has just begun, which will bring in further more advancement and progressive techniques to compete with the modern world.*

**Key Words:** Apparent surge, FDI in infrastructure, financial reforms, legal reforms, enormous investments, urban housing, RERA.

### Introduction

In India Real estate sector is the second largest employer after Agriculture and it is expected to grow at the rate of 30% for the next decade. It is also expected that the real estate sector will attract more non-residential Indians (N.R.I) investment for both the short and long term investment. The opportunities is not only limited to the metro cities but it also percolates to tier 2 and tier 3 cities as well. Lucknow, Kanpur, Noida, Agra, Ghaziabad have been the most favourable destinations for the investors. The housing sector alone

contributes 5 to 6 per cent to country's gross domestic product (G.D.P).

The ministry of housing and poverty alleviation has sanctioned affordable houses for urban poor. India is witnessing significant interest from International investor's example- Spanish, Japanese, German, Dutch, etc. companies are keen to invest either through F.D.Is or F.I.Is in different sectors like- Infrastructure, Aviation, Smart city project, Railways etc. The government has introduced many progressive measures to unlock the potential of the infrastructure for India, the infrastructure development in metro cities have given rise to-

1. Employment in metro cities.
2. Better transportation facility.
3. Improved I.T infrastructure.
4. Enhanced safety and security.
5. Demand for better accommodation.
6. Proper food and sanitation facility.

The global corporations view India as one of the key markets from where the future growth is likely to emerge, India's consumer market would be primarily driven by a favourable population composition and people with increased disposable income, with increase in nuclear families the demand for improved infrastructure, better standard of living and

quality education with proper health care facility is at utmost demand.

India is the largest contributor to global demographic transition, as India has 63 per cent of working population and is expected to increase to 68.4 per cent by the year 2020. Demographics are the data that describes the composition of populations such as age, race, gender, income, migration patterns and population growth these statistics plays a very significant role in how the real-estate is priced and the type of property in demand.

The construction process in India are highly labour intensive, however new technologies such as maven and prefabs homes are being extensively used. Progressive firms have their own labour training institutes. With improved infrastructure the growth and development of over 250 ancillary industries such as cement, steels, paints, adhesive etc. will be directly affected.

## **Review of Literature**

The infrastructure and real estate industry in India witnessed a historic growth during early 20<sup>th</sup> century; very large number of projects were launched and marketed during this period. The land and property prices gained momentum firmly and

gradually, many developers went for public issue of shares at very high valuation. Attracted by the globalisation, privatisation, and liberalisation policy introduced by government. International investors invested millions and billions of dollars in Indian real estate sector. A number of real estate companies went for IPO's in between 2008-2015 and some of the companies approached international market, using innovative structure for raising funds. Innovative multi tiered structure, using off shores tax shelters like Mauritius, Panama were created to ensure tax efficiency and help getting subsidiaries.

With high capital inflows India is ranked fourth in developing Asia for FDI absorption as per world investment report 2017 by the United Nation conference for trade and development, this endorsement is at its highest level since the inception of foreign investment policy in India. The infrastructure of India is expected to reform at a very high pace in upcoming years, thanks to the government change in its regulatory framework, India is now way more attractive to both global and Indian investors with increased consolidation and transparency in government policies and schemes. India is heading towards creating the world class infrastructure with huge

investments in different sectors like power, roads, energy, metro, railways, expressways, bridges, dams, docks, etc. Infrastructure improvement is very necessary for India as it works as a economic enabler. It is the sum of many interdependencies services that the government provides, these services facilitates the economy to flourish and rise. Infrastructure makes the people more efficient so that they can be more productive with their time.

### **Influence of Smart City Projects**

The mission is to develop 100 smart cities all over the India by making them citizen friendly and sustainable.

The key salient features are as follows:-

1. Preserving and developing open spaces, parks, grounds and recreational centres to reduce greenhouse effect and promote afforestation.
2. Creating walk able localities by reducing congestion, air pollution, resource depletion. To improve public securities by enhance security, promoting car pool among the public

3. Promoting use of renewable sources of energy to reduce and bring down the pollution.
4. Sustainable development-promoting rain water harvesting and preparing compost plant with the biodegradable waste for the proper health conscious environment.
5. Waste management plant for water treatment, to avail pure drinking water for all habitats
6. Promoting E-governance to make people friendly laws and easy legal formalities.

There is a tremendous potential in India to build an effective ecosystem and to enable our burgeoning urban areas to become smart by using digital technology. This in return will create new opportunities and contribute to economic growth through innovation.

### **Impact of Make in India Campaign**

It is an initiative launched by the government of India to encourage multinational as well as national companies to manufacture their products in India. With make in India initiative India wants to give a clear indication that it

is at the beginning of creating new horizon for industrialization. Companies across the world are called upon to create factories; manufacturing unit, etc. make investment and expand their business in India.

1. With the demand for electronic hardware expected to rise rapidly to \$400 billion by 2020, India has the potential to become an electronic manufacturing hub.
2. The ballooning of ancillary industry- India is the second largest producer of cement in the world. Several foreign players such as Lafargeholcim, Heidelberg, Vicat have invested in the recent past
3. Housing sector is the biggest demand driver of cement, accounting for about 67 per cent of the total consumption in India.
4. In August 2017, the cabinet of India allowed 100 per cent of foreign direct investment in the urban infrastructure and railways infrastructure.
5. The government received \$19 billion worth proposals from companies interested in manufacturing electronics to India.

The campaign of Make In India begins with a slogan of “zero effect and zero

defect” quoted by the prime minister of India to foster and persuade the ease of doing business.

## **Future aspects of Enormous Investments In Indian Infrastructure**

The finance minister presented his 2017 union budget to the parliament where he outlined his plan for infrastructure and railways. The policy hence forth allows state owned Indian railways to modernize its infrastructure and service operations along with laying of 35,000 kilometres of new tracks in the forth coming year (2017-18) and building 7,000 plus stations with solar power. The finance ministry also announced a new metro rail act. To streamline existing laws and allow greater PPP (public private partnership) in construction, operations and developments.

Many international companies have bid high to win the contract for improving the state owned monopoly. These include companies like Alstom, Bombardier and general electric. The France’s Alstom has been in India since 1990 and company has multiple plans in pipeline. The company had also signed a contract to provide electrification, signaling and

telecommunications system for the 343 kilometre long eastern portion of the dedicated freight corridor. GE will meanwhile provide the railways with 1000 diesel locomotives over the next 11 years. The contracts are first of the largest to be awarded to foreign firms since India last allowed 100 per cent FDI in certain parts of its railways and comes as New Delhi embarks on a huge modernisation programme to overhaul the world’s fourth’s largest rail network.

## **The Factors of Big Financial and Legal Reforms**

The financial and legal reforms implemented by the government are sizeable and impressive in the context of a “messy” system. Furthermore, government reforms are destined to make lasting rather than transitory changes in the structure of the Indian economy.

The following are the projected reforms by the government-

1. Create a unified national tax on goods and service- It will combine most of Indian’s state and local taxes into a streamlined tax system.
2. End retrospective taxation of cross border investments- It will eliminate the revenue department

ability to retrospectively apply new tax laws. This provision introduced in 2017 creates certainty for foreign investors.

3. Allow more than 50 per cent foreign investment in Insurance- It will allow foreign investors to own a majority stake in life and non-life insurance firms.
4. Allow foreign investment in more construction projects- It will relax the rules specifically governing foreign investment in construction projects, including minimum built-up space and lack in periods.
5. Removal of sectorial investment limits- India historically reserved dozens of products and sectors for small and medium businesses. The rules prevented successful businesses manufacturing these goods from expanding and limited their access to capital.
6. Conduct transparent auction- Government must conduct auctions to remove the barriers for the participants and bring in more transparency.

## **The Formidable Challenges**

In India, the most common issue hindering private participation in the infrastructure,

known as public private partnership, is the lack of sufficient pipeline of bankable projects. Two interlinked causes for this are the lack of sustainable, non-depletable financing of the early stages of structuring and lack of efficient project preparation according to standard. If reversed, these can stream more proper and better-structured projects to sufficiently attract investors. It's not all gloomy, though certain action can be taken to put the sector back on track, the key measure include stronger cooperation and communication between the private and public sectors, the enforcing of a unified legal framework and creation of better dispute-resolution mechanism for infrastructure investments, clear deadlines and independent, highly qualified and business savvy regulation were also proposed. Institutional capacity can be improved with training and empowerment of government officials. This can enable faster decisions that are vital when it comes to rapidly resolving conflict issues. Then there is the insistence on transparency and enforcement of anti-corruption standards.

Some of the key issues plaguing the sector are-

1. Land acquisition and environmental clearance.



2. Lack of coordination between various government agencies.
3. Inappropriate structuring of the projects, particularly of demarcation of risks and rewards between government and private sector.
4. Lack of proper dispute resolution mechanism between private players and government agencies.
5. Debt burden of infrastructure developers as a consequence of execution delays and irrational bidding.

## Conclusion

Infrastructure is very essential for the growth of the nation. Energy and health are two infrastructural structures which are very important to ensure the overall development of the country, India has come a long way in providing electricity and health care facilities but still lag behind because of very low investments and the lack of public private partnerships. Such partnerships have to be forged in order to make India reach the pivot of economic growth.

The studies proposes three strategic recommendation-

1. To integrate spatial planning at all government levels: national level, state and city- the primary goal of

spatial planning is to integrate housing; strategic infrastructure and urban infrastructure and improve national and local governance in context of urban development.

2. Create stable policy framework for private investment in urban infrastructure- once the right conditions for investors have been created, the government of India needs to look at various tools available such as public-private partnerships to enable investment in strategic infrastructure and urban development.
3. Create institutions to stimulate capacity building and attract talent to grow business- organisations will be required to help the private sector increase the quality of white collar service jobs and to attract investment in manufacturing capacity India also needs “lighthouse” projects with the potential for interdisciplinary collaboration in the area of urban development.

The infrastructure inadequacies in both rural and urban area are a major factor constraining India’s growth.

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