
India Infrastructure development



By Kevin Tan

Infrastructure development will drive India's economic growth in the next decade. That's according to Kamal Nath, the country's Road Transport and Highways Minister.

"The last decade was a decade of IT, knowledge economy," said Nath, speaking recently in Singapore. "The next decade, the story of India has to be the story of infrastructure. The story of infrastructure, which is not merely a question of connectivity, but an economic stimulus across the country."

Nath says the Indian government has a target of building 7,000 kilometres of road a year, about 20 km a day – representing a tenfold increase in the pace of the country's road development.

India's bid to ramp up its road capacity comes amid the country's seven per cent growth in traffic and 12 per cent growth in vehicles annually. Passenger and cargo traffic are also reportedly growing at 12 per cent and by more than 15 percent respectively.

Furthermore, despite carrying 40 per cent of total passenger and freight traffic, India's national highways make up just two per cent of the total road network.

To underline the growth in traffic, Nath spoke about his meetings with Tata Motors, the producer of the world's cheapest car, the Tata Nano, priced at 100,000 rupees (US\$2,068). The automobile company told Nath that while they have "hundreds of thousands" of bookings for the Nano, 50 per cent of the company's bookings were for the top-end Nano (priced at 175,000 rupees), 30 per cent for the mid-range model (priced at 125,000 rupees), and only 20 per cent for the basic Nano model.

This, Nath says, shows that many people in rural areas have disposable income, which will in turn drive traffic growth.

Nath also stressed that the undertaking of such an ambitious infrastructure project will spur nationwide economic growth.

"How do you create greater economic activity across the country, in all parts of the country, rural and urban?"

"Economic activity which encompasses industry, trade and agricultural. Roads – that's the story of United States, that's the story of Western Europe."

Nath says the government will coordinate the development of the national and metropolitan railways and improve the connectivity of the airports and seaports.

As an example, he cites the Delhi-Mumbai Industrial Corridor, a US\$90 billion infrastructure project, which will be developed in partnership with Japan. The project will span across six states and includes the development of industrial clusters and rail, road, port and air connectivity.

When asked about the challenges facing such major infrastructure projects, Nath says the major challenges are land acquisition and the capacity to handle the projects.

To build roads across several states, the government has to manage the task of buying land from multiple landowners, which could complicate and delay the infrastructure development. To this end, Nath says that the government is strengthening the processes for land acquisition.

He adds that it's crucial to have the "proper machinery" to implement land acquisition, as well as to find construction companies of the right size, ability and qualifications to undertake major projects.

Financing is the least of the government's worries, he adds, because India's rapid growth in traffic volume will drive investment demand, and the government also has a substantial funding package for its infrastructure projects.

Kamal Nath was the guest-of-honour at a public lecture in Singapore, organised by the Institute of South Asian Studies (ISAS) and the Federation of Indian Chambers of Commerce and Industry (FICCI), on July 17, 2009.

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