

ISSUES AND CHALLENGES IN MAKE IN INDIA WITH SPECIAL REFERENCE TO ROADS & TRANSPORT

Amandeep Kaur

Assistant Professor in Economics, G.N.Khalsa College, Yamuna Nagar, Haryana, India

Abstract

Make in India is business friendly program launched by Prime Minister Narendra Modi on 25th September 2014 to encourage multinational and domestic companies to manufacture their products in India. It is launched with an aim to turn the country into a global manufacturing hub. There are many issues that need to be addressed in different infrastructure field like electricity, production, transport etc. As roads and transportation is the backbone of Indian infrastructure but it is inadequate in terms of quality, quantity and connectivity. Also in the overall transport sector, civil aviation and ports desperately need modernization. It is expected that public sector will continue to play an important role in building transport infrastructure. However, the resources needed are much larger than what the public sector can provide. So, the paper in concern reflects the present position of Indian roads and transportation and the need of Make in India program in this field.

Make in India is a special campaign launched by Prime Minister Narendra Modi on 25th September 2014 which focuses on Make in India program for global manufacturing hub. Key thrust of the program would be on cutting down in delays in manufacturing projects clearance, develop adequate infrastructure and make it easier for companies to do business in India. On 29th December, 2014, a workshop was organised by the Department of Industrial Policy and promotion which was attended by Prime Minister Narendra Modi, his cabinet ministers and chief secretaries of states as well as various cadres. The 25 key sectors identified under the program include automobiles, auto components, bio-technology, defence, electronic systems, food processing, leather, mining, oil & gas, railways, roads & transport etc.

Overview: The major objective behind the initiative is to focus on job creation and skill empowerment in 25 sectors of the economy. The initiative also aims at maintaining high quality standards and minimising the impact of on the environment. The initiative hopes to attract capital and technological investment in India.

Under this initiative, brochures on the 25 sectors and a web portal were released. Before this program was launched, foreign equity caps in various sectors had been relaxed. The applications for licences were made available online and the validity of licences was increased to three years. Various other norms and procedures were also relaxed.

In August 2014, the cabinet of India allowed 49% FDI in defence sector and 100% in Railways infrastructure. The defence sector previously allowed 26% FDI and there was no FDI in Railways. This was done in hope of bringing down the military imports of India.

Between September 2014 and November 2015, the government received Rupees 1.20 lakh crores which is \$18 billion worth of proposals from the foreign companies interested in manufacturing electronics in India.

India is the 4th largest economy in the world. However, one factor which is a drag on its development is the lack of world class infrastructure. Infact, estimates suggests that the lack of proper infrastructure pulls down India's GDP growth by 1-2% every year. Physical infrastructure has a direct impact on the growth and overall development of an economy. As the fast growth of the Indian economy in recent years has placed enormous stress on physical infrastructure such as electricity, railways, roads, ports, airports, water and sanitation, all of which are already suffering from substantial deficit. The goals for inclusive growth and a 9% growth can be achieved only if this infrastructure deficit is overcome.

Infrastructure Development in 12th Plan

Inadequate infrastructure was identified in the 11th plan as a major constraint for rapid growth. The plan had; therefore, emphasized on the need for massive expansion on investment in infrastructure based on a combination of public and private investment. The total investment in infrastructure which includes roads, railways, ports, electricity and telecommunication, oil gas pipelines and irrigation is estimated to have increased from 5.7% of GDP in the base year of 11th plan to around 8% in the last year of the 11th plan.

Development of infrastructure is a sine qua non of economic development of agriculture to a considerable extent, on the adequate expansion and development of power and electricity generation, transport & communication.

Obviously, if proper attention is not paid to the development of infrastructure, it is likely to act as a severe constraint on the economic development process in the country. Keeping in view, the various plans have focused attention on the expansion of infrastructure facilities.

In the 11th plan, investment of US \$ 500 billion in infrastructure through a mix of public & private sectors were planned. Investment in infrastructure increased to 6.2% in 2007-2008 to 7% in 2011-12. The 12th plan aims to increase this further to 9%. The total investment in 12th plan is estimated at Rupees 56.3 lakh crores where infrastructure includes:-

- Sources and demand of energy
- Power & electricity
- Coal
- oil & gas
- Atomic energy
- Railways
- Air Transport
- Telecommunication etc.

Road transport is the backbone of Indian transport infrastructure. It can be classified into the following categories.

National Highways :- These roads are the primary roads of the country and connect large cities & big industrial centres. Their development & maintenance is the responsibility of the central government. Initially, our road system developed around four main national highways connecting Khyber with Kolkata through Delhi. Kolkata with Chennai, Chennai via Mumbai with Delhi.

State Highways :- These roads link all the important centres of industry, trade & commerce of the State & National Highways.

District Roads :- These roads connect different parts of the district, important industrial centres & market centres and usually lead to local railway station.

Rural Roads :- These roads are found in villages and are usually of two types- pucca roads & kutchra roads.

Importance of Road Transport in India

As compared to railways, road transport has the following advantage:-

A large number of places are not connected by railways. Therefore, the only means of transport in these areas is the road transport.

Road transport is complimentary to railways. It provides feeder services to goods arriving at a railway station. Goods are despatched to their destination on trucks or other means of transport.

Road transport provides door to door service within cities.

It is a better means of transport as compared to railways for carrying perishable and less bulky goods.

The chances of delay, damage or loss are less in the case of road transport as compared to railways.

Road transport does not require heavy capital investment unlike railways.

From the point of view of defence of the country, the road network plays a very important role. It is the roads that enable the defence forces to move to areas inaccessible by the railways in the time of need. This is particularly so in the case of border areas and hilly tracks.

Road Development in India

India has the largest roads network in the world, aggregating more than 48.65 lakh kilometres at present. However, this network is not adequate for speedy and efficient transportation. Half of this is made up of non-surfaced roads. The National Highways which are arterial roads have currently a network of 96,214 kms, although they carry nearly 40% goods & passenger traffic. The National Highways network constitutes only about 2% of the total road network.

Three important initiatives in the road sector were undertaken in recent years:-

A: -The National Highway Development Project – NHDP deals with building high quality Highways

B:- The Pradhan Mantri Bharat Jodo Pariyojna- PMBJP deals with linking up major cities to the NHDP Highways

C:- Pradhan Mantri Gram Sadak Yojna- PMGSY addresses rural roads

NHDP PLAN

For augmenting the capacity of National Highways, Central Government with the help of National Highway Authority of India as its nodal agency is undertaking National Highway Development Project. The plan envisages six laning of the following roads.

Golden Quadrilateral Highway connecting Delhi Mumbai Chennai Kolkata having an aggregate length of 5846 kms.

North South Corridor:- Srinagar to Kanayakumari with length of 7142 kms.

East West Corridor:- Silchar to Porbandhar.

Funding Plan for Development of Roads

Roads are primarily funded through budgetary allocations. Central Government provides funds to National Highway Authority of India and to State Governments for other roads. Presently, the total allocations available for Central & States road development are to the tune of Rupees 110 billion which is just 42% of total transportation revenues received by the Government. This implies the inefficiency of our system which consumes 58% of the total revenue received by the transport sector.

The following table shows the quantum of investment expected to be infused in three years:-

INVESTMENT IN NHDP

| Particulars | FY01 | FY02 | FY03 |
|---------------|------|------|------|
| Quadrilateral | 19.5 | 59.0 | 87.2 |
| Corridor | 7.3 | 8.1 | 7.9 |
| Total | 26.8 | 67.1 | 95.1 |

FINANCING PLAN FOR NHDP

| SOURCE | RUPEES CRORES |
|------------------------------|---------------|
| TOTAL COST | 54000 |
| CESS ON PETROL& DIESEL | 20000 |
| EXTENDED ASSISTANT | 20000 |
| MARKET | 10000 |
| PRIVATE SECTOR PARTICIPATION | 4000 |

KEY ISSUES FACING THE SECTOR

In spite of all the concessions, private sector participation has been below the expected level.

This is primarily due to reasons like reluctance of the private sector to participate in long term prospects, land acquisition problems and difficulty in toll collection in the operating phase in certain stretches.

Although the Indian transportation infrastructure is one of the largest in the world, it is far from being the best. The population of the country is almost four times of USA and has the highest growth rate in the world. The existing transportation system is not adequate to sustain the current rate of economic & industrial development in the country. Demand has constantly outstripped the supply of transportation over the last fifty years. As compared to USA, the amount of freight traffic carried by highways in India is quite meagre.

This is partially due to poor surface quality of the roads. The Indian automobile industry today manufactures a large variety of multi axel vehicles with turbo charged engine but most of these are exported. The Indian industry needs large freight carriers to transport goods at low costs but the inefficient load infrastructure acts as an economic bottleneck impeding the growth of both segments of these industries. Indian automobile industry has necessary facilities to manufacture these multi axel vehicles but poor Indian infrastructure acts as a barrier for the sale of these big freight carriers within the country.

Network connectivity :- Achievement of high network connectivity is usually the first step in infrastructure development. The current road plan aims at achieving a level of adequate road connectivity.

Travel Time :- The average speed on Indian Highways is around 45 kms per hour which is far less than the speed on USA Highways.

CONCLUSION

In the end I would say that our Prime Minister, Narender Modi gives a hope to significant & sustainable growth in manufacturing sector & making India a manufacturing hub which will become double if the infrastructure of economy will develop and attain the required levels.