

# A BIG INFRA PUSH

Relevant for: Indian Economy | Topic: Infrastructure: Roads

The government has unveiled a big 102 trillion infrastructure spending plan for the next five years

The government is placing its bets on rapid infrastructure development to achieve India's \$5 trillion economy goal by 2024-25. On Tuesday, finance minister Nirmala Sitharaman unveiled a big 102 trillion infrastructure spending plan for the next five years. Under it, the Centre and states would each shoulder 39% of the investment burden, while the private sector would bear the rest. But how would all this be financed? The government didn't provide a clear answer, though it offered the assurance that it would take a close look at the recommendations made by a task force set up to prepare the country's road map for infrastructure development.

Such projects can take several years—sometimes even decades—to complete and turn profitable, so banks are often wary of lending to them if they fear their own shorter-term funding won't cover the gestation period. An asset-liability mismatch is risky. The public-private partnership finance model has sought to provide a more workable solution, although its success too has been chequered, at best. Land acquisition delays, weak enforcement of contracts and sundry difficulties in the conduct of business in India have also served to dissuade private participation. The scope of the challenge on hand can be gauged from India's recent record in pushing infrastructure development. Despite all the attention, India managed to spend only 51 trillion on it over the past six years. To double that figure in one less year would require major moves to ease the path. Until then, the plan could be greeted with cautious optimism. Given the resolve, it could be achieved.

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