

De Jure

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A Budget for Better Infrastructure



Infrastructure is the bedrock on which economic growth and development thrives. This holds true and the same has been highlighted in the Union Budget 2018. This year the emphasis of the Budget is on the holistic development of infrastructure and the need to connect the nation with a network of roads, airports, railways, ports and inland waterways. With this view, the Government intends to invest as much as Rs.5.97 trillion in creating and upgrading infrastructure in the next financial year.

The stress is to boost the rail, road and port connectivity, make aviation accessible for the common man, to create dedicated freight corridors and use of technology to prevent accidents. In fact, the Government has made the largest ever budget allocation to railways and road projects.

The railways have received Rs1.48 trillion for the financial year 2018-19 which was Rs.1,31,000 crores last year. Besides capacity creation, as many as 12000 wagons, 5160 coaches and approximately 700 locomotives are being procured during 2018-19. Further, the Government is targeting to achieve redevelopment of 600 major railway stations, over 3600 kilometers of track renewal. Stress has also been given to the expansion of Mumbai's local train network. The budgetary allocation of Rs.11,000 crore and Rs. 40, 000 crore has been made to build approximately 90 kilometers of double line tracks and to expand the suburban network, respectively. To cater to the growth of the Bengaluru metropolis, the government has proposed to build approximately 160 kilometers of railway track with an expenditure of Rs.17,000 crore. The Government has also taken steps to provide facilities like WiFi, CCTVs, escalators and such other amenities at the railway stations.



With the aim to construct and develop roads, the Government of India in July 2015 introduced the Bharatmala Pariyojana. Under this integrated scheme a total of around 34,800 kilometers at an estimated cost of Rs.5,35,000 crore is to be implemented over a five years period of i.e. 2017-18 to 2021-22. The Government has keeping this project in mind allocated an all-time high of Rs.1.21 trillion for the development of roads.

These ambitious projects envisaged by the Government requires humongous investment. The Government has in order to meet the fund requirement, urged the regulators to consider making it mandatory for large companies to raise about a fourth of their financing needs in the bond market, which will then gradually extend even to smaller companies. The Government also urged concerned regulators to liberalize the ratings for investment eligibility and consider moving from 'AA' to 'A' grade ratings as eligible investment. This will help the deepening of the corporate bond market which has been long overdue. Further, there is proposal to raise substantial amount as equity, use innovative monetizing structures like toll, operate and transfer (TOT) and Infrastructure Investment Funds (InvITs) and will also consider to organize the road assets into special purpose vehicles. All these steps initiated by the Government will give the right impetus to the infrastructure sector.

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