

Road Infrastructure Issues in India

Dr. Rajni Pathania

The M.S. University of Baroda, Vadodara Gujarat India

ABSTRACT

The present study is an attempt to analyze the issues related to the road sector in India in recent years. This study focuses mainly on finance-related issues and road project completion issues. It also highlighted the organizations that are involved in the Indian road sector. Study results show that NPAs in the road sector has increased significantly from 1.9 percent in 2012-13 to 20.3 percent in 2017-18. The majority of road projects are awarded through public-private partnerships but many projects came under pressure in the last few years due to a number of reasons including lending issues, land acquisition issues, and clearance issues. It is due to all of these factors that highway construction rates are declining, resulting in non-performing assets. This study also reveals that though the Ministry of Road Transport and Highways invests in building roads, it does not have its own source of revenue other than budgetary support from the central government. To generate funds for road development, this study recommended that the Reserve Bank of India and the Ministry of Finance should support the Ministry of Road Transport in establishing its own financial institutions.

Keywords: Road sector, Public-Private Partnership, Non-performing assets, Budgetary support

INTRODUCTION

NHAI was established by an Act of Parliament, the National Highways Authority of India Act, 1988. NHAI is a government body whose primary responsibility is to maintain, improve, and manage national highways. Cabinet approved the establishment and operation of NHIDCL in 2014, under the Ministry of Road Transport and Highways. NHIDCL is responsible for improving regional connectivity by building, upgrading, and enlarging National Highways in parts of the country that border other nations. Indian Academy of Highway Engineers (IAHE) is a registered society administered by the Ministry of Highways. It was founded in 1983 to fulfill the growing need for training of Highway Engineers in the country, both at the beginning of their careers and in the course of their employment. Under the Societies Registration Act of 1860, the IRC was formally registered in 1937 with the purpose of holding periodic road conferences to address topics and problems relating to road construction, maintenance, and development. National Highways Logistics Management Limited (NHML) was incorporated under the Companies Act on 19th January 2004. The company was formerly known as Cochin Port Road Company Limited and is a 100 percent subsidiary of the National Highways Authority of India (NHAI).

Table 1: Organizations Associated with Road Transport

Organizations Associated with Road Transport	Establishment Year
National Highways Authority of India	1988
National Highways & Infrastructure Development Corporation Ltd. (NHIDCL)	2014
Indian Academy of Highway Engineers (IAHE)	1983
Indian Road Congress (IRC)	1934
National Highway Logistics Management Limited (NHLML)	2004

Source: Annual Report 2021-22, Ministry of Road Transport and Highways

This study aims to examine the issues associated with the road sector in India. This study focuses mainly on finance-related issues and road project completion issues. Data and information have been compiled from the Economic Survey, the Road Transport Year Book, the Annual Report of the Ministry of Road Transport and Highways, and the Basic Road Statistics of India.

Road sector Issues in India

This section discusses some issues related to road development, including financing and issues related to project development.

Non-Performing Assets (NPAs) in the Road Sector: In order to increase investment in the road sector, the government has borrowed money from the banking sector. It is important to mention that banks provide loans to the government as well as to the private sector on both long-term and short-term basis.

Table 2: Non-Performing Assets (NPAs) in the Road Sector

Year	Total Advances to Road Sector (Rs. Crore)	Share of NPAs out of Total Advances in the Road Sector (%)
2012	1,27,430	1.9
2017	1,80,277	20.3

Source: Economic Survey 2018-19

According to government records, several long-term loans disbursed for the road sector are becoming non-performing assets. In 2012-13, the road sector received credit advances worth Rs 127,430 crore, but by 2017-18, the amount had risen to Rs 180,277 crore. It has been observed that the share of NPAs in the road sector of the total advances has increased from 1.9 percent in 2012-13 to 20.3 percent in 2017-18. Most road projects are awarded through public-private partnerships. The sector and PPP projects came under pressure in the last few years due to a number of reasons including lending issues, land acquisition issues, and clearance issues. It is due to all of these factors that highway construction rates are declining, resulting in non-performing assets. A large number of road projects that are now NPAs were approved from 2011 to 2014 and were implemented over a three-year period. The number of NPAs began to grow when the developers failed to complete the project on time. Consequently, private sector investment declined and the government was forced to allocate more funds to infrastructure projects as a result. A challenge has been noted in terms of private financing for the roads sector. It has been difficult for several PPP road projects to attract bids.

Increasing land acquisition costs: The delay in acquiring land for public projects contributes to the delay of infrastructure projects. When land is acquired for public projects, the government typically pays a higher price than the market price. Consequently, as a result of higher compensation for land acquisition for highway development, the cost of land for highway development has increased from 0.9 crores per hectare in 2014 to 2.05 crores per hectare in 2016. In the past four years, the National Highways Authority of India (NHAI) has acquired land worth Rs 1.33 lakh crore. Compensation for land acquired by NHAI is determined by the Land Acquisition Rehabilitation and Resettlement Act, 2013, and the amended Land Acquisition Act of 2013. The Ministry of Road Transport has increased its expenditure on land acquisition from Rs 9,097 crore in 2014-15 to Rs 21,933 crore in 2015-16 as a result of increased compensation under the 2013 Act. As a result of higher land acquisition costs, debt has increased. NHAI, which is involved in expanding existing highways to four, six, or eight lanes, acquires the majority of the land for highway projects. In the case of enlarging existing stretches, land acquisition costs are higher.

Meanwhile, the amount collected at tolls from traffic has grown less than half, by 10% every year, over the last four years. The high cost of land and a lack of funds and a low-risk tolerance among lenders may stall road construction. In stalled projects, the work is still ongoing, but for some reason cannot move forward.

Table3: Revenue Realised from Road Transport

Year	Central (Rs. Crore)	States (Rs. Crore)
2011	75572.5	55161.1
2012	90931.2	50602.7
2013	89084.1	56749.8
2014	109941	62630.7
2015	199659.7	70003.3
2016	280132	79962.2
2017	181265	78633.9
2018	121283.3	72115.6

Source: various issues of Road Transport year Book

In a federal system, both the central government and the states have a well-defined set of powers relating to the taxation of road transport. The central government collected 75572.5 crores of taxes from road transport in 2011, a figure that was increased to Rs. 121283.3 crores in 2018. By comparison, the revenue realized by the states from the Road Transport Sector in 2011 was Rs. 55161.1 crores, which increased to Rs. 72115.6 crores in 2018. In India, the central government receives more tax revenue from road transport than the state governments.

Road construction is the responsibility of the Ministry of Road Transport and Highways, which does not have its own revenue sources other than budgetary support. The Reserve Bank of India, as well as the Ministry of Finance, can support the Ministry of Road Transport and Highways through the establishment of dedicated financial institutions so

that the road sector can develop in the country. Despite the fact that the central government has allocated a considerable budget for the road sector, it cannot be sustained long term. It is important for the government to develop strategies that encourage private investment as well as high returns on Investment in the road sector.

Infrastructure projects are delayed due to the fact that out of 482 road-related projects, only 43 face cost overruns and 74 face time overruns. According to a government report, among the delayed projects, road transport and highways account for the highest number at 300, followed by railways at 119 and petroleum at 90. Due to land clearance issues, public agitations, and arbitration-related issues, the road and highway project was delayed in the last four years. In order to revive delayed projects, the Central government should conduct regular meetings with developers, regional governments & local bodies, and contractors, as well as simplify the land acquisition process, get environmental approvals, and update dispute settlement mechanisms. Toll collection should also be monitored by the Ministry of Road Transport and Highways, and funds should be allocated to the most stressed projects.

REFERENCES

- [1]. Arvan, L., & Leite, A. P. N. (1990). Cost overruns in long-term projects. *International Journal of Industrial Organization*, 8(3), 443-467.
- [2]. Balaram, P. (2011). Infrastructure: The Price of Inaction. *Current Science*, 101(12), 1513-1514.
- [3]. Chandran, D. S., Manoharan, N., Shekhar, V., Mohan, P. R., & Jacob, J. (2008). *Connecting India: A Road Map for New Roads*. Institute of Peace and Conflict Studies.
- [4]. Donaldson, D. (2018). Railroads of the Raj: Estimating the Impact of Transportation Infrastructure. *The American Economic Review*, 108(4-5), 899-934.
- [5]. Flyvbjerg, B., Skamris Holm, M. K., & Buhl, S. L. (2003). How common and how large are cost overruns in transport infrastructure projects? *Transport Reviews*, 23(1), 71-88.
- [6]. Majumder, R. (2005). Infrastructure and Regional Development: Interlinkages in India. *Indian Economic Review*, 40(2), 167-184.
- [7]. Samrat Bose. (2003). Road Density, Resource Intensity and Efficiency in National Highways of India: 1958-1997. *Economic and Political Weekly*, 38(6), 561-571.
- [8]. Singh, R. (2018). Public-private partnerships vs. traditional contracts for highways: Comparison of cost and quality of roads. *Indian Economic Review*, 53(1/2), 29-63.
- [9]. Zhang, X., & Fan, S. (2004). How Productive Is Infrastructure? A New Approach and Evidence from Rural India. *American Journal of Agricultural Economics*, 86(2), 492-501.