Government’s infra push calls for enhanced private sector participation

The core sector output, reflecting growth/decline in India’s eight key infrastructure sectors, namely coal, fertilizer, crude oil, refinery products, natural gas, electricity, steel and cement, has recorded a growth of 6.8 per cent in March 2021, when compared with March 2020. This is despite the fact that the economy has slowed down due to Covid-induced restrictions.

The reason behind this illusively high growth number is that the country was witnessing similar Covid-led uncertainties in March last year. Thus, this misleading growth number, riding on the back of sharp decline in economic activity registered last year, is commonly referred to as the base effect. This anomaly of unduly high growth numbers, as a reflection of lower industrial activity in the corresponding months last year, may continue in April and May 2021.

Other than March 2021, December 2020 and January 2021 have been the only months that recorded positive growth in core sector output in FY 2020-21. However, given that real growth cannot be allowed to stagnate, the central government will provide state governments an additional Rs. 15,000 crore as interest-free 50-year loans to boost their capital spending in FY 2021-22. The funds provided under the scheme will have to be used for new and ongoing capital projects.

The scheme is on the lines of last year’s Rs. 12,000 crore 50-year interest-free loans provided by the Centre to the states. The government is of the view that capital expenditure creates employment, especially for the poor and unskilled, has a high multiplier effect, enhances the future productive capacity of the economy, and results in a higher rate of economic growth.

Through this scheme, the central government wants to nudge the state governments to monetise their assets. Asset monetisation is the process of creating new sources of revenue for the government by unlocking the economic value of unutilised or underutilised public assets such as roads, railways, stations, pipelines, mobile towers etc. or financial assets like shares in Public Sector Enterprises, securities and dividends, by roping in the private sector in exploring the same.

At a time when we are experiencing headwinds of slow economic growth given the surge in Covid cases due to the advent of the second wave, efforts to stabilize growth through investment in infrastructure projects become the need of the hour. However, the success of the asset monetisation programme depends on the response from the private sector, given the fragile state of the economy and aligning apprehensions towards growth prospects.

Notifications

PIB

India’s merchandise exports rise in April 2021

Government announces relief measures for taxpayers under GST law


Nitrogen generating plants to be converted to generate oxygen


Import of Oxygen Concentrators for personal use included in exempted category list


GST Revenue collection for April’ 21 sets new record