## Performance of infrastructure during 2001-2002

9.3 The performance of infrastructure is largely a reflection of the performance of the economy. Infrastructure industries measured by six key infrastructure and core industries (i.e. electricity, crude oil, the petroleum refinery products, coal, steel and cement) having a weight of 26.7 per cent in the overall Index of Industrial Production (IIP) (base: 1993-94 = 100), recorded growth of 2 per cent during 2001-02 (April-December) as compared with 6.8 per cent during the corresponding period of last year. Among the six core infrastructure industries, performance of the cement industry has improved exhibiting a growth of 6.4 per cent during 2001-02 (April-December) compared to 2.1 per cent in the corresponding period of the last year. There has been a deceleration in the growth rates of power, steel, and refinery throughput. Crude petroleum has shown a negative growth during April-December 2001-02. This is attributable to socio-environmental problems, and technical reasons. Power generation in the country is a combination of thermal, nuclear and hydro-generation. Due to poor monsoons during the last two years in the catchment areas of hydroelectric projects, the overall growth of electricity generation declined during 2001-02.

9.4 Cargo handled at major ports, revenue earning goods traffic on the railways, and tele-communications registered positive growth

**BOX 9.2**

**What Is Holding Up Implementation Of Investment Projects?**

The CMIE conducted a comprehensive field survey between May and October 2001 and received responses from 304 investment projects under various levels of implementation. These covered the industrial and services sectors. Projects from power, telecom and irrigation sectors were excluded, because factors influencing the progress of implementation of these projects were considered to be significantly different from those affecting the rest. 165 of the projects were owned by private Indian groups, 61 by foreign entities and 78 by government. Respondents were required to indicate the degree of the problems they faced in the implementation of their projects in respect of four broad categories of problems. These were: problems with respect to government clearances, availability and cost of finance, infrastructure and demand.

- **Infrastructure was perceived by those surveyed as the least important of the problems.**

Only 11 per cent of the respondents considered infrastructure to be a problem. 62 per cent of the respondents indicated that infrastructure was not a problem in the implementation of their projects. Only 12 per cent of the respondents said that the availability of electricity was a bottleneck. This is understandable, as power shortages have declined in the past five years – from 11.5 per cent in 1996-97 to 6.2 per cent in 1999-00.

- **Only 19 per cent of the respondents considered government clearances to be a problem** explained by the fall in the lending rates over the past five years. Only 20 per cent considered the cost of finance to be a problem. **But, 35 per cent of the respondents considered the availability of finance to be a problem.** This is surprising because banks are flush with funds and growth in non-food credit is sluggish. Besides, while entrepreneurs have taken SEBI approval for public issues, less than half of those who took such approvals in the past two years have actually raised resources. A clue to this dichotomy in there being sufficient liquidity and yet a complaint of lack of availability of funds was in the concentration of these complaints among a couple of industries, viz., cement and steel, that were suffering from serious cost over-runs and "overcapacity".

- **Overcapacity, or lack of sufficient demand was the most serious problem faced by the investment projects surveyed.** 43 per cent of the projects surveyed complained of lack of demand. 59 per cent of the manufacturing sector projects complained of the same. Only 20.6 per cent of private Indian entrepreneurs considered cheap imports to be a hurdle in their progressing with their projects.

- The survey also attempted to determine if there is anything peculiar to foreign investments in India. **FDI investments were concentrated more in the manufacturing sectors,** in value terms: 68 per cent of FDI was in the manufacturing sector. Two-thirds of the FDI respondents said that Government clearances were not a problem. FDI projects were clearly less worried about the availability and cost of finance. Only 5 of the 61 projects complained regarding infrastructure. 49 per cent of the FDI respondents indicated that overcapacity in India was the hurdle in the implementation of their investment projects. However, some of the FDI projects seem to be a little more worried about cheap imports than the Indian goods.

during April-November 2001, but lower than the growth in the corresponding period last year. There is a slowing down in the civil aviation sector (Table 9.1).

9.5 There are 194 central projects costing above Rs.100 crore that were in various stages of implementation as on December 31, 2001. Of these there were 36 mega projects costing more than Rs.1000 crore. The average cost overrun for mega projects and major projects is 9 per cent and 26 per cent of revised estimates respectively. The Cost overrun witnessed in these projects is largely attributed to delays in commissioning and technical factors. A degree of cost overrun stems from the extent of time overruns. The average time overrun of all these projects was 12 months for the month of December 2001.

9.6 In April 2001 the Department of Industrial Policy & Promotion engaged the Centre for Monitoring Indian Economy (CMIE) to conduct a primary survey of major investment projects in the country to identify the causes for slowdown in the pace of their implementation (Findings in Box 9.2).