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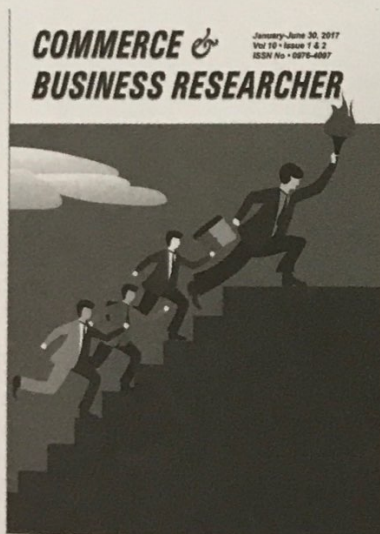
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INFRASTRUCTURE FINANCING IN KERALA – BASIC ISSUES

Jasmin J. & Dr. Kumari V. K. Shyni

Abstract

Investment in infrastructure has been a matter of priority for any government. The investment needs required for the development of various infrastructure projects in the state and finance is beyond the resources available with the government. Infrastructure financing is therefore becoming difficult due to deficit in resources. As the resources required for infrastructure development cannot be met by public funds alone, an alternative resource for financing infrastructure needs to be explored. Development of roads, ports and urban infrastructure projects are now increasingly being taken up on PPP. Project structuring is crucial in attracting financial resources from private sector. PFC was constituted in state planning board in 2012 to help in structuring the projects for attracting financial resources from private sector. Investment in infrastructure is important for economic growth and job creation. The present study is an attempt to evaluate the basic issues relating to infrastructure financing in Kerala.

Keywords: PPP: Public Private Partnership, PFC: Project Financing Cell.

Introduction

Infrastructure is the basic physical systems of a business or nation. Transportation, communication, sewage, water and electric systems are all examples of infrastructure. These systems tend to be high-cost investments; however, they are vital to a country's economic development. Infrastructure projects may be funded privately, publically or through public private partnership. Infrastructure forms the foundation on which social, economic and Industrial Development is built. Kerala is among the well performing states in India and holds an important position in the industrial front. The state holds significant industrial potential owing to good infrastructure facilities like power, transport system, airports, port and harbours and availability of rare materials. Central agencies like Railways, National Highways, Ports, Post and Telegraph, Telecommunication and Civil Aviation Authorities play a significant role in providing infrastructure facilities. Transport infrastructure of the State consists of 3.31 lakh Kms of road, 1257 Kms of Railways, 1687 Kms of Inland Waterways and 111 statute miles of Airways and 18 Ports. The problem is rather that of matching the supply of finance from the private sector with invested projects. The potential supply of long term financing is ample. Pension funds, insurance companies and other long term institutional investors have very large. Hence they need long term assets. But very little of their financial resources is allocated to infrastructure. Private investors could not only help to provide the financing, but also to ensure that project is run effectively. This paper analyses the basic issues relating to infrastructure financing in Kerala.

Methodology

This study is based on secondary data only and descriptive in nature. Data for the study will be collected from various books, journals, research articles and internet websites.

Infrastructure Financing.

Investment in infrastructure has been a matter of priority for the State government. The investment needs for the development of various infrastructure projects in the State is huge and the finance required is beyond the resources available with the Government. Infrastructure financing is therefore becoming difficult due to deficit in resources. In Kerala, capital outlay as a percentage of GSDP has shown an increasing trend since

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