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## View: Infrastructure sector- Expectations from 'Union Budget 2022'



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### Mini

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The infrastructure sector has yet again proved to be the backbone of modern economies. As the coronavirus pandemic continues to impede the normal course of life as well as economic activities, the infrastructure sector not only helped it in getting back to its feet through economic revival but also raised the hopes of growth. Besides providing jobs to thousands of people and creating long-term assets, the infrastructure sector helps almost every other sector to function smoothly.

Whether it's agriculture, manufacturing, services, or export-import, almost every other industry is supported by the infrastructure sector. However, the infrastructure sector is highly dependent on government support and prevailing market conditions & socio-economic scenario. On the lines of the last few years' [Union Budget](#), we again expect a massive emphasis on the infrastructure. While the ongoing flagship programs such as [Gati Shakti](#), [AMRUT](#), [Smart City](#), [Skill India](#), [PMAY](#), etc., will need the continuous infusion of budgetary allocations, we also foresee the announcements of altogether new flagship programs on similar scales. There are certain specific areas pertaining to [infrastructure](#) that we specifically look to receive greater attention in this year's union budget.

### Continued capital expenditure

Spending on infrastructure has been one of the thrusts that the government of India has been providing for the economic revival of the country. In the previous fiscal, the government of India invested heavily in the roads and railways infrastructure and launched important schemes like the National Infrastructure Pipeline Project and PM Gatishakti scheme. This year, the infrastructure sector expects the government to continue this trend of capital expenditure and further increase it. Infrastructure spending has a multiplier effect on the economy and the momentum gained through capital expenditure in the sector can pull the entire economy out of the slump and push it on a growth path. Therefore, the infrastructure sector expects that the government will continue rolling out new schemes and programs for infrastructure spending. Further to the allocations, we expect to see the actual deployment of funds increasing on these schemes during the coming fiscal. Even though there is provision for timely payments to MSME but PSU and government departments don't adhere to this rule. Due to this MSME sector is facing a severe cash crunch.

### More clarity on asset monetization

Asset monetization was one of the most important schemes rolled out by the government in the previous fiscal. It will not only lead to efficient operation and better maintenance of the country's assets by the private sector but will also put a big amount of cash in the government's hands for further spending in the sector. This year, the infrastructure sector expects further clarity and action on the scheme. Large infrastructure players might want to play their part in the infrastructure monetization while others might be interested in new investments by the government through the money earned by the scheme.

### Easing norms for raising funds

Investments in infrastructure projects are often very large and the gestation periods are long. This is a significant reason why infrastructure developers find it difficult to raise funds for their projects. One of the long-standing demands of the infrastructure sector is easing the norms to raise funds. Taking steps to attract FDI, ease the risk weightage of loans, develop alternate channels for funding, etc could be some of the steps to help the sector raise capital with greater ease.

### Higher spending on education & health infrastructure

In the previous budget, the government focused on spending on the healthcare sector. While continuing the same, this year the education sector expects additional emphasis. Higher spending on creating world-class education infrastructure especially in the small towns and the rural areas could be India's push to become a skill-based economy. The infrastructure sector expects the government to spend on creating infrastructure to develop skilled professionals for the sector. It is noteworthy that the infrastructure sector has been plagued by a lack of skilled professionals for a long time. The escalation of the Skill India mission could be a great vehicle to achieve this objective.

### Focus on creating export infrastructure

If India is to become a 5 trillion dollar economy, it needs to focus on manufacturing and exports. The government needs to focus on creating infrastructure to ensure smooth exports. The export infrastructure (seaports, airports, dedicated railway corridors, etc) needs special emphasis from the government in the upcoming budget. Related to the same, greater focus will be needed on supply chain and warehousing infrastructure.

### Incentivize the use of technology

The over-dependence on manual labor is one of the vulnerabilities of the infrastructure sector. The pandemic and the reverse migration highlighted this lacuna. Infrastructure companies need to invest in various modern machinery and automation to overcome this weakness. However, looking at the current scenario, it might be difficult for infrastructure companies to bring in new technologies on their own. They need government support to do so. In this budget, the government should consider incentivizing the developers for the usage of technology. These incentives could be in form of tax holidays, rebates, or priority in awarding of government projects.

Apart from the above broader issues, the industry expects some protection or compensation from repeatedly occurring disruptions like frequent stoppage of construction activities at short notices. There is also an immediate need of creating a nodal agency to assess liabilities for delay of projects for reasons due to non-action of government department online. Also, a time-bound process to compensate for such losses need to be worked out and followed strictly. If these issues are taken care of in the forthcoming Union Budget, the infrastructure sector will see a much speedier growth which is absolutely indispensable in the present conditions.

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