



## ORIGINAL RESEARCH PAPER

Commerce

## Impact of Infrastructure on Socio Economic Development in Jammu and Kashmir

**KEY WORDS:** Infrastructure, Growth and Development, Tourism Infrastructure, Poverty Reduction

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## ABSTRACT

Infrastructure is the prerequisite for the development of J&K economy. Transport, telecommunications, energy, water, health, housing, and educational facilities have become part and parcel of human existence and it is difficult to imagine a modern world without these facilities. These are vital to the household life as well as to the economic activity and infrastructure play a crucial role in promoting economic growth in the state and thereby contributes to the reduction of economic disparity, poverty and deprivations in a State. Greater access of the poor to education and health services, water and sanitation, road network and electricity is needed to bring equitable development and social empowerment. It is an important pre-condition for sustainable economic and social development. Infrastructural investments in transport (roads, railways, ports and civil aviation), power, irrigation, watersheds, hydroelectric works, scientific research and training, markets and warehousing, communications and informatics, education, health and family welfare play a strategic but indirect role in the development process, but makes a significant contribution towards growth by increasing the factor productivity of land, labour and capital in the production process, especially safe drinking water and sanitation, basic educational facilities strongly influence to the quality of life of the people. This study establishes the relationship between infrastructure and economic development.

## Introduction

Infrastructure investment is an important driving force to achieve rapid and sustained economic growth in the J&K State. The presence of sufficient infrastructure will require for the modernization and commercialization of agriculture and the achievement of income surpluses for capital accumulation. It can provide a basis for the expansion of local manufacturing industries, as well as enlarging markets for the outputs of these industries. Many studies have found a positive relationship between the level of economic development (measured by per capita income and other indicators), and quality of housing and access to basic amenities like electricity, safe drinking water, toilets (Human Development Report of India 2011). There is a precise link between infrastructure and development. Infrastructure investment directly affects the economic development. Therefore, that the only way to build up a country's productive potential and raise per capita income is to expand the capacity for producing goods, this need not refer simply to the provision of plant and machinery, but also to roads, railways, power lines, water pipes, schools, hospitals, houses and even "incentive" consumer goods such as consumer durables, all of which can contribute to increased productivity and higher living standards and agriculture production, however, requires power, credit, transport facilities, etc. In J&K industrial production requires not only machinery and equipment but also skilled manpower, management, energy, credit facilities, marketing facilities, transportation services which include railways, roads, shipping, communication facilities, etc. All these facilities and services constitute collectively the infrastructure of an economy. Regions with inadequate infrastructure usually have lower per capita income, bigger proportion of the primary sector, and smaller population density. Regions with high infrastructure level usually have higher per capita income, a smaller proportion of the primary sector and bigger population density. In which regions having a good basic facilities like health, educational, transport, communication, water, sanitation, energy, housing, etc. it will attract more investments especially the small and marginal entrepreneur starts their production activities. Good transportation, low cost of electricity, availability of skilled labor facilities always negative effects on the cost of production, positive effects on production as well as profit levels. Inadequate infrastructure and services become the burden for infrastructure suppliers, and led the low efficiency of output. World Development Report(1994) published by the World Bank under the title „Infrastructure for Development' rightly mentions that "the adequacy of infrastructure helps determine one country's success and another's failure in diversifying production, expanding trade, coping with population growth, reducing poverty, or improving environmental conditions" Socioeconomic development can be facilitated and accelerated by the presence of

social and economic infrastructure. In Jammu and Kashmir it has been universally recognized that an adequate supply of infrastructure services is an essential ingredient for productivity and growth and if these facilities and services are not available in the state development will be very difficult, it will lead negative effect on the production activities of the economy, which means lower levels of production capacity is always leads to the under utilization of the resources, scarcity of goods and services. People will spend more money for obtaining basic needs and facilities. It can be linked to a very scarce commodity that can only be secured at a very high price and costs. The pursuit of higher level of welfare for the citizens of countries in the era of globalization requires efficiency, productivity and growth in all spheres of economic activities.

## NEED FOR THE STUDY

Every economy either developing or developed has two kinds of main basic objectives

1. Providing basic needs and facilities to their population of the state.
2. Achieving higher growth rates in the state economy

The present paper provides how infrastructure impacts growth and development in the J&K state. How infrastructure plays a dynamic role to fulfill their growth targets as well as achieving higher living standards of their mass population in the J&K State.

## OBJECTIVES OF THE PAPER

1. To find out the role of Infrastructure on J&K economy.
2. To analyses the socio economic relationship between infrastructure development and economic growth.
3. To find out the impact of infrastructure investment on economic development in the state.
4. To evaluate the role of infrastructure on poverty reduction.

## METHODOLOGY

The present study based on the secondary data, collected from the different sources like books, magazine, newspaper, journals, World Development Reports of various years, Human Development Report of India (2011). Why infrastructure is more important other than the growth determinants and how infrastructure influences the different sectors of the economy in the J&K state.

## Infrastructure Development and Economic Growth Linkage in the state

Provision and maintenance of adequate infrastructure facilities are absolutely necessary if rapid economic growth is to be achieved and sustained in the J&K. The availability of infrastructure like

power, telecommunication and transport is absolutely vital for accelerated development and modernization of a State. "The link between infrastructure and development is not a once for all affair, it is a continuous process and progress in development has to be preceded, accompanied and followed by progress in infrastructure. Efficient and affordable infrastructural services are key bone to the higher productivity and output growth. Energy, transportation, electricity, telecommunication, availability of skilled labors, technical and general education, health facilities, agricultural and rural infrastructure like rural roads, irrigation facilities, fertilizers and pesticides, credit facilities, availability markets all the social and economic infrastructure services are made positive and strong impacts on output growth of as well as eliminates the poor performance the different sectors of the economy. The linkage between infrastructure and economic growth is multiple and complex, because not only does it affect production and consumption directly, but it also creates many direct and indirect externalities, and involves large flows of expenditure thereby creating additional employment in the state. In this framework infrastructure affects output in two ways.

1. The direct channel where infrastructure increases the output by reducing the cost of intermediate goods in the state.
2. The other channel is through externality effect in the state.

This channel works through higher human capital returns due to education, good quality health and higher efficiency of human capital due to lower marginal depreciation of capital.

#### Investment in Human Capital

Moreover, investments in human capital and in infrastructure interact, each increasing the returns to the other and identified the various channels through which investment in infrastructure can contribute to growth in the J&K state. These are:

1. Reducing transaction costs and facilitating trade flows within and across borders;
2. Enabling economic actors individuals, firms, governments to respond to new types of demand in different places;
3. Lowering the costs of inputs for entrepreneurs, or making existing businesses more profitable;
4. Creating employment, including in public works (both as social protection and as a counter-cyclical policy in times of recession);
5. Enhancing human capital, for example by improving access to schools and health centers; and
6. Improving environmental conditions, which link to improved livelihood?
7. Better health and reduced vulnerability of the poor.

Infrastructure investment generally has two types of effects. First, it has demanded creation effect in other economic activities which is flow impact. Second, it has stock impact which makes better availability of services and improves productivity of the private sector and the economy as a whole. Therefore, infrastructure development contributes to investment and growth through increase in productivity and efficiency as it links between resources to factories, people to jobs and products to markets. The positive contribution of physical infrastructure to economic growth and development comes through increases in investment, employment, output, and income.

#### INFRASTRUCTURE, GROWTH AND POVERTY REDUCTION

However, the importance of infrastructure goes far beyond its impact on growth. It speeds up the nation's production and distribution of economic output as well as to its citizens overall quality of life. It is often said that infrastructure can be considered, if not the engine, then the wheels of economic growth. This is one part of the infrastructure story. The other part is that infrastructure helps to spread the benefits of growth, which makes the development process more inclusive. Lack of such infrastructure facilities is considered to be a major structural weakness, which holds back to underutilization of existing productive capacity and constrain, that may have unfavorable impacts on profits and

production levels adversely. Weak and inadequate infrastructure leaves the country backward and allows its people to stagnate in poverty and a lower standard of living. Investigate the relationship between physical infrastructure and per capita NSDP. What is the impact of infrastructure development on poverty? Patra and Acharya (2011) examine the spatial disparities in infrastructural facilities across 16 major states in India and in turn analyses its impact on regional economic growth and suggests that there is a positive relationship between Infrastructure Development Index & Per Capita Net State Domestic Product and negative relationship between Infrastructure Development Index & Poverty. Hence, effort should be directed to create more infrastructure facilities at the state level to raise the state domestic product and reduce the level of poverty and unemployment of the people concerned. The relationship between the availability of social and economic infrastructure and the ratio of poverty positively correlates with providing social and economic infrastructure. In which state or country providing these basic amenities or infrastructural facilities to the majority of population will benefit from these facilities, especially mass poorer sections of the society will escape from their poverty, in other words higher infrastructure facilities lower levels of poverty ratio, and low level infrastructure facilities, higher levels of poverty ratio. Infrastructure is a source of positive externalities in the development process. In fact, the absence of infrastructure is positively related to the incidence of poverty.

#### Tourism Infrastructure

The tourism industry is playing a tremendous role in the overall development of Jammu & Kashmir State of India and with its backward and forward linkages with other sectors of the economy, like accommodation, transport, telecommunication, handicrafts etc. tourism has the potential to not only be the economy driver, but also become an effective tool for poverty alleviation and ensuring growth with equity. Infrastructure development holds the key to sustained growth in the tourism sector. Therefore, Ministry of Tourism made consistent efforts to develop quality tourist infrastructure at tourist destinations and circuits. The development of any sector in the economy needs more and more investment. The growth of tourist infrastructure is prerequisite for the development of Jammu & Kashmir tourism. The tourists are attracted to the destinations not only because of the natural resource or natural beauty of the place, but because of the returns they get on the expenditure they do in the tourist place. These could be satisfaction of psychological needs like proper, safe, hassle free and affordable accommodation, good transport facilities, in and around the tourist place, good water, and hygiene and sanitation facilities. During the second-quarter of 2012, Centre has sanctioned 14 tourism mega projects of Rs. 73.50 crore for Jammu & Kashmir. The projects are meant for creation of tourist related infrastructure, development of potential spots and conservation of heritage sites in the State.

Second, the absence of other types of infrastructure does not preclude tourism, but makes achieving and maintaining service standards more difficult and expensive. The failure to provide adequate bulk services to the tourist sector is alarming. Tourism infrastructure and facilities are the main priority in planning and development. The Jammu & Kashmir government has tried to invest in building basic infrastructure such as railways, highways, roads, electric power plants, water supplies, and other related facilities. With the support of central financial assistance, some basic physical infrastructure has been constructed but this is still at a very low level.

#### SUMMARY AND CONCLUSION

Infrastructure services are essential to achieve development targets in any economy some of its major dimensions include the level of economic growth, level of education, level of health services, degree of modernization, status of women, level of nutrition, quality of housing, distribution of goods and services, and access to communication. But neither human well-being nor of economic growth is possible only through the provision of economic infrastructure as well as social infrastructure. Health and education along with support infrastructure such as shelter,

sanitation, power, telephony, and road connectivity that can give economic growth a human face. By improving the quality of human resources and enhancing capability, these indicators act as stimulants to growth. As K. C. Pant rightly said, "Infrastructure sector may not always be an engine of growth directly but they are essential rails on which the wheels of economic progress can proceed with sustained speed. Without a strong and viable infrastructure, it is difficult to achieve rapid and sustained growth of the order of 7 to 8 percent, which is necessary for progressively eradicating poverty.

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