प्रेस प्रकाशनी PRESS RELEASE

भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

संचार विभाग, केंद्रीय कार्यालय, एस.बी.एस.मार्ग, मुंबई 400001
DEPARTMENT OF COMMUNICATION, Central Office, S.B.S. Marg, Mumbai 400001
फोन/Phone: 91 22 2266 0502 फैक्स/Fax: 91 22 2270 3279

वेबसाइट : www.rbi.org.in/hindi
Website : www.rbi.org.in
इ-मेल email: helpdoc@rbi.org.in

March 05, 2009

RBI Releases Study on "Financing Transport Infrastructure and Services in India"

A Reserve Bank of India study released today - 'Financing Transport Infrastructure and Services in India,'- looks at various options for financing infrastructure in the transport sector and argues for market-based financing, within prudential limits.

The authors of the study - Prof. S. Sriraman, University of Mumbai with research staff member from the Reserve Bank (Dr. Sunando Roy) — urge for the need to consider access to alternative sources of funds to finance new investment, given the tapering of conventional sources of funding from the public sector as well as for the maintenance of the transport system. The Study was undertaken under aegis of the Development Research Group at the Reserve Bank.

To address the resource gap from existing transport infrastructural facilities provided mostly by the public sector, the study suggests:

- Setting user charges (tolls) to economically efficient levels to avoid adverse effects of distorted pricing on resource allocation of infrastructure services.
- An appropriate tariff strategy as well as better utilisation of existing infrastructure and services by enhancing their efficiency.
- A Strategy of earmarking for the roads sector since the most attractive feature of such a scheme is to link the volume and quality of services (as reflected by operating costs) and the user charges (willingness to pay).

To mobilise additional needed resources, the study makes the following suggestions:

- Draw on market-based financing as much as possible, while ensuring that sustainable/prudential norms are followed.
- Promote public-private partnerships.
- Support private infrastructure through Government guarantees. But the Government must consider the expected value of commitments in issuing guarantees.
- The financing mechanism chosen for infrastructure support should encourage greater domestic savings for investment rather than diverting resources from other investments.
- Commercial banks should play the role of "wholesale financing/banking" while the Non Bank Financing Companies (NBFCs) should play the role of "retail financing/banking".

- Financing agencies should (over a period of time) insist on viability of operations either as a firm or as an association/co-operative with a viable fleet and requisite infrastructure as a pre-requisite for lending to truck operators. Financial innovations should be encouraged in the context of transport project financing.
- Liberalise investment norms of contractual savings instruments. The demand for such funds should be created through a well-planned programme of disinvestment of public sector (especially infrastructure) entities promoting private participation in infrastructure, reducing budgetary and management obligation and promoting competition. Such a supply (of) and demand (for) funds can also contribute to the development of the domestic capital market.

[Note: The Development Research Group (DRG) in the Reserve Bank's Department of Economic Analysis and Policy is responsible for undertaking effective policy-oriented research backed by strong analytical and empirical basis on subjects of current interests. The views expressed in these studies are those of the authors and do not reflect the views of the Reserve Bank]

Alpana Killawala
Chief General Manager

Press Release : 2008-2009/1445