

## The Role of Public Private Partnership (PPP) in Building Society

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### ABSTRACT:

It is found for the last two decades that there has been a rapid rise of PPPs across the world. A government in developing countries like India is using PPP arrangements for improved delivery of infrastructure services and social services. Public Private Partnerships which are an integral part of the new paradigm of good governance policy is the most recent addition in the world of society and economic development in a country. The government has started a number of schemes in joint collaboration with private sectors in order to give national economy an impetus and thus enhancing the pace of economic growth. Indeed PPP has become the demand of modern India for social development. Government of India is building transport (roads, railways, and toll bridges), education, healthcare, waste management, water and other sectors services. So, it goes without saying the contributions of PPPs are becoming the preferred method for public procurement of infrastructure development. And “public-private partnership” also describes a range of possible relationships among public and private entities in the context of infrastructure and services development for society. This paper highlights the concept of PPP in Indian society and study of different PPPs sector-wise in development, It also covers up growth and benefits to the society in developing economy like India by PPP, investigating the bottlenecks of PPP projects in India and suggesting probable solutions for making PPP more effective and successful.

**Keywords:** *PPP Projects, Infrastructure, Joint collaboration, Social development*

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### INTRODUCTION

Public Private Partnership (PPP) is most popular in the development sector throughout the world level, especially, in the developed and developing countries and the partnership is being seen as the alternative solution of social development problems, such as: Infrastructure, Health, Education, Power and other sectors. These sectors have complementary strengths, which by combining can broaden the financial base for social services. In theory, the non-profit sector (Public sectors) exists with a vision of social development through people’s initiatives, while profit sector (Private sectors) exists to make profit and therefore it applies market-

based solutions to problems. The public sector, by contrast, attempts to ensure equity and access for citizens and redresses problems of market’s limitations. Given the differences in characters and natures of the public and private sectors, forming partnerships means the sharing of benefits as well as responsibilities in joint efforts to solve social development problems of society.

PPP projects are society oriented projects, which deliver good quality of infrastructure and service to society with wide ranges of private sector’s interest. The PPP promotes clear customer focus through reduced cost, faster services, and improved service quality. Further,

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PPP promotes greater efficiency in terms of improved coverage, access and enhanced social service. During last few years, Public Private Partnership (PPP) has become a favorite tool for providing public services and developing society in both developed and developing countries. But in general level Public Private Partnerships (PPPs) are generally recognized as long- term cooperative institutional arrangements between public and private sectors to achieve various objectives. There is a wide range of PPPs with diverse features and involved in different activities. There are different definitions for PPPs in the literature on the subject. PPPs are viewed from different angles. These include as a way of managing and governing organizations, as an institutional arrangement for financial relationship, as a development win-win strategy for and also as a language game. The review of different definitions indicates that there is no precise agreed definition of PPP.

The Government of India defines PPPs as: ‘A partnership between a public sector entity (sponsoring authority) and a private sector entity (a legal entity in which 51% or more of equity is with the private partner/s) for the creation and/or management of infrastructure for public purpose

for a specified period of time (concession period) on commercial terms and in which the private partner has been procured through a transparent and open procurement system’. (Department of Economic Affairs, Ministry of Finance, Government of India, 2007a) (figure 1).

On the basis of above discussion, we can say that Public Private Partnership (PPP) is a platform where private and public sectors meet together in long-term contractual agreement to produce a required infrastructure like roads, airports, port and social service like health, education, sanitation, water systems, etc. Here private entity is responsible for financing, design, construction, operation and maintenance of the facility of PPP projects for agreed duration known as concession period and at the end of the period transfers the ownership of the operational facility to the government at no cost. In return, the private entity generates revenue either from the levying of tariffs on users or the receipt of periodic service payments from the government over the life of the according agreement. Infrastructure demand is targeted \$1 trillion under India’s 12th Five-Year Plan (2012-2017).

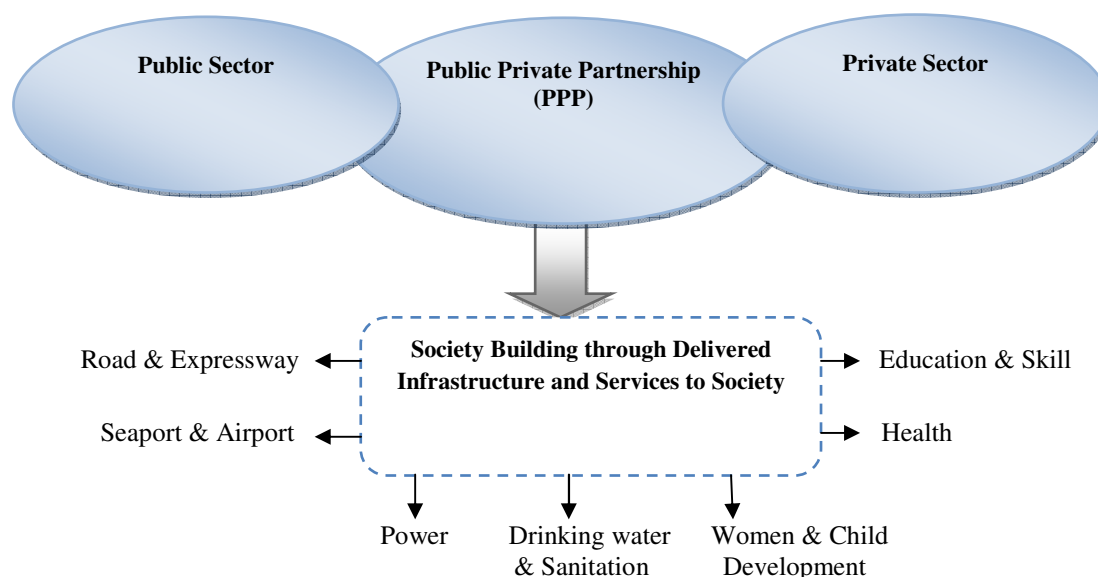


Figure 1: Conceptual model of Public Private Partnership (PPP) in society building

### **Literature Review**

Smita and Sangita (2008) suggested that the PPP is alternative service delivery model to achieve efficiency and address shortages, although unlikely to replace fully traditional services deliver by governments. And efficiency level of service delivery has improved and shown result in some of the public utilities in area. Mahalingam (2008) said given India's infrastructure needs, PPPs are a necessity and not just an option. However there are a myriad of issues that need to be addressed and resolved in order to facilitate a better understanding on how to develop infrastructure efficiently and seamlessly via PPPs. Lakhmanan (2008) elaborated the status of the PPP in the infrastructure development in India both in the central government schemes as well as state sponsored schemes is not encouraging stable macroeconomic framework, sound regulatory structure, investor friendly policies, sustainable project revenues, transparency and consistency of polices effective regulation and liberalization of labor laws, and good corporate governance are the basic requirements, which define the successes of the PPP model. Babli (2008) discussed the growth of an economy is always measured in terms of the Infrastructure facilities distributed over the geography of nation. The purpose it serves and the sustainability of the Endeavour will always remain a pre-requisite for the project envisaged. With all the toolkits available to decipher the necessity and viability of an infrastructure project, Public Private Partnership is a mechanism here to stay in the days to follow. Prudent measures arising due to the lack of available legal framework and a systematic regulatory interference shall mark the beginning of a new era. Gopal et al. (2009) in the wake of increasing challenges to deliver quality public services in developing countries like India, public private partnerships seems to address some of the major problems governments are facing such as investment needs and trained manpower capacity constraints. These services are now increasingly being used by the citizens. Charles (2009) there is no clear link between policy environment and institutional structures in a state and its success in getting PPP investments. There are no clear and obvious commonalities in policy

environment among Indian states which were successful in getting more PPP projects compared to other states. Barowalia (2010) discussed Thus PPP emerges as an inevitable mode of providing infrastructure and other basic services. However, for a country like India, poised to be one of the leading economies of the 21st century, PPP is perhaps the best available option. The need is to use PPP extensively both for infrastructure development as well as for social development to transform India into a developed country. PPP is a tool for all-round development and the benefits depend on how such tools are utilized by the policy and decision-makers. Singh (2011) found that the public sectors alone can't meet the required funds and technology for the projects. So the Government decided to accomplish this business by collaborating with the sector which could provide this requirement which was none other than the private parties. Thus PPP emerged as a joint collaboration of the public and private sectors. Priya and Jesintha (2011) the foreign players are investing with domestic player in PPP projects. The scope of PPP in India is good and only state had benefit from it.

### **Objectives of Study**

The basic objective of this study is:

- ✓ To assess the present scenario of Public Private Partnership (PPP) in Indian States in society building and development.
- ✓ To analyze the challenging issues in Public Private Partnership (PPP) in Indian states.

### **Rationale of the Study**

The present study is helpful to analyze the present scenario of PPP in Indian States. This study will assist the nation as it provides futuristic way for investment of Private sector in building society. The collaboration between Public and Private sector entity can be strengthened by implementing the recommendation of this study.

### **Hypothesis**

H0: There are no significant of PPP Projects affected in society development.

H1: There are significant of PPP Projects affected in society development.

## RESEARCH METHOD

This research paper is carried out with the help of only secondary data collected from different sources. All the data relevant to PPP projects in India and different states are available in the Government of India official website namely <http://www.pppinindia.com> and website of the committee on infrastructure, Planning Commission and Investment Commission of India. The other major tools for the collection of the information has been from available literature as, journals, books, and news of Govt. of India and states Govt. related to the PPP.

## RESULTS AND DISCUSSION

PPP approach can have a strong positive influence on Social Building, its welfare and sustainable development. The effect of carrying out PPP work is positive as it assists growth and progress of the society in particular and nation in general.

## State Wise PPP Projects Status

The data related to PPP projects status report as on 31st July, 2011, from the Government of India's database is compiled and given in blow tables 1 and 2.

As per the database of table 1, both the central and state agencies put together, there are 758 total PPP Projects in various stages from bidding to completion. The total value of the PPP Projects is Rs.383332.1 Crore. Karnataka has the maximum number of projects i.e., 104(13.72 %), followed by Andhra Pradesh 86(12.66%), Madhya Pradesh 78(11.34%), Maharashtra 78 (10.29%), Gujrat 63(8.31), Rajasthan 59 (7.78%), Tamil Nadu 43(5.67%). According to the value of projects, the state of Andhra Pradesh tops the list with 86 projects at an estimated value of Rs. 66918.3 Crore which is 20% of total value of all projects put together for the entire country, followed by Maharashtra Rs. 45,592.0 crore (11%) with 78 projects, Karnataka Rs. 44658.9 crore (10%), Gujarat Rs. 39637.2 crore (8%), And Uttar Pradesh Rs. 26595.8 crore.

Table 1: State wise PPP projects figures

Name of State	Total No. of Project	Value of Contract	Name of State	Total No. of Project	Value of Contract
Andhra Pradesh	96	66918.3	Madhya Pradesh	86	14983.4
Assam	4	391.2	Maharashtra	78	45592
Bihar	6	2093.8	Meghalaya	2	762.1
Chandigarh	2	75	Orissa	27	13349.7
Chhattisgarh	4	838	Punducherry	2	3366.8
Delhi	13	11316.6	Punjab	29	3562.5
Gao	2	250.6	Rajasthan	59	15027.3
Gujarat	63	39637.2	Sikkim	24	17110.6
Haryana	10	11163.1	Tamil Nadu	43	18628.6
Jammu & Kashmir	3	6319.8	Uttar Pradesh	14	26595.8
Jharkhand	9	1704.1	Uttarakhand	2	521
Karnataka	104	44658.9	West Bengal	30	6617.1
Kerala	32	22281.5	Inter State	14	9567.8
			Total	758	383332.1

Source: Report of the Ministry of Finance, Government of India [www.pppinindia.com](http://www.pppinindia.com))

## Sector Wise Project Value Status

Table 2: Sector wise figures

Sector- Wise	Total Number of Projects	Based on 100 Crore	Between 100 to 250 Crore	Between 251 to 500 crore	More than 500 crore	Value of Contracts
Airports	5	-	-	303.0	18808.0	19111.0
Education	17	424.2	365.5	460.0	600.0	1849.7
Energy	56	337.6	934.0	3083.0	62890.0	67244.6
Health Care	8	315.0	343.0	275.0	9000.0	1833.0
Ports	61	86.0	1745.3	4304.8	74902.1	81038.2
Railways	4	-	102.2	873.0	594.3	1569.6
Roads	405	4364.6	11696.5	38520.5	122143.3	176724.9
Tourism	50	1132.6	1503.5	800.0	1050.0	4486.1
Urban Development	152	2812.0	3136.9	6688.2	16838.0	29475.0
<b>Total</b>	<b>758</b>	<b>9471.9</b>	<b>19826.9</b>	<b>55307.5</b>	<b>298725.8</b>	<b>383332.1</b>

Source: Report of the Ministry of Finance, Government of India www.pppinindia.com)

Sector wise analysis indicates in table 2 that, Road sector dominates the list with maximum number of PPP Projects 405 (53%), followed by urban development with 152 No.'s (20%), Ports with 61no's (8%), energy sector 56 (7%), Air port projects 5, and tourism projects 50, and 4 projects in Railways. When looking at the total estimated project cost of PPPs in terms of projects, we see that Road Sector account for 46% of the total (Rs. 176724.9 crore), because of the small average size of project. Ports, with a much larger average size of project, account for 21 percent of the total (Rs.81038.2 crore). The value of the 5 Airports project is 5% of the total value (Rs.19111.0 crore). It is noteworthy that if ports and central road projects and airport projects are excluded from the total, there is in fact a relatively small value of flow, at only Rs.3000 crore in basic infrastructure PPPs to-date suggesting a significant potential upside for PPP projects across sectors, where states, municipalities have primary responsibilities.

### Hypothesis Testing

Above analysis and results indicates that there are significant of PPP Projects affected in society development. It clearly shows that PPP

Projects are developing high quality infrastructure and delivering better quality of services. This accepts our alternative hypothesis that PPP Projects (leading Sub-sectors like road, port, urban development, education, health and sanitation) play significant role in building or development of society. And rejects the null hypothesis that is, there are no any significance of PPP Projects effected in society development.

### Effect of Viability Gap Funding

Here the effect of VGF (Viability gap funding) scheme is clearly seen on Infrastructure projects like road, port and others sectors projects. Which is highly in number projects and as well as value of amount. This is because of VGF scheme financial support to PPP projects in infrastructure. This scheme aim to support infrastructure projects those are economically justified but short of financial viability. The total VGF provided under the scheme is up to 20% of the total capital cost of the project.

Public-Private Partnership (PPP) help to provide growth to building society through health, education, drinking water & sanitation, environment Protection, Women & child development and agriculture development

sectors. Health sector is important and timely in the light of the challenges the public sector is facing in health care finance, management and provision. But PPP in health sector are expansion across the country. Now days this sector focus on AIDS, malaria, developing and facilitating access to vaccines & drugs and improving health services. In education sector PPP fill the gap of demand and supply of finances for basic, elementary and higher educational institutions. PPP achieve desired education outcome through relocating or building new schools, colleges, universities and providing management services. Along with PPP arrange portable water in rural areas through programs supply of drinking water. And various private sectors companies are collaborate with the government in order to increase pace of work for agriculture development across the country.

#### Challenging Issues

Despite its benefits and increasing adoption of PPP in Indian States, there are some constraints in PPP projects in Institutional & Organizational and project level of PPP projects implementation. These Challenges are summarized below in figure no- 2 as: In institutional & organizational level construction, some sectors suffer a lot of obstacles because of stringent regulatory framework. And several

PPP proposals for projects at the state level face hurdle due to the lack of enabling PPP legislation. At the political level there is a lack of interest in several states on the practical usefulness of PPPs in developing infrastructure. In PPP projects at the state level is show the lack of trust between the private and the public sector, increase in transaction costs to plan, and low trust between private and public sector are bottleneck issues. In some cases due to above reason project cancelation. So it is important to make the framework into PPP-friendly (figure 2).

In project level constraints have another set of reasons of challenges issues for the relative lack of PPP Projects implementation at the state level. There are issues like project specific factors equity contact, project governance, Public- Private finance, viable fee/ tariffs, social acceptance, economic viability, management regulation and overweight, and problem in coordination and approval of too many agencies. All these issues create problem in growth of PPP Projects and as well as demoralize the private sectors to investment in delivered of infrastructure and services to society. If government expect to meet batter quality of infrastructure and services to society, than all challenges issues would have been eliminate from the PPP Projects implementation. The growth PPP Projects will be increasing very smoothly way.



Figure 2: Challenges in PPP projects



## CONCLUSION

On the basis above discussion and analysis of tables 1 and 2, here we can say state like Andhra Pradesh, Gujarat, Maharashtra, Karnataka, Rajasthan and Madhya Pradesh have maximum number of projects and value of contract of projects. These all states have taken advantage of reducing the gap to meet increasing infrastructure needs and social exclusion by PPP Projects. Partnership further can bring creativity, dynamic, resilient, innovation, energy, vibrant and capacity building to improve service delivery. Some states which have high number of PPP Projects is found as the most innovative tool for served Public goods and services, which assist to society for batter living standard because these sates have active political approach and attractive policy for investors as well as supportive law and regularity framework. There are some hurdles like lack of good coordination between central and state government, uninteresting of private party, unsound of financial credibility and stringent regulatory framework. Due to all these reason some states they have low number of PPP projects, and here PPP is critical in promoting innovation in technological, institutional, and organizational behaviors and practices in service delivery. Above discussion and analysis has shown that the sector wise awarded Projects and the value of that PPP projects. The interest of private investors in Indian states under PPP model is more towards in sub-sector of Infrastructure development rather than service sectors. Projects of infrastructure sector like road, port, and urban development high in number as well as in term of value in comparison to service sector projects like education, health care and energy distribution. Government offers various financial schemes to create interest in private sectors to invest in all sectors. Sector like road, urban development, port and tourism have more dominant in among of them.

On the basis of my findings on the subject cited above following conclusions may be drawn: This paper has presented an overview of status of the PPP projects with sector wise in states level. All these projects help to development of society. Here we observed that some states like Karnataka, Andhra Pradesh, Maharashtra, Gujarat and Rajasthan have highly

leading states in number PPP Projects and as well as in value of contract of projects. These states have good legislative framework, effective planning of states government and clear cut vision full implementation. There are massive scopes for expansion of the use of PPP in nearly every sector and also the role of PPP as another way of promoting better service to the society. Developing India, with paucity of basic infrastructure and essential services is a new horizon for private sector. Thus PPP emerges as an inevitable mode of providing infrastructure and other basic services. Of course there are no doubts on the credibility and efficiency of PPPs. The need is to use PPP extensively both for infrastructure development as well as for social development to transform India into a developed country.

## RECOMMENDATIONS

The following suggestions were made based on the basis of above discussion. This will be helpful in improving the performances of PPP projects and making PPP scheme more effective and successful. Government will have to show interest and commitment towards private sector in respect of secure return on investment (ROI). Private sectors come out with approach of corporate social responsibility (CSR) and serve the society through PPP. Government should be needed more focus on delivery of services sectors. And here expansion of PPP must be in multi sectoral development for gaining more growth in society development, and to achieve socio economic growth.

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