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Role of World Bank Group and Asian Development Bank in Economic Development of India

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ABSTRACT:

International Financial Institutions (IFIs) refer to financial institutions, have been established by more than one country. Their owners or shareholders are generally national governments. The goal of IFIs is to establish a framework for economic cooperation and development that would lead to a more stable and prosperous global economy. It is true for our country also. This paper reflects role of World bank group and Asian Development Bank in economic development of India.

KEYWORDS: Co-financing, World Bank, Asian Development Bank, International Financial Institutions

I INTRODUCTION:

After the Second World War (1939-45), several institutions at the international level were formed. Prominent among them were United Nations Oranisation (UNO), International Bank for Reconstruction and Development (IBRD), International Monetary Fund (IMF), World Health

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Organisation (WHO), International Labour Organisation (ILO), World Bank Group, Asian Development Bank etc. Out of these international institutions, IBRD , IMF, World Bank group , Asian Development Bank came to be known as International Financial Institutions (IFIs). IFIs refer to financial institutions that have been established by more than one country. Their owners or shareholders are generally national governments. The goal of IFIs is to establish a framework for economic cooperation and development that would lead to a more stable and prosperous global economy. The IFIs could influence the economic development via several channels, important among them are advice to policy makers and money disbursed under various programmes. Among IFIs, the Bretton Woods sisters, International Bank for Reconstruction and Development (IBRD) and International Monetary Fund (IMF) were formed in the fiscal 1944 on the basis of the Keynes Plan (prepared by John Maynard Keynes) and the White Plan (prepared by American expert Harry D. White). The basic features of these plans were fused into a common plan, which was presented at the United Nations Monetary and Financial Conference held in Bretton Woods in July 1944. Other IFIs include African Development Bank (AfDB)", Inter- American Development Bank (IDB) and European Investment Bank (EIB) .

II. ROLE OF WORLD BANK GROUP IN ECONOMIC DEVELOPMENT:

World Bank Group, among major international financial institutions, play significant role for economic development of India. India, largest recipient of loans from the World Bank, amounting to $102.1 billion, till July 21st, 2015, as per the report of World bank. International Bank for Reconstruction and Development (IBRD), a part of the World Bank group, had lent $52.7 billion, the International Development Association (IDA), a multilateral concessional lender of World Bank, has given financial support through loan $49.4 billion to India over the last 70 years. India's financial support from the World Bank stand at $104 billion, IBRD—$54 billion and IDA—$50 billion as on December 31, 2015. Out of these, the World Bank has disbursed $73 billion, with India repaying $37 billion. World Bank's financial support has been utilized for lending funds for infrastructure development of India in urban and rural sector. These

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projects include transport, water, irrigation agriculture, power and health. IBRD is world's largest development bank for eliminating poverty. IDA is the main origin of concessional finance for growth of economy and poverty reduction in India. World Bank (including IBRD and IDA) assistance in 2015 was $42.4 billion, as on July 21, 2015.

IBRD gave assurance for lending $23.5 billion in fiscal 2015; IDA's commitment was $18.9 billion. Our country received 9% ($2.1 billion) of commitments from IBRD which was largest to any country in the year 2015.Water, sanitation and flood were the areas where a major portion of funds were received. Funding was received for other areas, include transportation (18%) , education (11%) , public administration and law (10%) , health & social services (4%) , energy and mining (1%) and information & communication. In the year 2015, the undisbursed balance from the World Bank was $16.6 billion. Gross disbursements to India were $2.7 billion in the year 2015, repaying $2.2 billion to India. Significant contribution of World bank was financial support to skill training programme for minorities on December 30,2015. Out of project size ($ 100 million and in Indian currency Rs.650 crore) 50% will come from the IDA and half from the union budget.

III. ROLE OF ASIAN DEVELOPMENT BANK IN ECONOMIC DEVELOPMENT:

Vision of Asian Development Bank (ADB), an international development financial institution, is of an Asia and Pacific region free of poverty. ADB was established in 1966 through the Agreement Establishing the Asian Development Bank (the Charter). ADB is owned by 67 members, 48 of which are in Asia and the Pacific. ADB provides various forms of financial assistance to its developing member countries (DMCs). The main instruments are loans, technical assistance (TA), grants, guarantees, and equity investments. These instruments are financed through ordinary capital resources (OCR), Special Funds, and trust funds. ADB operations are financed from OCR and Special Funds. The Charter requires that funds from each

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resource be kept and used separately. Trust funds are generally financed by contributions and administered by ADB as the trustee. ADB also provides policy dialogue and advisory services, and mobilizes financial resources through its co-financing operations, which access official and other concessional, commercial, and export credit sources to maximize the development impact of its assistance. Co-financing for ADB projects can be in the form of external loans, grants for TA and components of loan projects, equity, and credit enhancement products such as guarantees and syndications. ADB-supported projects and programs have had significant development impact, improving the lives of the ultimate beneficiaries. Large infrastructure projects are the priorities in India. ADB has continued its support for improving the rural road network through the Rural Connectivity Investment Program, which will construct or upgrade about 9,000 kilometers (km) of rural roads to all-weather standards, connecting around 4,000 habitations in the states of Assam, Chhattisgarh, Orissa, Madhya Pradesh, and West Bengal. To help ease urban traffic congestion, ADB will continue its assistance to develop an urban mass transit system in India by supporting the Jaipur Metro Rail Project. The metro-rail network consists of 2.3 km of underground rail and two stations. ADB's support for clean energy in India will continue through the Rajasthan Renewable Energy Transmission Investment Program, which will help expand the transmission network capacity by laying 1,852 km of transmission lines that will carry solar energy from western Rajasthan to the state and national grids.

Through the Supporting Human Capital Development project in Meghalaya, ADB marks its first foray into the skills sector in India. The project will enhance the employability of Meghalaya's youth (16–35 years old) by improving the quality, access, and delivery of its secondary and higher secondary (SHS) education, and technical and vocational skills development programs. The project is expected to result in a 5% reduction in the dropout rate per annum for both girls and boys at SHS levels in 117 government-aided private schools under the project. Co-financing operations enable ADB's financing partners, governments or their agencies, multilateral financing institutions, and commercial organizations, to participate in financing ADB projects. The additional funds are provided in the form of official loans and grants, and commercial

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financing such as B loans, risk transfer arrangements, parallel loans, and co-financing for transactions under ADB's TFP. By the end of 2013, cumulative direct value-added (DVA) official co-financing for India amounted to $1.18 billion for 18 investment projects, and $97 million for 113 technical assistance projects. Cumulative DVA commercial co-financing for India amounted to $543.26 million for six investment projects. ADB has also launched an innovative partial credit guarantee facility—India Infrastructure Finance Company, Credit Enhancement of Project Bond—that will support credit enhancements of infrastructure project bonds to enable cash-rich pension funds and insurers to invest in these bonds. As a catalyst for private investments, ADB provides direct financial assistance to non-sovereign public sector and private sector projects in the form of direct loans, equity investments, guarantees, B loans, and trade finance. Since its inception, ADB has approved $3,168.7 million in non-sovereign operations.

IV CONCLUSION

It is evident that financial sector plays important roles in the economic development of a country. The most significant part of financial sector is the financial institutions. Especially international financial institutions provides financial assistance in different forms. These institutions have traditionally been the major source of long-term funds to the different sectors of economy. These institutions provide a variety of financial products and services to fulfil the varied needs of the different sectors. Besides, they provide assistance to different skill development programmes. Financial support provided by World bank group and Asian Development Bank ensures the economic well-being and quality of life of our country, region or local community , resulting economic development of India

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