Asset Monetization: A Sustainable Approach to Economic Expansion in India.

Dr. C. Vijendra [1]

ABSTRACT

Asset monetization has emerged as a crucial strategy for sustainable economic expansion, particularly in developing economies like India. With the country's growing infrastructure needs, fiscal constraints, and the demand for improved public services, monetizing underutilized or idle government assets offers a viable solution to unlock significant financial resources. This paper explores the concept of asset monetization in India, highlighting its potential to generate funds for infrastructure development, reduce fiscal deficits, and promote public-private partnerships. It examines key initiatives like the National Monetization Pipeline (NMP), the role of public-sector undertakings (PSUs), and land monetization. The paper also discusses the challenges and risks, including issues of transparency, public perception, and asset valuation. By analyzing global case studies and providing a strategic framework for India, this study presents asset monetization as an essential tool for driving long-term economic growth, improving social welfare, and fostering a more resilient economy.

Keywords:

Monetization, Underutilized, Public-Private Partnerships, National Monetization Pipeline, resilient economy

INTRODUCTION

It is the process of creating new or alternative source of revenue to the country by utilizing the under-utilized public assets. A public asset such as land, roads, airports, pipelines, etc., that as remained unutilized. Such assets invite investment opportunities for to the institutional investors or private sector through structured mechanisms. The aim of the Government of India is to innovate and enrich assets which has remained unresponsive in terms of yield economic benefits to the economy. Many countries like Japan, USA, France, Canada, China etc have used Asset Monetization and reaped benefits. It is the way of raising funds for new development by using existing infrastructure. These funds can be used for socio-economic development, industrial, commercial, tourism and enhancing the infrastructure projects.

Under the Asset Monetization, the government transfers revenue rights of an asset to private parties for a specified transaction period, in return for upfront money, a revenue share, and commitment of investments in the assets. Real estate investment trusts (REITs) and infrastructure investment trusts (InvITs), for instance, are the key structures used to monetize assets in the roads and power sectors. Other monetization models on PPP (Public Private Partnership) basis include:

Operate Maintain Transfer (OMT)

Toll Operate Transfer (TOT)

Operations, Maintenance & Development (OMD)

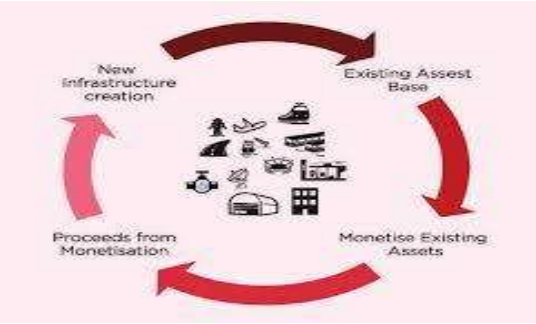
---

[1]Associate Professor, Institute of Insurance and Risk Management, Hyderabad

OMT and TOT have been used in the highways sector, while OMD is being deployed in the case of airports.

Asset Monetization Cycle is a process where some non-performing assets are identified and monetized and with the proceeds of monetization new infrastructure is created. The following figure shows the Asset Monetization Cycle

Figure A: Asset Monetization Cycle:



Source: www.niti.gov.om

National Monetization Pipeline (NMP): In 2012, a committee lead by Vijay Kelkhar has suggested the concept Asset Monetization. The committee suggested that in order to raise resource development, the government shall start monetization as key instrument to raise the resources for development. This initiative given by the committee is initiated in 2021 by the Union Ministry of Finance which launched the National Monetization Pipeline (NMP). This is the initiative taken which will help to raise the revenue by 6 Lakh Corer by 2025. The new NMP aims to generate additional revenue by offering unutilized and underutilized assets to companies in the private sector for a period of four years between 2022 to 2025. The sectors selected to initiate NMP are

1. Roads spread across 26,700 km and 22 stretches.
2. Railways comprising of 90 passenger trains and 28,600 km of transmission lines.
3. Telecom for BharatNet Fibre Network, BSNL and MTNL towers.
4. Warehousing assets owned by State-Owned Firms, Food Corporation of India (FCI) and Central Warehousing Corporation (CWC).
5. Mining consisting of 160 Coal Mining Assets and 761 Mineral Blocks.
6. Aviation comprising of 25 Airport Authority of India (AAI) managed airports and AAI's residual stakes in Private Sector Operated Airports.
7. Shipping which includes, 31 shipping assets.
8. Stadiums comprising of two national stadiums, including Jawaharlal Nehru stadium and two regional centres.

Some of the examples in Indis vis-à-vis NMP are

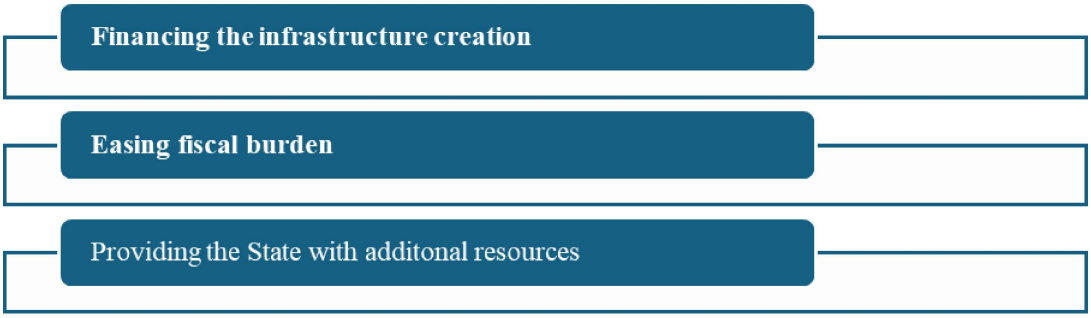
1. In 2006, Delhi airport which is built with Public Private Partnership with world class infrastructure with a total cost of Rs.12,500 Corers.
2. In 2020, the Maharashtra State Road Development Corp. Ltd awarded the tolling rights of the **Mumbai-Pune Expressway and old Mumbai-Pune corridor** for ₹8,262 crores.

Objective of NMP

1. To provide a clear framework for monetization and give potential investors a ready list of assets to generate their interest.
2. To monetize the existing asset base and using its proceeds for new infrastructure creation, recycling the future assets and build multiplier effect on growth and revive credit flow.

The following figure 1 shows the rationale behind asset monetization.

Figure 1: Rationalization of asset monetization



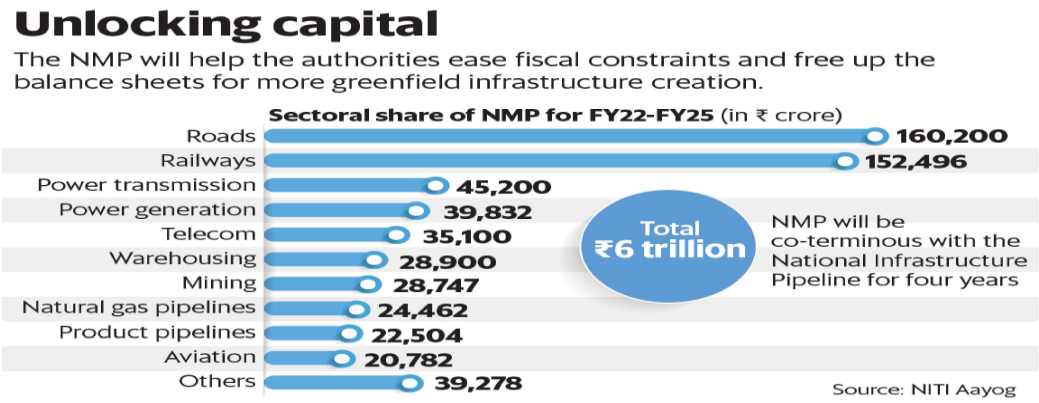
Financing the infrastructure creation: With a massive infrastructure deficit, finding resources to build physical assets is a difficult task. Hence, the government wants to monetize existing infrastructure assets by leasing them out to private firms for a fixed tenure under a revenue-sharing model.

Easing fiscal burden: It will help the authorities ease fiscal constraints and free up balance sheets for more greenfield infrastructure creation. For example, a stadium, built by the government that remains idle for the most part of the year, can be leased to a private party that can efficiently manage it by organizing cultural functions and allowing public to use it for a fee.

Providing States with the additional resources: Additional resources are needed to sustain public investment during this period of stressed public finances.

The sector wise road map of National Asset Monetization pipeline from 2022-25 is given in the figure 2 below.

Figure 2: Sector wise Road Map through National Asset Monetization Pipeline

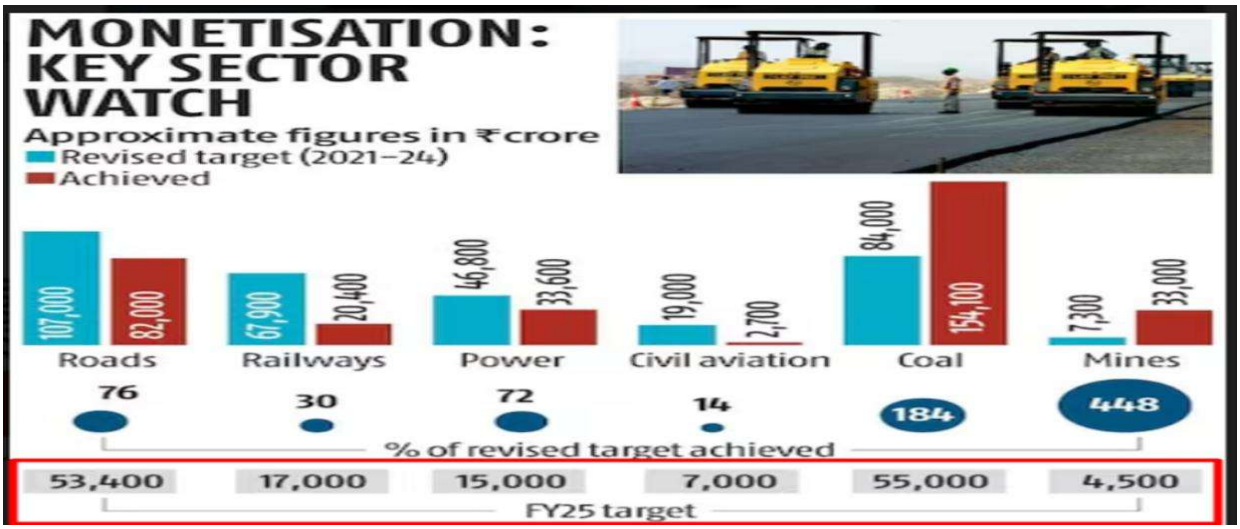


Source: https://forumias.com/blog/national-monetization-pipeline-explained-pointwise/

Currently the NMP is offering the assets belonging to Government infrastructure and Central Public Sector Enterprises working in infrastructure sector. There are no non-core assets that have been included in the National Monetizing Pipeline for monetizing the assets through disinvestment and monetisation. In this NMP plan the Government of India is not selling any public asset to the private players. Only the rights are monetized but not the ownership and therefore the monetized assets are handed back to the Government after a completion of the contract term.

The government of India had identified few sectors which require asset monetization especially in infrastructure development. These sectors are given revised target for improving infrastructure by 2025. The following figure shows the key sector improvements through asset monetization

Figure 3: Monetisation of Key Sectors



Source:https://www.business-standard.com/economy/news/fy25-asset-monetisation-raised-to-rs-1-9-trillion-eyes-nmp-target-124100901084_1.html

The NMP included assets with monetisation potential of Rs. 6 lakh crores during the four-year period. The total target for the first two years i.e. 2021-22 and 2022-23 under NMP was around Rs. 2.5 lakh crore, against which around Rs. 2.30 lakh crore was achieved. During the financial year 2023-24, against the target of Rs. 1.8 lakh crore, which is the highest among all the four years, the achievement has been around Rs. 1.56 lakh crore.

The asset monetization core committee which met in the last week of February 2025 has given targets of asset monetization by 2030. The following figure 4 shows asset monetization target 2030

Advantages of Asset Monetization:

One of the advantages of NMP is guarantees return in its return generated approach and focuses on building public – private partnerships under a defined contractual framework and by using Key Performance Indicators (KPI) and enhanced performance standards.

Expecting to generate a substantial amount of Rs. 6 Lakh Crore that will help the government to further invest the amount in developing new public infrastructure, pay the debt, develop new transportation facilities and schemes inviting more private sector investments. This will increase the efficiency in the performance of the assets to reduce the Incremental Capital Output Ratio (ICAR) and boost the GDP growth.

Increase in the incoming investment will also help the government not only increase its pool of savings but also fund new capital expenditure without adding pressure on the existing economic status. This growth will give employment opportunities in rural and urban areas and increases the standard of living. This will also attract Foreign Direct Investment (FDI) in India.

Major Challenges Regarding Asset Monetization:

1. Regulatory Hurdles: The assets belong to government, and it takes more time for clearance because of bureaucracy and lack of autonomy.
2. Monopoly: It would likely result in monopolization and inflation due to the disinvestment of critical infrastructures.
3. Long Term Lease: public assets in sectors like airports, railways, roads, power, ports, gas pipelines, mining and telecom, which have been created with taxpayers' money over the past 70 years, are being offered to private players via long term leases of 25-50 years.
4. Public assets in sectors like airports, railways, roads, power, ports, gas pipelines, mining and telecom, which have been created with taxpayers' money over the past 70 years, are being offered to private players via long term leases of 25-50 years.

The asset monetization activates the non-performing assets especially infrastructure assets which are lying dormant for many years. These assets create wealth for the country and boost employment, infrastructure, etc. This can only happen where there is public and private partnership. Asset monetization is only possible where public and private companies joined hands. There are many examples like Build Operate and Transfer (BOT) or Built Own Operate and Transfer where private sectors are given opportunity to build, operate and transfer back to the country. Such agreements have 99 years of lease, where is a possibility that the asset may become depreciated and obsolete. Therefore, the government should take appropriate steps and policies should be updated where the public can utilize such assets with efficiency.

Global Case Studies and Lessons

Several countries have successfully implemented asset monetization strategies to boost their economies:

1. **Australia**: Through its asset recycling initiative, Australia has monetized state-owned infrastructure, generating significant funds for reinvestment in new infrastructure projects.
2. **United Kingdom**: The UK has used asset monetization strategies to privatize several state-owned industries and raise funds for national projects, particularly in the transportation sector.
3. **Singapore**: The Singapore government has strategically monetized land and property assets to generate revenue, which has been used for urban development and creating new business opportunities.

CONCLUSION

NMP represents an alternative to outright sale of asset. The government has to enter into Public Private Partnership (PPP) and the government should ensure that there is no monopoly where few films capture most of the assets. The key to success lies in the way the deals are structured to make them attractive enough for enhanced private sector participation. The government should be able to make smooth implementations of the projects without hitch. The private firms are interested to increase their profits by increasing the price, limit

competition or cut back the maintenance., therefore, there should be regulatory mechanisms to curtails such acts. More importantly the NMP projects success depends upon proper execution of the project.

REFERENCES:

1. National Monetization Pipeline: Monetization guidebook, Volume 1, Niti Ayog, Sansad Marg, New Delhi, India.

2. Business Standard, March 05, 2025

3. www.ibef.org

4. www.timesofindia.indiatimes.com

5. www.business-standards.com

6. www.pib.gov.in