



**Parahyangan Catholic University**  
**Faculty of Social and Political Sciences**  
**Department of International Relations**

*Accredited A*

*SK BAN-PT NO: 3095/SK/BAN-PT/Akred/S/VIII/2019*

**Contribution of Asian Infrastructure Investment Bank  
(AIIB) to Improve Rural-Urban Connectivity in India  
through Infrastructure Development**

Thesis

By

Jasonia Putu Nataline Situmeang

2016330159

Bandung

2021



**Parahyangan Catholic University**  
**Faculty of Social and Political Sciences**  
**Department of International Relations**

*Accredited A*

*SK BAN-PT NO: 3095/SK/BAN-PT/Akred/S/VIII/2019*

**Contribution of Asian Infrastructure Investment Bank  
(AIIB) to Improve Rural-Urban Connectivity in India  
through Infrastructure Development**

Thesis

By

Jasonia Putu Nataline Situmeang

2016330159

Supervisor

Yulius Purwadi Hermawan, Drs., M.A., Ph.D.

Bandung

2021

Faculty of Social and Political Sciences  
Department of International Relations




**Thesis Approval**

Name : Jasonia Putu Nataline Situmeang  
Student ID : 2016330159  
Title : Contribution of Asian Infrastructure Investment Bank  
(AIIB) to Improve Rural-Urban Connectivity in India  
through Infrastructure Development


Have went through Bachelor Thesis Defense  
On Tuesday, 26 January 2021  
And is declared to have **PASSED**

**Defense Committee**

**Committee Chairman and Member,**

Dr. Adelbertus Irawan Justiniarto Hartono, Drs., M.A. : 

**Secretary**

Yulius Purwadi Hermawan, Drs., M.A., Ph.D : 

**Committee Member**

Giandi Kartasasmita, S.IP., M.A. : 

Approving,  
Dean of Faculty of Social and Political Sciences



Dr. Pius Sugeng Prasetyo, M.Si

## Statement

I, whom sign below,

Name : Jasonia Putu Nataline Situmeang

Student ID : 2016330159

Department : International Relations

Title : Contribution of Asian Infrastructure Investment Bank (AIIB) to  
Improve Rural-Urban Connectivity in India through  
Infrastructure Development

Hereby stated that this writing of thesis is my original work, and it has not been previously proposed for academic purposes by any other party. Any information or idea gained from external parties are officially cited in accordance to valid scientific writing method.

I declare this statement and I am willing to take any consequences given with full responsibility if this statement was found to be untrue.

Denpasar, 13 January 2021



Jasonia Putu Nataline Situmeang  
2016330159

## ABSTRAK

Nama: Jasonia Putu Nataline Situmeang

NPM: 2016330159

Judul: Kontribusi Asian Infrastructure Investment Bank (AIIB) dalam Meningkatkan Konektivitas Rural-Urban di India melalui Pembangunan Infrastruktur

---

India adalah salah satu negara dengan ekonomi terbesar di dunia saat ini yang sedang mengejar pembangunan konektivitas rural-urban, dengan bantuan pendanaan dari Asian Infrastructure Investment Bank (AIIB) sebagai Bank Pembangunan Multilateral. Penelitian ini bertujuan untuk melacak kontribusi yang dibuat oleh AIIB untuk mendeskripsikan bagaimana AIIB membantu India dalam meningkatkan konektivitas rural-urban melalui pembangunan infrastruktur. Oleh karena itu, penelitian ini menanyakan, *Bagaimana AIIB membantu India meningkatkan konektivitas rural-urbannya melalui pembangunan infrastruktur pada tahun 2016-2018?* Penelitian ini menggunakan penelitian kualitatif untuk memberikan pembahasan mendalam ketika mendeskripsikan proyek-proyek pembangunan. Penelitian kualitatif ini menggunakan teori kerangka kerja Neoliberal Institusionalisme, serta konsep-konsep seperti Multilateral Development Bank (MDB), hutang luar negeri, barang publik, dan pembangunan rural.

Penelitian ini menemukan bahwa AIIB berkontribusi pada pengembangan infrastruktur rural India oleh Proyek Konektivitas Rural Andhra Pradesh, Proyek Jalan Pedesaan Gujarat, dan Proyek Konektivitas Madhya Pradesh. Proyek Konektivitas Pedesaan Andhra Pradesh ternyata membawa manfaat bagi 17.500 orang yang sebelumnya tidak memiliki akses jalan segala cuaca, sehingga bisa meningkatkan produksi pertanian, serta mengurangi waktu perjalanan mereka (untuk tujuan pendidikan dan kesehatan), dan menciptakan peluang baru untuk pekerjaan. Proyek Jalan Pedesaan Gujarat (MMGSY), sudah selesai dan telah menjangkau mereka yang berada di bawah garis kemiskinan, untuk meningkatkan pendapatan dan memberantas kondisi kemiskinan. Di sisi lain, Pembangunan Proyek Konektivitas Pedesaan Madhya Pradesh, terdiri dari pembangunan jalan dan pengembangan institusional untuk meningkatkan daya tahan dan meningkatkan ketahanan terhadap perubahan iklim dari jalan pedesaan saat ini. Proyek-proyek ini diharapkan dapat memperlancar pertumbuhan ekonomi India melalui konektivitas rural-urban dengan menyediakan akses dan infrastruktur berkualitas di pedesaan India. Sebagai bank pembangunan yang diprakarsai oleh China, AIIB menawarkan alternatif bagi negara berkembang seperti India untuk memiliki lebih banyak pilihan dalam mengusulkan pembiayaan dan memiliki kesempatan untuk bernegosiasi dengan lebih baik.

**Kata kunci: infrastruktur, pedesaan, pendanaan, pembangunan**

## ABSTRACT

Name: Jasonia Putu Nataline Situmeang

Student ID: 2016330159

Title: Contribution of Asian Infrastructure Investment Bank (AIIB) to Improve Rural-Urban Connectivity in India through Infrastructure Development

---

India is one of the world's biggest economies today pursues rural-urban connectivity projects, with assistance of funding from Asian Infrastructure Investment Bank (AIIB) as Multilateral Development Bank. This study aims track the contribution made by AIIB to describe how AIIB assisted India in improving its rural-urban connectivity through infrastructure development Therefore this research asks, *How did AIIB assist India improve its rural-urban connectivity through infrastructure development in 2016-2018?* This research uses qualitative research to provide an in-depth discussion to describe the development projects. This qualitative research uses Neoliberal Intuitionism as framework theory, and concepts of Multilateral Development Bank (MDB), foreign aid, public goods, and rural development.

This research found that AIIB contributed to the development of rural Indian infrastructure by Andhra Pradesh Rural Roads Connectivity Project, Gujarat Rural Roads, and Madhya Pradesh Connectivity Project. Andhra Pradesh Rural Connectivity Project evidently brought benefits to 17,500 people, those lacking in all-weather road access to improve agricultural production, reduced travel time (for education and health purposes), and generated new opportunities for jobs. Gujarat Rural Roads (MMGSY), has completed and reached those below the poverty line, to increase their income and eradicate their impoverishment condition. The development Madhya Pradesh Rural Connectivity Project on the other hand, consisted of road construction and institutional development to improve durability and enhance resilience to climate changes of the current rural roads. These projects were expected to smoothen India's growing economy through rural-urban connectivity by providing access and quality infrastructure in rural India. As a Chinese-initiated development bank, AIIB offers an alternative for developing states such as India to have more options on proposing financing and have the opportunity to negotiate better.

**Keywords: infrastructure, rural, funding, development**

## **FOREWORD**

Highest gratitude to God Almighty, this thesis with the title of “Contribution of Asian Infrastructure Investment Bank (AIIB) to Improve Rural-Urban Connectivity in India through Infrastructure Development” has come to completion by his blessing. This thesis was written to attain a bachelor degree in International Relations from Faculty of Social and Political Science of Parahyangan Catholic University.

The thesis aims to describe Asian Infrastructure Investment Bank (AIIB) contribution in assisting India in improving its rural-urban connectivity, through infrastructure development. The research is focusing on three infrastructure projects which fell into the category of project start date between 2016-2018. This writing is far from perfection, apologies for any error, misinterpretation, or inaccuracy within this undergraduate thesis.

## ACKNOWLEDGEMENT

The writer could not complete this thesis alone without any support from:

1. Mom, the angel investor of this lengthy educational project
2. Jason, the brother who helped the writer for less-substantial matter such as turning on the air conditioner or printing
3. Mas Pur and Mas Irawan, for guiding the writer in total of three semesters without giving up and still believing in her
4. The writer's current place of employment, which provided her internship so she can pay off her 9<sup>th</sup> Semester tuition
5. The friends (Puput, Grace, Shay), for initiating friendship with the writer otherwise the friendship would not occur and university time would be lonely
6. Delegation of Germany PRAKDIP 2019 (Hanna, Halimah, Miftahul, Affi, Puput, Savitri, Taya, Oliv, Sheila, Muti) for being such interesting personalities allowing the writer to have a lot of fun during the conference
7. INU Student Seminar pals, for the ten days bonding time
8. HWMUN cancelled-due-to-covid colleagues, whom the writer would love visit Japan with in the future
9. RH PMKT XXI for providing the writer acting opportunity
10. And others, which the writer wish the best for.



## Table of Contents

ABSTRAK.....	i
ABSTRACT .....	ii
FOREWORD .....	iii
ACKNOWLEDGEMENT .....	iv
LIST OF FIGURES .....	viii
LIST OF TABLES .....	ix
ABBREVIATIONS .....	x
<b>CHAPTER I INTRODUCTION .....</b>	<b>1</b>
1.1 Background.....	1
1.2 Research Problem Identification.....	6
1.2.1 Research Problem Description.....	6
1.2.2 Research Focus .....	9
1.2.3 Research Question .....	10
1.3 Objective and Contribution of Research.....	10
1.3.1 Objective of Research .....	10
1.3.2 Contribution of Research .....	10
1.4. Literature Review .....	11
1.5. Theoretical Framework.....	15
1.6. Methodology of Research.....	23
1.6.1 Research Method .....	23
1.6.2 Data Collection .....	24
1.7 Research Structure .....	24
<b>CHAPTER II ASIAN INFRASTRUCTURE INVESTMENT BANK (AIIB) AS MULTILATERAL DEVELOPMENT BANK.....</b>	<b>26</b>

2.1 Background of the establishment of AIIB .....	26
2. 2. Purpose, Organizational Structure, and Membership .....	29
2. 2. 1. Purpose.....	29
2. 2. 2 Governance .....	30
2. 2. 3. Membership .....	33
2.3 Business Plan and Strategic Programs.....	36
2.3.1. Business Plan .....	37
2.3.2 Strategic Programs .....	39
2.4 Mechanism to Access Financing .....	42
2.4.1. Eligibility and Concept Review .....	44
2.4.2. Evaluation and Due Diligence .....	45
2.4.3. Approval, Signing, and Disbursement of Fund.....	47
2.5. India as Second Highest Stakeholder in AIIB .....	48
<b>CHAPTER III CHALLENGES AND POLICIES OF INFRASTRUCTURE</b>	
<b>DEVELOPMENT IN INDIA .....</b>	<b>52</b>
3.1. Demography and Rural Development in India .....	53
3.1.1. Urban and Rural Demography .....	53
3.1.2. Disadvantages of Living in Rural India .....	58
3.1.3. The Importance of Infrastructure .....	61
3.2. India's Policy to Accelerate Infrastructure Development.....	62
3.2.1. Master Plan of Rural Development in India .....	63
3.2.2. Pradhan Mantri Gram Sadak Yojana (PMGSY).....	65
3.3. Challenges for Rural Infrastructure Development in India.....	67
3.3.1. Difficulty in Netting New Investment for Low ROI Projects.....	68
3.3.2 Challenges in Coordinating National and State Policy .....	70
3.3.3. Land Acquisition Issues .....	72

<b>CHAPTER IV CONTRIBUTION OF AIIB TO INFRASTRUCTURE DEVELOPMENT IN INDIA</b> .....	75
4.1 AIIB-Financed Rural Development Projects .....	76
4.1.1. Andhra Pradesh Rural Roads Connectivity Project .....	77
4.1.2. Gujarat Rural Roads (MMGSY) .....	81
4.2.3. Madhya Pradesh Rural Connectivity Project .....	85
4.2 AIIB’s Contribution for Infrastructure Development in India.....	90
4.2.1 AIIB Provides Funding for India’s “Caterpillar” Infrastructure Projects .....	91
4.2.2. Knowledge Sharing from AIIB on Infrastructure Development for India to Achieve Sustainable Growth.....	94
4.2.3. Improvement of Rural-Urban Connectivity in India.....	97
<b>CHAPTER V CONCLUSION</b> .....	104
<b>REFERENCES</b> .....	109

**LIST OF FIGURES**

Figure 1 AIIB Governance.....	32
Figure 2 AIIB's Founding Members .....	34
Figure 3 Asian Infrastructure Demand.....	40
Figure 4 AIIB's Strategy Map .....	42
Figure 5 India's Top Ten States with Highest Population.....	55
Figure 6 India's Population Distribution Across City Types .....	57
Figure 7 Andra Pradesh Road Coverage.....	78
Figure 8 Gujarat Road Coverage .....	83

**LIST OF TABLES**

Table 1 Rural-Urban Connectivity Projects.....	89
Table 2 Andhra Pradesh Rural Roads Connectivity Projects Target vs Progress.	97
Table 3 Gujarat Rural Roads Project Target vs Progress.....	98
Table 4 Madhya Pradesh Rural Connectivity Project Target vs Progress .....	100

## ABBREVIATIONS

AIIB	: Asian Infrastructure Investment Bank
AOA	: Articles of Agreement
AP	: Andhra Pradesh
BCIM	: Bangladesh-China-India-Myanmar
BIMSTEC	: Bengal Bay Initiative as Multi-Sectoral and Economic Technical Cooperation
BRI	: Belt and Road Initiative
BT	: Bitumen
CC	: Cement Concrete
EE	: Energy Efficiency
EU	: European Union
GDP	: Gross Domestic Product
GoAP	: Government of Andhra Pradesh
GoG	: Government of Gujarat
GoMP	: Government of Madhya Pradesh
IBR	: International Bank for Reconstruction and Development
IMF	: International Monetary Fund

MDB	: Multilateral Development Bank
MMGSY	: Mukhya Mantri Gram Sampark Yojna
MOU	: Memorandum of Understanding
MP	: Madhya Pradesh
MPRRDA	: Madhya Pradesh Rural Road Development Authority
NDC	: National Development Council
NITI	: National Institution for Transforming India
NPR	: New Planned Road
PMGSY	: Pradhan Mantri Gram Sadak Yojana
PPP	: Public-Private Partnership
PRED	: Pradesh & Pachayat Raj Engineering Department
RE	: Renewable Energy
SHG	: Self-Help Group
UN	: United Nations
WBM	: Water-Based Macadam

# CHAPTER I

## INTRODUCTION

### 1.1 Background

Infrastructure development affect the level of efficiency an economy runs in. For developing countries especially, where the act of building or improving infrastructure can improve multiple living aspects such as income distribution, access to health facilities, and access to education. Infrastructure provides opportunities for businesses to increase production capacity, reduce input costs and transaction costs. For its indirect effects, infrastructure can increase worker productivity and even create jobs.<sup>1</sup> Therefore, in the country's development plan, infrastructure should be a priority because it is the basis of all other forms of development and impact human capital quality.

India is one of the biggest economies to exist today. India's GDP had increased by 7.7 percent in Q1 of 2018 (YoY),<sup>2</sup> yet this does not imply an inclusive growth. The economic development does not reflect employment growth, which remained insufficient if compared to the national needs.<sup>3</sup> Lack of connectivity was the factor for stagnancy in employment growth as it decreases business activity and

---

<sup>1</sup> Tatyana Palei, "Assessing the Impact of Infrastructure on Economic Growth and Global Competitiveness" *Procedia Economics and Finance* vol. 23, 2015, p. 173

<sup>2</sup> International Monetary Fund, "India 2018 Article IV Consultation — Press release; staff report; and statement for executive director for India", *IMF Country Report No. 18/25*, August 2018, p. 7

<sup>3</sup> *Ibid.*, p. 6



causes difficulty in mobilizing. Therefore, India prioritizes rural development to achieve inclusive economic growth. Not only infrastructure provide access to the community to find work outside the area, but the operation of development projects creates a direct effect of new job opportunities through project worker hiring.

Most of the time, rural citizens do not have the opportunity to benefit on the national economic development as much as those within urban areas. Therefore, opening access to urban facilities to people in the rural area is vital as it promotes even development by and eventually contribute to sustainable development. Rural development at its basis should bring economic improvement to rural community, or more significant social change for more advanced projects.<sup>4</sup> There are rural-urban connectivity efforts from the national government that already took place before. One of the most influential programs to improve rural urban connectivity is Pradhan Mantri Gram Sadak Yojanas (PMGSY).<sup>5</sup> The main component of the project is to provide all weather access road to unconnected rural areas. Launched in 2000, this project has gone until 2020 providing connectivity for 176,113 habitations.<sup>6</sup>

India also perceives connectivity not only to maintain national economic growth but also to maintain relations with its neighbor, specifically in Indo-Pacific. At the international level, India also prioritizes connectivity among neighboring countries in which most have been initiated or led by India. There are

---

<sup>4</sup> "About the Ministry", *Ministry of Rural Development Government of India*, accessed 24 September 2019 <https://rural.nic.in/about-us/about-ministry>

<sup>5</sup> Madhusudan Ghosh, "Infrastructure and Development in Rural India", *The Journal of Applied Economic Research* vol. 11, 2017, p. 261

<sup>6</sup> Public Affairs Centre, *Citizen Monitoring and Audit of PMGSY Roads: Pilot Phase II Project Completion Report*, Bangalore: Public Affairs Centre, 2011, p. 11

several regional integration programs offered by India, namely the Bangladesh-China-India-Myanmar (BCIM) economic corridor, the Bengal Bay Initiative as Multi-Sectoral and Economic Technical Cooperation (BIMSTEC), to strengthen India's connectivity with other developing countries.<sup>7</sup> Since the rise of the BRI (Belt and Road Initiative) program established by China, India has become increasingly involved in the South Asian region to maintain its influence. Projects are no longer limited to opening corridors, but also of transportation services such as rail service railway India-Bangladesh.

China-India relations were not as clear cut, as there is military tension but both does not rival in economy. One of the most prominent conflict is the Violation of April 1954 Agreement on Tibet by China resulting in war in 1962, and earlier with in 2017, there were also face-off in Doklam, Bhutan.<sup>8</sup> Issues emerged again in Landakh, within Himalayan mountains as this still become the point for geopolitical issues between India and China in 2019, even though the two countries had already engaged in Confidence Building Measures (CBMs) on the border with bilateral agreements signed in 1993, 1996, 2005, 2012 and 2013.<sup>9</sup> If compared, China was more active in projecting to further influence than India in terms of normative power in the Indo-Pacific region. Concerning energy, both has a MoU to stabilize conflict in accessing African resources, even though both still has conflict in

---

<sup>7</sup> Khanindra Das, "International Connectivity Initiatives by China and India: For Developing Countries", *South Asian Survery vol.24* , 2018, p. 104

<sup>8</sup> Mihir Bhonsale, "Understanding Sino-Indian Border Issues: An Analysis of Incidents Reported in the Indian Media", *ORF Occasional Papers*, February 2018, p. 2

<sup>9</sup> *Ibid.*, p. 3

Eurasian energy exploration.<sup>10</sup> Today, China is India's second largest trade partner, even and China is the one experiencing trade surplus.<sup>11</sup> The product exported by China includes technologies such as smartphones and appliances, power plants, plastics, and chemicals, where India's exports to China are cotton, fish, granites, and organic chemicals.<sup>12</sup> Therefore, involving in an economic affair with China is not new to India.

As India has multiple development projects on the same period, the Asian Infrastructure Investment Bank (AIIB) is one of the international financial institutions which India proposed funding for development projects. The (AIIB) is a Chinese-initiated multilateral development bank that aims to improve economic and social conditions in Asia.<sup>13</sup> At its inception, AIIB was a complementary institution to facilitate the BRI (Belt and Road Initiative), as the unilateral development program requires extensive funding and management.<sup>14</sup> AIIB began to lend development funds to countries outside Asia, even outside the BRI program a few years after it was founded. Thus, the AIIB function increasingly meets the criteria of a global development bank, such as the World Bank. AIIB is leading as a development bank with lower interest rates and more accessible terms so that

---

<sup>10</sup> Calvin Chen, "China and India's Quest for Resources and Its Impact on the Rivalry" in T.V. Paul, *The China-India Rivalry in the Globalization Era*, Georgetown University Press: Washington D.C, 2018, p. 128

<sup>11</sup> Nalin Surie, "China's India Policy: The Importance of Bilateralism—An Appraisal", *India Quarterly* vol. 75, 2019, p. 127

<sup>12</sup> Mahima Kapoor, "Six Things to Know About India-China Economic Relations", *Bloomberg*, June 19th 2020, accessed February 1st 2021, <https://www.bloombergquint.com/economy-finance/six-things-to-know-about-india-china-economic-relations>

<sup>13</sup> "Who We Are", *Asian Infrastructure Investment Bank*, accessed 10 September 2019 <https://www.aiib.org/en/about-aiib/index.html>

<sup>14</sup> T. Fallon, "The New Silk Road: Xi Jinping's Grand Strategy for Eurasia", *Foreign Policy Interests*, 2015, p. 147

demand by developing countries who want to avoid the *debt trap* and administrative difficulties as experienced when working with other development banks before, including India.

India also not only needs to be careful with taking a loan, but also from whom it takes a loan. Of the 35 projects that have been approved by AIIB until April 2018, 5 of them are in India.<sup>15</sup> India and China have the same views on developing countries-namely the need to improve connectivity with neighboring countries, especially to Asia. It can be concluded that there are two views on China, namely agreeing to prioritize connectivity in Asia and not agreeing to displace Indian domination in Asia. Therefore, India does not support programs that can threaten its geopolitical existence, such as BRI, and prioritize programs led by India itself without Chinese involvement in them, such as BIMSTEC and BCIM.<sup>16</sup> India is only willing to cooperate with China if national sovereignty and Indian regional influence are guaranteed not to be disrupted. Exposure to the risk of global power adds consideration for India. The international arena is no longer what it used to be. From a financial perspective, China has already passed the World Bank from a combination of unilateral efforts such as BRI and multilateral from AIIB. Coupled with the New Development Bank (formerly the BRICS Development Bank), the existence of the World Bank and the ADB has increasingly weakened. What should have been a counterbalance has weakened, so that Chinese assistance is already

---

<sup>15</sup> Kevin Cai, "The One Belt One Road and the Asian Infrastructure Investment Bank: Beijing's New Strategy of Geoeconomics and Geopolitics " *Journal of Contemporary China*, 2018, p. 844-845

<sup>16</sup> Uma Purushotaman and Nandan Unnikrishnan, "A Tale of Many Roads: India's Approach to Connectivity Projects in Eurasia", *India Quarterly*, 2019, p.14

inevitable.<sup>17</sup> The option of not participating in AIIB could bring the possibility to invite more problems for India than joining.

## **1.2 Research Problem Identification**

### **1.2.1 Research Problem Description**

India is the biggest economy in Asia after China that also has not escaped the development gap problem. Poverty was concentrated in the rural areas of 5 out of 17 Indian provinces, namely Bihar, Orissa, Uttar Pradesh, Madhya Pradesh, and Maharashtra.<sup>18</sup> Lack of access is causing the multidimensional and ever-greening poverty. Especially in areas with a low agricultural potential, it is more challenging to develop than rural areas that only have agricultural capacity. Learning from the situation, the main focus of development in India, which was initially placed into agriculture, industry, and communication, shifted into infrastructure. As more of the rural community involved in the development plan, it can be identified that the root cause of problems for local communities inland is access, which is limited by the lack of connectivity infrastructure.

Conditions of eastern India were not well circuited, even isolated, and lagging in terms of development, although there is considerable potential to become a gateway between East and South Asia.<sup>19</sup> With the development in the area, India should be able to bring economic growth not only nationally but also to the

---

<sup>17</sup> Kevin Cai, "The One Belt One Road" p. 846

<sup>18</sup> Amita Shah, "Poverty in Remote Rural Areas in India: Patterns, Processes of Reproduction, and Policy Imperatives", *ODI Working and Discussion Paper*, March 2007, accessed 24 September 2019 <https://www.odi.org/publications/2672-poverty-remote-rural-areas-india>

<sup>19</sup> Uma Purushotaman and Nandan Unnikrishnan, "A Tale of Many Roads: India's Approach to Connectivity Projects in Eurasia", *India Quarterly*, 2019, p. 4

region. In 2005, Indian Prime Minister Manmohan Singh, has started to prioritize connections with the closest neighbors.<sup>20</sup> Also, according to the Ministry of Rural Development of India, international cooperation has brought a significant impact on the social and economic development of the world.<sup>21</sup> Knowledge and efforts in rural development and poverty alleviation can be implemented in the international arena. Therefore, with India's determination to improve connectivity for regional connectivity and rural connectivity at the same time, it is impossible to pursue both at the same time while maintaining a healthy national financial balance. It has shown in the Twelfth Five-Year Plan-12 (2012-2017) that India required an investment of USD 1 trillion in infrastructure in order to ensure sustainable growth and tackle regional disparities in India.<sup>22</sup>

With the number of development programs India has, undoubtedly, the required amount of cost is grand. Moreover, for the coming future, India with its development goal has set its sights on a GDP of USD 5 trillion in the next five years and USD 10 trillion by 2032.<sup>23</sup> Therefore, India, as a developing country who prioritizes infrastructure development, need to focus on program funding—where a multilateral development bank can assist through. The inequality among countries has created an urgency to decrease the development gap. Foreign aid come to save the day, allowing countries not to collect their coins slowly to have the next

---

<sup>20</sup> Ibid., p. 2

<sup>21</sup> "Annual report 2017-2018" Ministry of Rural Development Government of India, p. (iv) [https://rural.nic.in/sites/default/files/AnnualReport2017\\_18\\_English.pdf](https://rural.nic.in/sites/default/files/AnnualReport2017_18_English.pdf)

<sup>22</sup> Planning Commission of Government of India, "India's Twelfth Five Year Plan (2012-2017)", 2013, SAGE Publications [https://mhrd.gov.in/sites/upload\\_files/mhrd/files/document-reports/XIIFYP\\_SocialSector.pdf](https://mhrd.gov.in/sites/upload_files/mhrd/files/document-reports/XIIFYP_SocialSector.pdf)

<sup>23</sup> The Observer Research Foundation, "India at USD 5 Trillion: Strengthening Opportunities and Removing Hurdles", ORF Report, 2019 [https://www.orfonline.org/wp-content/uploads/2020/02/ORF\\_Report\\_AMCHAM\\_05.pdf](https://www.orfonline.org/wp-content/uploads/2020/02/ORF_Report_AMCHAM_05.pdf) p.4

development project and accelerated the journey. From a Neo-Liberal Institutional in International Relations, this shows that states were drawn to cooperate with one another through international organizations, discussing multiple issues, including development.

AIIB as a Multilateral Development Bank (MDB) from the beginning of its existence, already had India as an initial client. India has been approached since 2014 to join, and finally realized even though India did not participate in the BRI program.<sup>24</sup> Because of the large amount of capital that AIIB provided to India, the most significant vote weight in AIIB after China was India. India's total in-country financing from AIIB in 2019 is standing at USD 2.9 billion.<sup>25</sup> Until now, India is indeed the largest recipient of funding from AIIB funding for infrastructure projects. Since 2016, AIIB-approved projects have been in infrastructure, energy, and transportation. In India, too, was noted that there were 9 AIIB projects in India in the 2016-2018 period. Of the nine projects, 7 of them are infrastructure projects, and 3 of them fall into the rural connectivity sector.<sup>26</sup> Therefore, AIIB has played an essential role in India's infrastructure development in recent years. Upholding connectivity urges India to do pursue multiple development programs at the same time. In addition, India must maintain its influence in the region not to be replaced by China and its BRI project. India as one of the largest economy India

---

<sup>24</sup> Ankit Panda, "If India Won't Put Up with the Belt and Road, Why Is It the Largest Recipient of AIIB Funds?", *The Diplomat*, 19 March 2018, accessed 24 September 2019 <https://thediplomat.com/2018/03/if-india-wont-put-up-with-the-belt-and-road-why-is-it-the-largest-recipient-of-aiib-funds>

<sup>25</sup> "AIIB Investment in India nears USD3 Billion", *Asian Infrastructure Investment Bank*, accessed 10 September 2019 <https://www.aiib.org/en/about-aiib/index.html>

<sup>26</sup> "Approved Projects", *Asian Infrastructure Investment Bank*, accessed 24 September 2019 <https://www.aiib.org/en/projects/approved/index.html>

must maintain its position at the international level. Therefore, taking loans from multilateral banks such as AIIB, which has been claimed to be apolitical is vital for India to run projects to stay in accordance with the national objectives.<sup>27</sup> As a result, national and international integration would take place and benefit not only India but also the surrounding countries.

Large funding requirement for infrastructure development of India, requires cooperation with international actor, in this case AIIB as multilateral development bank. Also, not participating in AIIB only reduces India's influence in its political interests. As India has the second-largest vote, India has significant control over projects to be processed. Through the arguments provided above, it can be concluded that India prioritizes development cooperation while remaining cautious of China. AIIB is also helpful for countries such as India who are not willing to join the BRI program. AIIB's contribution to assist India's rural infrastructure development with financing and knowledge were studied within this writing.

### **1.2.2 Research Focus**

The time period for development projects that were described in this research are rural development projects with start date in 2016-2018. The reason for this is that within this timeframe, AIIB had operated for a few years and already developed more various types of projects. This timeframe also suitable for the implementation of the project, as the projects were not newly proposed or agreed.

---

<sup>27</sup> AIIB Won't Get Involved in Members' Political Disputes: Bank President", *Global Times*, July 30th 2020, accessed February 1st 2021, <https://www.globaltimes.cn/content/1196133.shtml>



The research also only focused on AIIB funded rural-urban connectivity infrastructure projects in India, which address the research question. The projects mentioned are Andhra Pradesh Rural Roads Connectivity Project, Gujarat Rural Roads, and Madhya Pradesh Connectivity Project. Contribution within the research title means the assistance by AIIB to develop rural India in rural-urban connectivity through road infrastructure by the latest data set, project monitoring report from 2020.

### **1.2.3 Research Question**

How did AIIB contribute in improving India's rural-urban connectivity through infrastructure development in 2016-2018?

## **1.3 Objective and Contribution of Research**

### **1.3.1 Objective of Research**

The purpose of this study is to describe the assistance of AIIB towards India in improving its rural-urban connectivity through infrastructure development with projects starting date in 2016-2018. This research identifies AIIB projects and describe AIIB's contribution to improve the availability and quality of transportation infrastructure in rural areas, mainly road infrastructures.

### **1.3.2 Contribution of Research**

This research was made to serve as a reference point for the scholars in the field of International Relations whoever share interest in the studies of development

banks and foreign aid. Alternatively, this research was made to provide another viewpoint for anyone who wishes to assess AIIB's impact on development in India to compare with other institutions, recipient, or projects.

#### **1.4. Literature Review**

India as a developing country and AIIB as an emerging development bank have been written by experts in many journals and academic works. Those writings vary in terms of their substance, and some are regarding their performance, interest, or dynamics as an international actor. But it is also important to not focus on both actors only, instead of their similarity too. India as a South Asian country would be likely to have a similar experience with not only another South Asian country but also Asian countries in general. This applies to AIIB also, as a multilateral development bank must have other organizations to use as a benchmark. Past events and analysis can be used to provide an image of what would likely to happen in a similar situation.

According to Talhukdar, the impact of a project funded by a development bank were not entirely on the hand of the institution. Instead for him, it is critical to not only consider the net benefit of a project overall, but also consider the distribution of benefit to all beneficiaries. Therefore, in order to attain a successful development project, net positive benefits must be focusing on groups (e.g., the poor and indigenous people) that typically have the least voice in social setting. A development project costs and benefits to such groups should be evaluated through

the spectrum of its underlying socio-cultural mores different from a regular business deal.<sup>28</sup>

For Talukdar, the success of a development program was not simple, and it is interconnected with other aspects in society not only economically. After all, Multilateral Development Banks are different from business, and it should have a more idealistic and utopian outlook on cooperation deals. When implementing this way of thinking, the next obstacle is on measuring the impact of the development program through a quantitative method. As a result, researchers that use this way of thinking can have the option to see the project success rate on another point of view, but may not give an objective and uniform finding.

A similar scenario to the current AIIB funding for India is that were received more than 30 years ago from the country Japan. As a developing country in general, Japan has had acted unilaterally in giving aid or loans for the countries in need. The question lies on whether funds received from Japan was useful in solving problems of the recipient. Though providing help to India, Japan has faced various problems. One example of this is the project of the Kolkata Metro, which started in 1983 and was completed in 1987. Only the technical portion and some parts of the project were expanded by the Japanese loan. Delays in project execution is primarily attributed to the insufficient planning by central and state governments of land acquisition issues, import procedures for building materials, etc.<sup>29</sup>

---

<sup>28</sup> Debabrata Talukdar, Sumila Gulyani, and Lawrence F. Salmen, "Costumer Orientation in the Context of Development Projects: Insight from the World Bank", *Journal of Public Policy and Marketing* vol. 24, 2005, 100-115, p. 108

<sup>29</sup> Lalima Varma, "Japan's Official Development Assistance to India: A Critical Appraisal, *India Quarterly* vol. 65, 2009, 237-250, p.

Many other projects around that time were also delayed or met other difficulties. Some were linked to the processes and others to actual project execution. The financial partnership between the central and state governments and the Indian budgetary structure, administration of the assistance fund and challenge creates in carrying out the schemes.<sup>30</sup> The delay also created another problem for the workforce and the cost of the project. Varma highlighted that the main problem for foreign funding is in communication and operational dynamics.

The change in India's preference as for international assistance, it is clear that almost 70 percent of the external funding obtained by India in the past decade is provided by multilateral organizations such as the Asian Development Bank and the World Bank (IBRD).<sup>31</sup> A decrease for bilateral assistance and an increase in an international institution. However, still, the Indian government put a careful attitude on receiving aid from too many countries due to the numerous problems reflected by experience.

About the success of assistance that India received from Japan is definitely important, but the country's growth will probably not be affected too drastically.<sup>32</sup> However, India was not buried in regret of taking aids from Japan. Because as a developed country, Japan's agenda for giving aid is not only for quantifiable profits but also strategic and diplomatic ties. India for receiving the aid from Japan in a timespan that cannot be called short has proven to India that Japan was considering India as one of the crucial friends which worth the trust and this applies vice versa.

---

<sup>30</sup> Ibid., p. 246

<sup>31</sup> Ibid., p. 248

<sup>32</sup> Ibid., p. 249

National infrastructure development in South-East and North-East Asia has implied the most critical factor for the success and were concluded from most important to least. Four from most to least crucial individual governance indicators have a significant positive relation with regional infrastructure: government effectiveness, followed by control of corruption, the rule of law, and voice and accountability, with political stability and absence of violence, and regulatory quality at the bottom.<sup>33</sup> With this, De founded that government effectiveness is the most critical factor for active infrastructure development. Sub-regional performance on governance also different, with North-East Asia showing a stronger relationship with all six indicators than South East Asia.

The regional government in Central and South Asia has no substantial infrastructure partnership to the anticipated optimistic sign. As for North East and South East Asia, progress in the construction of regional infrastructure is very slow.<sup>34</sup> This could show that institutional governance change is not adequate over time to impact on the growth of sub-regional infrastructures. After all, hard infrastructure needs soft infrastructure because projects are mostly conducted by the government of the receiving country itself. In conclusion, De implied that development of bank infrastructure projects would be more likely to succeed in a place that already has strong governance.

From these writings, each writer had put different importance on the result of operation of infrastructure projects. First considered the intangible outcome as

---

<sup>33</sup> Prabir De, "Does Governance Matter for Infrastructural Development? Empirical Evidence from Asia", *Journal of Infrastructure Development* vol. 4, 2012, 153-180, p. 174

<sup>34</sup> *Ibid.*, p. 175

the main goal of a development projects, second argues on the relationship occurred after cooperation in development projects, and the last considered the result would depends on the institutional capacity of the stakeholder.

Therefore, this writing offers a new perspective in measuring the effectivity of a development project by tracking the progress of the actual (physical) development itself. This includes the target and the latest progress of the development. The study continued into assessing the possible social and economic outcome of the project by expecting the result from similar project, in this case infrastructure development. Concepts such as rural development and public goods were also used in order to predict the outcome of infrastructure development.

### **1.5. Theoretical Framework**

This research in its discussion proceeded with International Relations theory of neo-liberalism institutionalist as the primary lens. Neo-liberal institutionalist believes that states are not only motivated to cooperate as liberalism stated, but also motivated to be involved in an international organization as cooperation broaden in aspects and intensifies in interdependency.<sup>35</sup> States have national interest in cooperating with one another and international organizations are key arenas through which such cooperation can be facilitated. Norms and discourses were also play an importance in keeping peace and stability, which can be set through institutions. States also face many coordination and collaboration problems, which resulted in

---

<sup>35</sup> Robert Keohane and Lisa Martin, "The Promise of Institutional Theory", *International Security* vol. 20, 1995, p. 39-51

the need for coordination mechanism and trust to escape Prisoner's Dilemma. Therefore, international institution is the solution to reduce governance costs due to autonomous decision making.<sup>36</sup>

As liberalism recognized interdependence in international setting, Joseph Nye and Robert Keohane in *Power and Complex Interdependence* believe in the complexity of interdependency that can be poured into three characteristics:<sup>37</sup> (1) Multiple channels, where formal international relations no longer only includes states as actors, (2) Multiple issues, which includes not only high politics issues but also low politics issues, and (3) Shift of military weapon as instruments, which turns to negotiation as a political instrument especially within bilateral and multilateral cooperation agenda. This understanding of the world can be poured into smaller and specified concepts that used in discussing this research. Then three operational concepts that are directly related to all three characteristics of complex interdependency as acknowledge by neo-liberal institutionalist are Multilateral Development Bank (MDB), foreign debt, public goods, and rural development.

The first concept is the concept of Multilateral Development Banks (MDBs) and the borrowing of funds therein. The activities of MDBs can be categorized into four types: (1) financial, (2) knowledge, (3) coordination, and (4) standard-setting.<sup>38</sup> First, MDB financial services include providing regular loans to projects from the public and private sectors, equity investments, trust funds and in

---

<sup>36</sup> Arthur A. Stein, "Neoliberal Institutionalism" in *The Oxford Handbook of International Relations*, New York: Oxford University Press, 2008, p. 208

<sup>37</sup> Joseph Nye and Robert Keohane, *Power and Complex Interdependence 2<sup>nd</sup> Edition*, Boston: Scott Foresman and Company, p. 24-25

<sup>38</sup> Ihsan Ugur Delikanli, Todor Dimitrov, and Roena Agolli, *Multilateral Development Banks: Governance and Finance*, Switzerland: Palgrave Macmillan, 2018, p. 27

accordance with the development mandate. In fact, the thing that distinguishes MDB from commercial banks is one thing, namely that commercial banks have one financial activity, whereas MDB has four types of activities. The second function, knowledge includes MDB activities to provide national-level analysis, international research or studies, technical assistance, inter-country studies and data benchmarking. As a development bank, helping recipients in the intellectual aspect is vital for ensuring the quality of the results of the project. Third, for coordination function, activity MDB is started from arranging funds from donors, the prevention of bankruptcy, to facilitate the meeting. MDB, as the name implies, is not only a development bank but also a multilateral institution that connects countries with the same goal, to become recipients or donors. Lastly, standard-setting is to give an excellent example to countries on how to tackle environmental, social, labor, project procurement, governance of the company, up to public consultation. That way, development does not end with a decrease in the quality of life due to the disruption of human rights or damage to nature.

MDB financial functions need to be discussed more deeply, related to it is the main activity of the MDBs in general, and individually as in the literature. Funding from MDB does not just happen but goes through several stages. There are three stages in the funding process by MDB, namely: (1) eligibility and concept reviews, (2) evaluation and due diligence, and (3) approval, signing and disbursement of funds.<sup>39</sup> First, in the eligibility review stage, there are many criteria from the MDB itself, and each MDB has different criteria. At this

---

<sup>39</sup> Ibid., p. 166-171



stage, MDB employs a specialist team with expertise in both technical and legal fields to assess the suitability of registrants with social and economic development values, ease of mobilizing capital, and sustainability of the project. The second stage is named for assessment and due diligence. Assessment at this stage involves direct visits to the project site by the designated MDB team, which resulted of an internal review, containing the details of the project in an organizational standard format. Third, the stages of approval, signing and disbursement of funds. In accordance with the name of this stage, projects that have been approved and signed will release liquid funds for official recipients as project funding. MDBs is charters to provide the public sector bodies with conventional loans. Successive transformations have taken place with the idea of mobilizing private money for sustainable ventures.<sup>40</sup>

After discussing the MDB system, the second concept is foreign debt and its consequences, foreign debt. The majority of foreign aid are in forms of loan rather than a grant, especially for prospective matters such as infrastructure development. Therefore, it can be mentioned as foreign debt as well, unless the case with emergencies such as an economic crisis, which makes the provision of grant possible. But this does not applicable within the writing. Therefore, Balaam discusses the impact of foreign debt or loan. According to him, debt, in general, has a vital function in capitalism, which is to facilitate new investment and increase

---

<sup>40</sup> A. Pekmezovic, "Re-Orienting the Global Financial System Towards Sustainability" in *Sustainable Development Goals: Harnessing Business to Achieve the SDGs through Finance, Technology and Law Reform* by J. Walker, A. Pekmezovic, G. Walker, Wiley: Chichester, UK, 2019; pp. 121–142.

productivity.<sup>41</sup> This applies to actors: companies, individuals, countries, and others. Specifically, for debt-driven countries, they are to finance the construction of new infrastructure, cover the budget deficit, or fund the trade deficit. In this case, the creditor can be in the form of foreign governments, companies, banks, and other actors. Creditors can determine the amount lent, the many interest rates, and the term of the loan. However, the state or an institution as a creditor usually also provides loans to cover previous loans but with higher interest. The government must be careful to avoid *debt traps* (expenditures which increase many times continuously or bankrupt), because if the country's economy collapses it is difficult to borrow again and can only rely on unfortunate assistance.

Tarp explains the benefits of foreign debt for recipients, more than in terms of non-prospective improvements or efforts to improve the economy. The first benefit, which is assistance, is to improve infrastructure. Infrastructure, in this case, is to improve the economy, not prospective because adequate infrastructure is essential for improving economic growth. That way, aid as finance the construction of infrastructures such as roads, which provide access to commercial production and distribution.<sup>42</sup> Second, the purpose of foreign debt is to increase state *revenue* through opportunities other than infrastructure so that the state can cover its expenditure.<sup>43</sup> So, assistance must also aim to reduce dependence on aid. Infrastructure development, although it does not fix the economic deficit directly,

---

<sup>41</sup> David L. Balaam and Bradford Dillman, *Introduction to International Political Economy Sixth Edition*, Boston: Pearson Education, 2014, p. 181

<sup>42</sup> Finn Tarp, *Foreign Aid and Development: Lesson Learnt and Directions for the Future*, London: Routledge, 2000, p. 282

<sup>43</sup> *Ibid.*, p. 284-285

can bring more benefits compared to debt with sole purposes of paying debts. The short-term improvement for countries with financial definitions is to reduce spending on public facilities. However, the long term is funding infrastructure to facilitate government activities so that sustainable growth. The point is that debt can be detrimental because payments lead to definition, and the impact of reducing public service expenditures results in a decrease in the government's ability to generate long-term revenue. Solow says, as industry and households use labor, money and natural resources more efficiently, the growth goes on. Consequently, infrastructure has two positive impacts on regional development. Next, it can improve physical and human capital's competitiveness. If manufacturing and logistics costs are smaller, demand for the region's production is expected to increase. Secondly, if infrastructure indeed functions as a direct input factor, greater investment levels could improve regional output.<sup>44</sup> Important to note the difference between foreign debt and foreign investment (or Foreign Direct Investment). Foreign debt comprises of credits, usually from financial institution for a sort of time. This includes interest payments and repayments of principal.<sup>45</sup> Foreign direct investment (FDI), on the other hand is investment involving a long-term relationship and lasting interest in and control by undertaken by individuals or by business entities.<sup>46</sup>

---

<sup>44</sup> Robert M. Solow, "A Contribution to the Theory of Economic Growth", *Quarterly Journal of Economics*, 70, 1956, p. 65-94.

<sup>45</sup> United Nations Conference on Trade and Development, "Development and Globalization: Facts and Figures", *United Nations Publications*, 2004, p. 28

<sup>46</sup> *Ibid.*, p. 32

Public goods, was described by Paul A. Samuelson as goods which individual's consumption would not lead to subtraction of other individual's consumption of those goods.<sup>47</sup> Yet, this does not mean that the benefit was the same for all, but instead the availability for every individual is the same. Public goods are non-excludable in their availability, which ensures there is no simple way of removing others from getting access to their use, and they provide non-rival benefits, which means that consumption by one person would not reduce the availability of the good's value for another.<sup>48</sup> The types public goods can be categorized into: the environment, knowledge, health, security, and governance.<sup>49</sup> A road can be considered a public good as long as there's not a lot of traffic, but with increased density and noise, the road does not fill the characteristic of non-rivalry benefit. Therefore, roads are considered as “impure” public goods.

The main issue brought up by this writing is developed in the inside of India to improve connectivity. Therefore, the third concept used is rural development concept. According to Fernholz, the expansion of infrastructure to the marginal areas would bring profit by bringing goods, services, and access to rural communities.<sup>50</sup> For example, roads undoubtedly bring more significant economic opportunities. For developing countries, there is always pressure to expand social

---

<sup>47</sup> Paul A. Samuelson, “The Pure Theory of Public Expenditure”, *Review of Economics and Statistics* vol. 36, 1954, p. 387

<sup>48</sup> United Nations Industrial Development Organization, “Public Goods for Economic Development”, *UNIDO Publications*, 2008, p. 6

<sup>49</sup> Oliver Morrissey, Dirk Willem te Velde, and Adrian Hewitt, “Defining International Public Goods: Conceptual Issues.” in M. Ferroni and A. Mody, *International Public Goods: Incentives, Measurement and Financing*, Norwell, Mass: Kluwer Academic Publishers, 2002, p. 33

<sup>50</sup> Rosemary Morales Fernholz, "Infrastructure and Inclusive Development Through 'Free, Prior, and Informed Consent' of the Indigenous People" in William Ascher and Corinne Krupp, *Physical Infrastructure Development: Balancing the Growth, Equity, and Environmental Imperatives*, New York : Palgrave Macmillan, 2010, p. 227

services, including roads, transportation, electricity, clean water, schools, and health services. However, increasing access does not mean that there is no risk of loss of land, owner rights, integrity, or other consequences. In practice, there are four main stakeholders affecting development projects in the area of the interior: government agencies, development and financial institutions, the private sector, and that societal organization.<sup>51</sup>

Perz and friends suggest that increasing the connectivity between rural and urban areas through transport infrastructure can help to mitigate the effects of isolation and provide interaction connectivity; that is the ties between rural and urban centers including social and economic interaction.<sup>52</sup> As well as physical constraints arising from lack of access and transport there are also structural constraints such as market structures and relations, cultural constraints, commercialization and poor access to enabling resources; and lack of skills, information, organization, and understanding of market operations.<sup>53</sup>

Within the umbrella of neo-liberalism institutionalism and the help of four operational concepts, assessing actors, dynamics of cooperation, and impact of the development projects can be conducted. With the help of MDB concept, the daily operations and policies of AIIB as development bank can be discussed technically. In discussing the flow of investment and the operational activity by the state,

---

<sup>51</sup> Ibid., p. 245-249

<sup>52</sup> Stephen G. Perz, Yibin Xia and Alexander Shenkin “Global Integration and Local Connectivity: Trans-boundary Highway Paving and Rural-Urban Ties in the Southwestern Amazon”, *Journal of Latin American Geography* Vol. 13, 2014, 205-239, p. 210

<sup>53</sup> Lauren Joy Avery, Madan B. Regmi, Ganesh Raj Joshi, and Choudhury Rudra Charan Mohanty, “Rural-Urban Connectivity in Achieving Sustainable Regional Development”, United Nations Centre for Regional Development, 2017, p. 5

foreign aid concept is appropriate to use as a framework. Public goods should provide the characters of the infrastructure projects than took place in rural India. Lastly, the impacts of the development projects must be measured with rural development concept as the primary concern of this writing is to consider the worth of taking risk through foreign loans.

## **1.6. Methodology of Research**

### **1.6.1 Research Method**

In this study, qualitative methods be used to explain the phenomena in focus. The study was qualitatively selected by the author to provide an in-depth discussion of social reality and the events in it. In addition, the small number of cases indeed facilitates this research to be conducted in a qualitative manner. According to John W. Cresswell, the qualitative method in research consists of three stages, namely: data collection, data analysis phase, and data interpretation stage. Data collection is done by filtering data in the form of observations, interviews, documents, and other materials. Then, the stage of data analysis is to understand the data as a whole, place it in accordance with the theoretical framework and explain the story or related case studies. Lastly, data interpretation phase is to link the information obtained by the theory.<sup>54</sup> In addition, some aspects of symbolism, meaning, or understanding which usually require consideration of individual perception and subjective understanding

---

<sup>54</sup> John W. Cresswell, *Research Design: Qualitative, Quantitative, and Mixed Method Approaches*, London: Sage Publications, 2009, p. 173

of qualitative data,<sup>55</sup> have led researchers to use this method. In addition, research question that requires a deeper understanding, and a small number of cases make qualitative research methods suitable for this study.

### **1.6.2 Data Collection**

As this research uses descriptive analysis to answer the research question, data collection operates to facilitate that. In obtaining the data, this research employs document studies and desk analysis. The source for primary data obtained from AIIB's official website for project documents and project summary. While secondary sources are collected from journals, academic literatures, books, reports, articles, and news from credible media that are relevant to the topic.

### **1.7 Research Structure**

After conceptualizing and designing a research design, the author determines the research organized as follows.

Chapter I as an introduction that contains background, literature study, the frame of mind, and research methods to be the basis of the explanation and analysis of subsequent sections. In Chapter II be discussed AIIB as an international organization in the development and financial sector. In this section, AIIB be explained using the MDB concept earlier, which includes organizational structure, membership, mechanism to access financing. Then in Chapter III, India's

---

<sup>55</sup> Howard Lune and Bruce L. Berg, *Qualitative Research Methods for the Social Sciences Ninth Edition*, Harlow: Pearson Education Limited, 2017, p. 20

challenges in conducting rural development project be discussed, with description of the contrast between urban and rural living in India to open the chapter. In Chapter IV, AIIB funding toward India's connectivity issue be analyzed on the project impact on connectivity in domestic India. Starting with the development plan and initiatives from India first, to as baseline of the national rural development progress. Followed by the analysis of each development funded by AIIB and the contribution of those projects to India's infrastructure development. Lastly, chapter V concludes this research to answer the research question.