

**GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA**

UNSTARRED QUESTION NO:3418

ANSWERED ON:23.12.2008

DECLINE IN BUSINESS OPTIMISM

Gaikwad Shri Eknath Mahadeo;Kaushal Shri Raghuvir Singh;Mane Smt. Nivedita;Yadav Shri Anirudh Prasad (Sadhu);Yaskhi Shri Madhu Goud

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether business optimism of Indian companies has reported a decline according to NCAER Survey and report by research firm Dun and Bradstreet;

(b) if so, the details thereof alongwith the reasons therefor; and

(c) the corrective steps taken by the Government to boost business optimism of Indian Companies and outcome achieved thereto?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY(SHRI ASHWANI KUMAR)

(a) & (b): Yes Sir. According to the Business Expectation Survey conducted by the National Council of Applied Economic Research (NCAER) during July, 2008, business confidence index fell by 22.9 points. The Business Optimism Index of Dun & Bradstreet for the period October-December, 2008 recorded a decline of 28.1%. The decline in business confidence is due to a variety of reasons, inter alia, including global financial crisis, moderation in economic growth and high rate of inflation.

(c): A major package was announced by the Government on 7th December, 2008 with a view to stimulating industrial growth and boost business optimism of Indian industry. The package, inter alia, include an across-the-board reduction of 4% in Cenvat/Excise duty, interest subvention of 2% for pre and post shipment export credit for labour intensive industries (such as textiles, handlooms, handicrafts, leather, gems and jewellery, marine products and Small & Medium Enterprise sector), Government guarantee to Export Credit Guarantee Corporation (ECGC) to provide guarantees for exports relating to difficult markets/products, refund of service tax to exporters on foreign agent commissions, refinance facility of Rs.4000 crore for the National Housing Bank by RBI, Refinance facility of Rs.7000 crore for Small Industries Development Bank of India (SIDBI) by the Reserve Bank of India (RBI) to support Micro, Small & Medium Enterprises (MSMEs), an additional allocation of Rs.1400 crore for Technology Upgradation Fund (TUF) for textile industry, and an additional plan expenditure Rs. 20,000 crore in the current year.

In addition, Reserve Bank of India (RBI) has recently taken a number of steps to reduce the cost of credit and improve availability of liquidity to the industry by reducing Repo rate, Statutory Liquidity Ratio (SLR), Cash Reserve Ratio (CRR) etc. With the above measures, it is expected that there would be improvement in the availability of liquidity to the industry, consequently stimulating higher industrial growth.