

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

STARRED QUESTION NO:114
ANSWERED ON:24.02.2009
INDUSTRIAL GROWTH
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Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

- (a) the rate of industrial growth in the country during the last three years and the current year;
- (b) the details of industrial sectors registering low/negative growth rate alongwith the reasons therefor; and
- (c) the measures taken by the Government to increase the growth rate in the aforesaid sectors and the outcome achieved thereof?

Answer

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

(a) to (c): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (c) OF THE LOK SABHA STARRED QUESTION NO.114 FOR ANSWER ON 24.2.2009 REGARDING INDUSTRIAL GROWTH .

(a) to (c): The industrial growth measured in terms of Index of Industrial Production (IIP) during 2005-06 to 2007-08 and 2008-09(April-December) is given below:

Sector/Industry	Weight (in percent)	2005-06	2006-07	2007-08	2008-09 (April-December)
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Mining & Quarrying	10.5	1.0	5.4	5.1	3.0
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Electricity	10.2	5.2	7.2	6.4	2.7
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Manufacturing	79.4	9.1	12.5	9.0	3.3
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Overall	100	8.2	11.6	8.5	3.2
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Source : Central Statistical Organisation

The global recession has mainly affected some of the export oriented industries in the manufacturing sector in India, such as textiles, handicrafts, leather, and gems and jewellery. Slowdown in the demand for automobiles and its ancillaries, cement, steel, housing sector etc. has also been seen.

A number of steps have been taken by the Government to stimulate demand for the industry with the objective to address the impact of global recession. Government announced two stimulus packages in December, 2008 and January, 2009 to stimulate industrial growth. Measures introduced in these two packages, inter alia, include:

Reduction in Cenvat/ Excise duty: As an immediate measure to encourage additional spending, an across-the-board cut of 4% in the ad valorem CENVAT (Central Value Added Tax) rate except petroleum was announced.

Measures to Support Exports: Several measures have been taken to support exporters such as:

\$ 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 Micro, Small & Medium Enterprise sector.

\$ Additional funds of Rs.1100 crore to ensure full refund of Terminal Excise duty/Central Sales Tax.

\$ An additional allocation of Rs.350 crore for export incentive schemes.

\$ Government back-up guarantee to Export Credit Guarantee Corporation (ECGC) to the extent of Rs.350 crore to enable it to provide guarantees for exports to difficult markets/products.

\$ Refund of service tax to exporters on foreign agent commissions of upto 10 percent of Freight On Board (FOB) value of exports.

\$ Enhancement of duty drawback benefits on certain items including knitted fabrics, bicycles, agricultural hand tools and specified categories of yarn.

\$ Providing pre-shipment credit, in rupees or dollars to Indian exporters at competitive rates by Export Import (EXIM) bank.

Housing :

\$ Refinance facility of Rs.4000 crore for the National Housing Bank by RBI.

\$ To facilitate access to funds for the housing sector, the development of integrated townships have been permitted as an eligible end-use of the External Commercial Borrowing (ECB).

Micro, Small & Medium Enterprise (MSME) Sector:

\$ Refinance facility of Rs.7000 crore for Small Industries Development Bank of India (SIDBI) by the Reserve Bank of India (RBI) to support MSMEs.

\$ Enhancement of the loan limit to Rs. 1 crore under Credit Guarantee Scheme.

\$ Grant of need -based ad-hoc working capital loans upto 20% of the existing fund-based limits

\$ Reduction in interest rates for borrowing by micro enterprises by 1% and in respect of Small and Medium Enterprises (SMEs) by 0.5%.

Textiles :

\$ An additional allocation of Rs.1400 crore to clear the entire backlog in Technology Upgradation Fund (TUF) Scheme.

\$ All items of handicrafts included under 'Vishesh Krishi & Gram Udyog Yojana'.

Cement : Countervailing Duty (CVD) on cement reimposed to protect and promote domestic cement industry.

Steel :

\$ Removal of export duty on long term steel products and pig iron to promote domestic steel industry.

\$ Reimposition of import duty on Pig iron, Semi-finished flat and long steel products to protect domestic steel industry.

Automobile :

\$ Accelerated depreciation of 50% for commercial vehicles.

\$ Assistance to the state under the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) for the purchase of buses for the urban transport system.

Power

Elimination of import duty on Naptha for use in the Power Sector.

Mining

\$ Elimination of export duty on iron ore fines.

\$ Reduction of export duty on iron ore lumps.

Others: Government Departments are allowed to replace government vehicles within the allowed budget, in relaxation of extant economy instructions.

In addition, Reserve Bank of India (RBI) has taken a number of steps to reduce the cost of credit and improve liquidity for industry by

reducing Repo rate, Statutory Liquidity Ratio (SLR), and Cash Reserve Ratio (CRR).

The lowering of cost of credit through reduction in interest rate and across the board reduction of 4% in CENVAT rate have helped to stimulate the demand for industry.