

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

UNSTARRED QUESTION NO:2719

ANSWERED ON:10.12.2012

STUDY ON INDUSTRIAL GROWTH

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

- (a) whether any study has been conducted by the Government on the impact of rising prices and hardening of interest rates on the industrial growth;
- (b) if so, the details thereof and if not, the reasons therefor along with the steps taken by the Government in this regard;
- (c) whether the Government has held any discussion with various industries/ organizations and stakeholders to increase the industrial production in the country;
- (d) if so, the outcome thereof;
- (e) whether the manufacturing industry is witnessing a slowdown and is unable to compete in the international market due to inefficiency by core industries and price rise in the country; and
- (f) if so, the details thereof along with the reaction of the Government thereto?

Answer

MINISTER OF STATE FOR COMMERCE & INDUSTRY(DR. S. JAGATHRAKSHAKAN)

(a) & (b): No separate study has been conducted on the impact of rising prices and hardening of interest rates on the industrial growth. However, rising prices or hardening of interest rates have a bearing on industrial growth. While rising prices is likely to increase manufacturing cost and also reduce domestic demand, hardening of interest rates increases cost of capital for the industry.

Government has already taken confidence building measures for improving the industrial climate and manufacturing in the country. One of the measures taken by the Government is the announcement of the National Manufacturing Policy (NMP) with the objective of enhancing the share of manufacturing in GDP to 25 percent and creating 100 million jobs over a decade or so. The Policy also seeks to put in place measures to improve industrial infrastructure including setting up of National Investment and Manufacturing Zones (NIMZs), simplify business regulation and incentivize clean technology; skill development; and investment in Micro, Small and Medium Enterprises (MSME).

The Delhi Mumbai Industrial Corridor (DMIC) Project is under implementation to create a strong economic base with globally competitive environment and state-of-the-art infrastructure along the Delhi-Mumbai Dedicated Freight Corridor of the Railways.

Other measures include promotion and facilitation of industrial investment including promotion of Foreign Direct Investment (FDI) through consolidation of various press notes into a single document; gradual liberalization and rationalization of FDI Policy; regular meetings with industry associations and stakeholders to fast track implementation of industrial projects etc.

(c) & (d): A Government-Industry Joint Task Force (JTF) has been constituted under the chairmanship of Hon'ble Minister of Commerce Industry and Textiles to serve as an institutional mechanism for regular dialogue between industry and Government in order to facilitate the growth and development of Indian Industry with a view to achieving the overall objectives of sustained and inclusive economic growth. So far four meetings of the JTF have been held.

Based on the recommendations of the JTF Government has already initiated measures like resolving the issues related with land acquisition and environmental clearances, fast track implementation of projects, identification of ten National Investment and Manufacturing Zones (NIMZs) as part of National Manufacturing Policy (NMP), gradual liberalization& rationalization of FDI policy in various sectors etc.

(e) & (f):The growth of Eight Core Industries viz. Coal, Crude Oil, Natural Gas, Petroleum Refinery products, Fertilizers, Steel and Electricity, having a weightage of 37.9 percent in the overall Index of Industrial Production (IIP) do have some impact on the growth of manufacturing industry. Similarly, rise in prices can adversely affect industrial growth in terms of increase in the cost of production and reduction of domestic demand. However, no one to one correlation can be established between the growth of Core Industries and price rise and growth of manufacturing industry or its competitiveness in the international market. The details regarding the growth rate of manufacturing and core industries are given in the table below:

Table: Growth rate of Index of Industrial Production (IIP), manufacturing sector and Core Industries

(In percent)

Period Manufacturing\$ Overall IIP\$ Growth of Eight Core Industries\$\$

2009-10	4.8	5.3	6.6
2010-11	9.0	8.2	6.6
2011-12	3.0	2.9	4.4
2012-13			
April	-1.8	-1.3	3.1
May	2.6	2.5	4.0
June	-3.2	-2.0	3.8
July	-0.4	-0.2	1.2
August	2.4	2.3	2.4
September	-1.5	-0.4	5.0
October	-	-	6.5

Source: \$ Central Statistics Office

\$\$ Office of the Economic Adviser, DIPP

Besides measures taken for improving the industrial climate and manufacturing in the country as indicated in parts (a) & (b) above, so far as core industries are concerned, Government is encouraging participation of private sector, including foreign companies, for exploration and production of petroleum and natural gas and related activities that are capital intensive and requiring use of expensive state-of-art technology in order to step up production of oil & gas.

In order to increase the production of Metallic Minerals (Iron ore, Manganese, Chromites), the Government has sought to create an attractive environment for investment by legislative reforms in the form of Mines & Minerals (Development & Regulation) Bill, 2011, quarterly review of pending cases of Environment & Forest clearances etc.