

**GOVERNMENT OF INDIA  
FINANCE AND COMPANY AFFAIRS  
LOK SABHA**

UNSTARRED QUESTION NO:5961  
ANSWERED ON:02.05.2003  
RBI CURRENCY AND FINANCE REPORT  
IQBAL AHMED SARADGI

**Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:**

- (a) whether the persisting and growing demand-supply imbalances in infrastructure services continues to cast shadow on industrial performance;
- (b) if so, whether according to the RBI Currency and Finance Report for 2001-2002, supply has declined to 2.6 per cent of gross domestic product during the 1990s from 2.9 per cent during the preceding decade; (
- (c) if so, the main reasons for the same; and
- (d) the steps the Government propose to take to improve the situation?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANDRAO V. ADSUL)

- (a) As per the analysis made by the Reserve Bank of India (RBI) on infrastructure constraints on industrial performance, and published in their Report on currency and Finance 2001-02, industry continues to be hampered by physical infrastructure bottlenecks with the demand -supply imbalances persisting and growing during the 1990's. The higher cost of operations of certain services such as power, railways and shipment has spilled over to the manufacturing sector in the form of high input costs.
- (b) As per the National Accounts Statistics, Central Statistical Organisation, Government of India, the real gross capital formation as a percent of gross domestic product (GDP) in `electricity, gas and water supply sector has declined to 2.6 per cent during 1990's from 2.9 per cent during 1980's and real gross capital formation in infrastructure sectors as per cent of GDP has declined to 5.8 per cent during 1990's from 6.1 per cent during 1980's.
- (c) The decline in real gross capital formation in infrastructure sectors is attributable amongst others to insufficient resource mobilization by public infrastructure entities and inadequate private investment in infrastructure sectors as a result of non-rational user charges in some segments.
- (d) In the Union budget 2003-04 several steps have been announced to improve the situation. These include the following:
  - A major thrust to innovative funding mechanisms to be provided for 48 new road projects, renovation and modernization of airports, setting up of two international convention centers of global standards, funding of National Rail Vikas Yojana projects.
  - Additional funds to be made available for rural roads through additional cess on diesel of 50 paise.
  - The mega power project policy to be liberalized further by extending all the benefits to any power project that fulfils the conditions already prescribed for mega projects.
  - A special allocation of Rs.20 crore to CSIR for launching incentive driven research in fields of solar energy, wind turbines, hydrogen fuel as alternative to fossil fuels.
  - Water supply projects totally exempt in regard to capital goods and machinery both from customs and excise duties. In addition, pipes exempted from excise duty for bringing raw water from source to the treatment plant and for conveying treated plant water to the storage plant.