

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

UNSTARRED QUESTION NO:2682  
ANSWERED ON:08.08.2003  
IMPACT OF LIBERALISATION  
RATNA SINGH;SHIVAJI MANE

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

- (a) whether the process of liberalisation in the country is not producing the desired results in the industrial sector ;
- (b) whether the Government have identified the obstacles coming in the way of the industrial policies of the Central and State Governments;
- (c) if so , the details thereof;
- (d) the action contemplated to be taken by the Government to remove these obstacles in order to facilitate the setting up of more and more industries in the country ; and
- (e) the details of progress made by the Government in this direction?

**Answer**

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI CH. VIDHYASAGAR RAO)

(a): The process of industrial liberalization initiated since 1991 has been undertaken in a calibrated manner to foster competitive environment in Indian industry in which entrepreneurs are free to invest, expand and modernize in response to market conditions. The process of liberalization has had a favourable impact and is reflected in quantum jump in per capita income, gross domestic product (GDP) originating in the industrial sector and exports in particular. The per capita income at constant prices (1993-94 prices) increased from Rs. 7212 in 1991-92 to Rs. 11010 in 2002-03; over the same period GDP at constant prices (1993-94 prices) originating in industrial sector rose from Rs. 187560 crore to Rs. 357783 crore. The improvement in competitiveness of the economy and manufacturing sector in particular is reflected in the rise in India's exports to US \$ 52234.40 million in 2002-03 from about US \$ 17865 million in 1991-92 showing close to three fold increase.

(b) to (e): Some of the factors which have constrained industrial performance in the past include infrastructure bottlenecks, high level and multiplicity of indirect taxes, product reservations for the small scale sector, high interest rate etc. The performance of the industrial sector is under constant review and appropriate measures are undertaken as and when necessary in the light of emerging trends and overall broad policy objectives. Over the years the Central Government has taken a number of initiatives to promote industrial growth, enhance the competitiveness and address the problems of the industrial sector. They include the following:

- Substantial reduction in peak and number of duty rates for both customs and central excise have been effected. The peak customs tariff has been scaled down to 25 per cent and system of excise taxation drastically overhauled with the introduction of central value added tax (CENVAT).
- Successive cuts in the bank rate and in the Cash Reserve Ratio (CRR) by the Reserve Bank of India (RBI). In particular, the bank rate has been reduced from 11 per cent to 6 per cent in the last five years. These monetary policy measures will help to provide adequate liquidity to meet credit growth and support investment demand in the economy
- Enhancement of investment limit from Rs.1.0 crore to Rs.5 crore in respect of 13 items of the stationary sector and 10 items of the drugs and pharmaceutical sector, which are reserved for manufacture in the small scale industries. Following the announcement in the Budget 2003-04, 75 more items reserved for production in the small-scale sector were de-reserved. This is expected to increase industrial efficiency and production.
- The Government has enacted several laws, which include enactment of the Competition Act and amendments to SEBI Act.
- Since the inception of economic reforms in 1991, more and more industries have been brought out of the purview of the license requirements for setting up industries. At present only 6 industries are under compulsory licensing and 3 industries reserved for the public sector undertakings.
- The Central Government has been supplementing the efforts of State Governments for accelerating the industrial development of backward areas and special category states through various policies and package of incentives. The schemes being currently implemented to promote industrial dispersal include Growth Centre and Transport Subsidy Scheme, besides North East Industrial Policy. During 2002-03 three packages of economic incentives were announced for promoting industrialization in the States of Jammu & Kashmir, Sikkim and Uttaranchal & Himachal Pradesh.

- Recognizing the importance of power as a critical input for the industrial sector, the Government has enacted the Electricity Act, 2003, which seeks to bring about a qualitative transformation of the electricity sector by creating liberal framework for development of the power sector.

- The Budget for 2003-04 in particular lays emphasis on infrastructure development and enhancing of manufacturing sector efficiency. To this end it provides a major thrust to infrastructure principally to roads, railways, airports and seaports through innovative funding mechanism.