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Ministry of Finance

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Several Sector Specific Reform Initiatives Taken by the Government Significantly Improved Overall Business Environment

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Promoting inclusive employment-intensive industry, and building resilient infrastructure are vital factors for economic and development. The Government is taking several sector-specific measures in this direction. This was stated in the Economic Survey 2017-18 presented by the Union Minister for Finance and Corporate Affairs, Shri Arun Jaitley in Parliament today. Apart from structural reforms like Goods and Services Tax, Insolvency and Bankruptcy Code and measures to facilitate Ease of Doing Business, the Survey highlights that the Government has initiated sector specific reforms in Steel, Apparel, Leather and Power sectors to address specific challenges associated with each of these sectors. Various reforms undertaken by the Government over the last 3 years, have been recognized by international rating agencies such as Moody's Investor Service and up-gradation in the ranking of Ease of Doing Business of the World Bank Report 2018, the Survey further adds.

The Economic Survey 2017-18 further says that the Index of Industrial Production (IIP) which is a volume index with base year 2011-12, shows that the industrial output increased by 3.2 percent during April-November 2017-18. This was a composite effect of robust growth in electricity generation at 5.2 percent and moderate growth in both mining and manufacturing sectors at 3.0 percent and 3.1 percent respectively. The Index of Industrial Production (IIP) registered a 25-month high growth of 8.4 per cent with manufacturing growing at 10.2 per cent

According to the Economic Survey 2017-18, the Eight Core Infrastructure Supportive Industries, viz. Coal, Crude Oil, Natural Gas, Petroleum, Refinery Products, Fertilizers, Steel, Cement and Electricity attained a cumulative growth of 3.9 percent during April-November, 2017-18. The production growth of Coal, Natural Gas, Refinery Products, Steel, Cement and Electricity was positive during this period. The steel production increased substantially, while the production of crude oil and fertilizers fell marginally during the period, the Economic Survey adds.

The Survey notes that nominal outstanding credit growth to industry turned positive to 1 per cent in November 2017 for the first time after witnessing negative growth since October 2016. Demand for

funds by Indian firms, in the wake of the credit slowdown, has been somewhat met by alternative sources such as corporate bonds and commercial paper.

The pre-Budget Economic Survey state that the total Foreign Direct Investment inflow grew by 8 per cent i.e. USD 60.08 billion in 2016-17 in comparison to USD 55.56 billion of the previous year. In 2017-18 (April – September), the inflow of total FDI was to the quantum of USD 33.75 billion.

On the Ease of doing Business, the Economic Survey highlights that India has leapt 30 ranks over its previous rank of 130 in the World Bank's latest Doing Business Report 2018. Credit rating company Moody's Investors Service has also raised India's rating from the lowest investment grade of Baa3 to Baa2. This has been made possible due to a host of measures undertaken by the Government including implementation of the Goods and Services Tax, Insolvency and Bankruptcy Code, and announcement of bank recapitalization. A number of reforms to boost industrial growth include Make in India programme, Start-up India and Intellectual Rights Policy.

The Economic Survey listed out Sectoral Initiatives:-

Ø **Steel:** In order to address dumping of cheap steel imports from China, South Korea and Ukraine, the Government raised customs duty and imposed anti-dumping duty, Minimum Import Price (MIP) on a number of items in February 2016, with a sunset clause of one year. These measures helped the domestic producers and exports recovered. The Government notified anti-dumping duties and Countervailing Duties on various steel products in February 2017. The Government has rolled out a New Steel Policy in May 2017.

Ø **MSME Sector:** MSMEs in India play a crucial role in providing large scale employment opportunities at comparatively lower capital cost than large industries and also in industrialization of rural & backward areas. The Government has initiated a number of schemes for the sector and particularly the Pradhan Mantri Mudra Yojana for development and refinancing activities relating to micro industrial units in 2016-17.

Ø **Textiles and Apparels:** To address some of the constraints faced by apparel firms, the Cabinet announced a Rs.6000 crore package for the apparel sector on June 2016. It was found that since its implementation in June 2016, the package had a positive impact on the exports of Ready Made Garments (RMG) of Man-made fibres while it did not have a statistically significant impact on the RMG of other natural fibres, except wool. The impact of the package increased over time and did not show any signs of attenuation. The Government has in December 2017 approved the scheme for Capacity Building in Textile Sector (SCBTS) with an outlay of 1,300 crore for the period 2017-2018 to 2019-2020.

Ø **Leather sector:** Leather sector is also highly labour intensive sector. The sector faces challenges which have been addressed through a scheme for the purpose of promotion of employment in the leather & footwear sector in December 2017, with an outlay of Rs 2600 crore over three financial years 2017-18 to 2019-2020.

Ø **Gems and Jewellery:India** is one of the largest exporters of gems and jewellery. Exports of the sector have risen from 0.7 per cent in 2014-15 to 12.8 per cent in

2016-17. Training in jewellery designing, setting up refineries, hallmarking centres etc. and creation of multiple jewellery parks would help the sector.

The Economic Survey notes that the Global Infrastructure Outlook forecasts around US\$ 4.5 trillion worth of investments is required by India till 2040 to develop infrastructure to improve economic growth and community wellbeing.

According to the Survey, **the Government is investing massively on building infrastructure to support India's long term growth. India is far ahead than many emerging economies in terms of providing qualitative transportation related infrastructure.** The primary agenda for the Government has been building new National Highways (NHs) and also converting State Highways (SHs) into NHs. As in September, 2017, total length of National Highways (NHs) /Express Ways in India was 1,15,530 km which accounted for 2.06 per cent of the total road length. On the other hand, the length of State Highways was 1,76,166 km as on 2015-16. The Government received proposals for declaration of more than 64000 km of State roads as National Highways (NHs) from various State Governments, against which the Ministry of Road and Transportation has declared about 10000 km of Roads/routes as new National Highways. In many under developed States with lower Per capita GSDP like Bihar, Odisha, Chhatisgarh, Jharkhand and Jammu & Kashmir, West Bengal, Madhya Pradesh, the density of Other Public Work Department (OPWD) Road/District Road is very low. There is a need for developing OPWD roads including District Roads, so as to provide better access, thereby enhancing economic activities, the Economic Survey adds.

The Survey observes that in order to expedite completion of delayed projects, various steps have been taken for streamlining of land acquisition & environment clearances. The new umbrella program like 'BharatmalaPariyojana' aims to achieve optimal resource allocation for a holistic highway development.

Regarding Railways, the Survey states that during 2017-18 (upto September 2017) Indian Railways carried 558.10 million tonne of revenue earning freight traffic as against 531.23 million tonnes during the corresponding period of previous year, showing an increase of 5.06 per cent during this period. With emphasis on railways infrastructure development, the pace of commissioning Broad Gauge (BG) lines and completion of electrification have been accelerated. With financial assistance from Government of India, 425 km of metro rail systems are operational and about 684 km are under construction in various cities across India (as in December 2017). In 2017-18 (till 31.12.2017), cargo traffic handled at Major Ports has been 499.41 million tonnes compared to 481.87 million tonnes handled during the corresponding period of 2016-17. Under Sagarmala Programme which is to promote port-led development along Indian coast line, 289 Projects worth Rs. 2.17 Lakh Crore are under various stages of implementation and development, the Survey adds.

In the **Telecommunication Sector**, the Survey pointed out that the programme like 'Bharat Net' and 'Digital India' are to convert India into a digital economy. As on end of September 2017, the total subscribers stood at 1207.04 million, out of which 501.99 million connections were in the rural areas and 705.05 million in the urban areas.

Regarding **Civil Aviation Sector**, the Economic Survey says that in 2017-18 (April - September), domestic airlines carried 57.5 million passengers, showing a growth rate of 16% over the

corresponding previous year period, with 10.3 percent domestic cargo handled. The Government is taking initiatives like liberalization of air services, airport development and regional connectivity through scheme like UDAN.

Highlighting the initiatives and achievement in the **Power Sector**, the Survey mentions that All-India installed power generation capacity has reached 3,30,860.6 MW as on 30th November, 2017 and electrification in 15,183 villages has been completed. The Ujjawal DISCOM Assurance Yojana (UDAY) has focused on enhancing the financial health of DISCOMs by reducing interest burden, cost of power and aggregated technical and commercial losses. A new scheme, Saubhagya (Pradhan Mantri Sahaj BijliHarGhar Yojana), was launched in September 2017 to ensure electrification of all remaining willing households in the country in rural and urban areas with an outlay of Rs. 16,320 crore, the Survey adds.

According to the Survey, the Indian **logistics industry** worth around US\$ 160 Billion has grown at a compound annual growth rate (CAGR) of 7.8 per cent during last five years. Logistics sector provides employment to more than 22 million people. The Global Ranking of the World Bank's 2016 Logistics Performance Index shows that India jumped to 35th rank in 2016 from 54th rank in 2014 in terms of overall logistics performance. India has improved its rank in all the six components of logistics performance index.

India's housing policies have been mostly focused on building more homes and on home ownership. The Economic Survey suggests that a more holistic approach is required that takes into account rentals and vacancy rates. In turn, this needs to pay more attention to contract enforcement, property rights and spatial distribution of housing supply vs. demand.

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