

(3) Easing of Credit Terms:

- (i) Enhancing the period of pre-shipment and post-shipment Rupee Export Credit by 90 days each;
- (ii) Increasing the time period of export realization for non-status holder exporters to 12 months;
- (iii) Authorised Dealers Category — I Banks permitted to consider applications for pre-mature buy-back of FCCBs from their customers.
- (iv) Other announcements made by the PSU Banks consequent to measures announced by RBI:—
 - a. Reduced Interest Rate for Micro Enterprises and SMEs:—
 - Interest rate on Loans to Micro Enterprises reduced by 100 basis points;
 - Interest rate on Loans to SME reduced by 50 basis points;
 - b. PSU Banks will grant need based *ad hoc* working capital loan of upto 20% of their overall credit facility if it is less than Rs. 10 crore.
 - c. For export units, Margin Money on Guarantees will be reduced.

Measures to boost economy

861. SHRI SABIR ALI: Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

- (a) the details of new initiatives taken by the Ministry during the last year;
- (b) the impact of those initiatives;
- (c) the initiatives proposed for the current year; and
- (d) its likely impact on the economy?

THE MINISTER OF STATE IN THE DEPARTMENT OF INDUSTRIAL POLICY AND PROMOTION, MINISTRY OF COMMERCE AND INDUSTRY (SHRI ASHWANI KUMAR): (a) to (d) The industrial growth in a market driven economy is influenced by the market forces of supply and demand. The role of the Government is of a facilitator for promotion of industrial development. The Government has put in place various policies to promote broad based industrial growth through better access to inputs at competitive prices, rationalization and reduction in duties and taxes, better infrastructure support etc.

The global recession has affected some of the export oriented and other industries 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.

Government has announced two stimulus packages on 7th December, 2008 and 2nd January, 2009 to protect industries from global recession. Measures introduced in these two stimulus packages, *interalia*, 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 and 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 and 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 and 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 and economy.