Table 9.12 : Sector-wise FDI flows into Industry and Infrastructure

(US $ million)

	1991-2000	2000-10	2010-11	2011-12	April-Oct 2011-12	April-Oct 2012-13
Food products	707.4	1237.3	246.9	239.7	122.3	368.4
Fermentation industries	24	770.1	57.7	69.7	53.1	43.7
Textiles	241.8	828.6	129.8	164.7	74.3	91.3
Wood products	0.0	18.8	1.6	29.6	8.1	28.7
Paper	250.5	716.9	44.0	454.7	29.6	3.1
Leather	33.5	42.6	9.3	8.3	5.6	34.7
Chemicals	1480.9	4446.1	2690.2	7534.1	7007.6	789.4
Rubber, plastic & petroleum Products (including oil exploration)	90.3	2953.6	573.6	2217.4	2097.8	476.3
Non Metallic Minerals	261.1	2263.6	657.3	310.0	203.4	189.7
Metals and metal products	186.2	3143.2	1098.1	1786.1	1436.9	1215.1
Machinery and equipment	2043.1	15670.4	1836.3	4147.5	2894.2	1171.2
Transport equipment	0	4603.2	1299.4	923.0	563.7	743.2
Others manufacturing	1761.6	5705.6	1495.6	850.5	625.7	206.3
Mining (including mining services)	0	730.9	79.5	142.7	135.0	15.9
Power*	1038.9	5220.9	1486.2	2104.6	1440.8	771.0
Telecommunication	1089.4	8915.9	1664.5	1997.2	1964.1	48.4
Total	**9208.7**	**57267.7**	**13369.9**	**22979.7**	**18662.0**	**6196.4**

Source **: Office of the Economic Adviser, DIPP**

Note **: Total excludes inflows to services sector and other NRI schemes*includes non-conventional energy**

As regards spatial/industry-wise dispersions of incidences of strikes and lockouts, there exist widespread variations among different states/UTs. Wage and allowance, bonus, personnel, indiscipline and violence and financial stringency have been stated to be the major reasons for these strikes and lockouts.

Table 9.13 : Strikes and Lockouts (man-days lost)

Year	Strikes	Lockouts	Total Man-days lost
2007	210	179	2,71,66,752
2008	240	181	1,74,33,721
2009(P)	205	187	1,33,64,757
2010(P)	261	168	1,79,32,345
2011(P)	106	29	66,71,179
2012 (Jan.-October) (p)	173	21	20,29.439

Source**: Labour Bureau, Ministry of Labour & Employment**

Note **: P = provisional**

Challenges and Outlook

9.34 Industrial production remained sluggish in 2011-12 and the moderation continued during the current financial year. Industrial growth still remains vulnerable to several domestic factors and external shocks. Infrastructure and energy constraints, decline in demand for India's exports, and fragile recovery in investment are the risk factors. The latest lead indicators suggest mixed signals about whether a growth upturn is underway. The policy initiatives taken by the government in the recent months made the business sentiment buoyant and have generated some optimism. The latest seasonally adjusted annualised growth of industrial output indicate that the growth of the sector could remain moderately positive at around 3 per cent for the current year.

9.35 In the short run, revival of investment in industry and key infrastructure sectors is the key challenge. Industrial sector has been hit hard by the deceleration in investment for the second successive year. As per the latest first revised estimates of GDP, gross capital formation in the manufacturing sector in 2011-12 (at 2004-05 prices) had declined by 18.8 per cent as compared to 2010-11. Lower foreign direct investment inflows in key industry and infrastructure sectors during April-October 2012 at $ 6.19 billion as against the inflow of $18.66 billion during the same period of the previous year have further constrained investment in these sectors. Investment intentions indicated in the industrial entrepreneur memorandum (IEMs) filed, which are lead indicators of likely investment flows to industry, also declined in 2011 and 2012. Notwithstanding a marginal pickup in the gross bank credit deployment into industrial sector in recent months, year on year increase in gross bank credit deployment as on end December 2012 has been 13.8 per cent as compared to 19.8 per cent a year ago.

9.36 Apart from weak investment climate, industrial sector performance remained subdued due to infrastructure bottlenecks. Industrial growth rate moderated due to sharp decline in output of natural gas; subdued performance of the coal sector and its resultant impact on thermal power generation; and slow pace of project implementation in rail, road, and ports sectors. In the medium term it is therefore crucial to accelerate the output of core sectors and speed up implementation of crucial big ticket projects.

9.37 As discussed in detail in the earlier sections, the key underpinning cause of the recent industrial slowdown has been the manufacturing sector. India's manufacturing value-added (MVA) as share of GDP, has remained sticky at around 15 per cent. As per the latest competitive industrial performance index (CIP) compiled by UNIDO for the year 2009, India was placed 42nd out of the 118 countries. India's low CIP ranking hints at the underlying weaknesses and vulnerabilities despite being one of the top ten manufacturing nations. India's manufacturing sector therefore needs to acquire dynamism and technological sophistication to become one of the leading manufacturers. From the long term point of view, low level of R&D and inadequate availability of skilled manpower would adversely affect India's competitiveness and the manufacturing growth.

9.38 India has not improved significantly in terms of the ease of doing business and ranks very low in comparison to other industrial peers. The MSME sector in particular faces multiple approval and operational restrictions. The process of setting up and exiting business is time consuming and complicated requiring expensive third party assistance. Since states have the major role in administering MSME sector, the prevailing ecosystem therefore varies from state to state. Exit rules as per the Companies Act, 1956 are complex and costly and do not permit reaping the benefits from reallocation of resources.

9.39 Sourcing of finance at competitive cost is another major constraint for both the organized and the unorganized MSME enterprises. Financing other than internal accruals is costly and prohibitive. The Prime Minister's Task Force on MSMEs had recommended a 20 per cent year-on-year growth in credit to micro and small enterprises to ensure enhanced credit flow. It had also recommended allocation of 60 per cent of the micro and small enterprises advances to the micro enterprises to be achieved in a phased manner. The resource flow, however, needs to improve. Research and technology upgradation activities also need to be scaled up. Presently only a small number of incubators operates in the country which is very low relative to other countries. New incubators will need to be set up on a Public-Private Partnership basis. To attract more investment and talent, incubators need to be allowed to distribute profits back to investors. With some of these changes indutrial growth could become steadier.