

Industrial Investment and Associated Trends

7.11 Trends in investment approvals, capital goods production and sanctions and disbursements by financial institutions also suggest slowdown in industrial activity. On the investment front during 2001, the number of Industrial Entrepreneur Memoranda (IEMs) filed declined to 2,981 from 3,058 in 2000 and the number of Letter of Intents (LOIs) filed declined to 117 from 203 in 2000. However, the proposed investment intentions of IEMs and LOIs of Rs. 91,257 crore and Rs. 1,318 crore respectively were higher than Rs. 72,332 crore and Rs. 1,042 crore in the last year (Table 7. 4).

7.12 FDI approvals during January - October 2001, with proposals worth Rs. 23,266 crore approved were also lower than the Rs. 32,631 crore approved in the corresponding period of the last year. The total number of Foreign Technology Agreements (FTAs) has been declining since the peak level of 982 achieved in 1995 (Table 7.5).

7.13 Capital goods production (measured by the IIP) has been declining since December 1999. The growth rate of capital goods production decelerated from 6.9 per cent in 1999-2000 to 1.8 per cent in 2000-01. During the current year

(April – December 2001) capital goods production recorded a negative growth rate of 4.8 per cent as against 3.0 per cent during the corresponding period of last year. The growth rate of import of capital goods has also been negative since 1996-97, except for 1998-99 when it recorded a marginal increase by 1.9 per cent. Capital goods imports in terms of US \$ declined by 17.6 per cent in 1996-97, by 10.4 per cent in 1997-98, by 22.2 per cent in 1999-00 and by 7.3 per cent in 2000-01. The slowdown in capital goods production as also imports suggests that investment is not picking up.

7.14 Sanctions by All India Financial Institutions (AIFIs) during 2000-01 increased by 16.5 per cent to Rs. 1,17,948 crore, lower than the 23.5 per cent growth recorded in 1999-2000. Disbursements grew by 7.8 per cent to Rs. 72,798 crore as compared with a growth of 19.9 per cent during 1999-2000. However, sanctions by AIFIs during the first nine months of current fiscal (April-December, 2001-02) at Rs. 57,235 crore, declined by 32.1 per cent over the corresponding period of previous year, while disbursements fell by 16.9 per cent to Rs. 41,444 crore. The decline in assistance provided by AIFIs can be attributed to the general economic slowdown and deceleration in the industrial sector, which continued during the

TABLE 7.4
Industrial Investment Intentions filed through IEMs and LOIs

Year	IEM's (Industrial Entrepreneur Memorandum)			LOI's (Letters of Intent)		
	Number filed	Proposed investment (Rs. crore)	Proposed employment* (000')	Number filed	Proposed investment (Rs.crore)	Proposed employment* (000')
1991@	3,084	76,310	769	195	2,071	34
1992	4,860	1,15,872	923	620	13,994	97
1993	4,456	63,976	703	528	12,845	100
1994	4,664	88,771	829	546	17,937	130
1995	6,502	1,25,509	1,114	355	14,265	91
1996	4,825	73,278	696	522	29,932	181
1997	3,873	52,379	522	321	9,528	96
1998	2,889	57,385	521	145	3,274	27
1999	2,948	1,28,892	477	132	827	17
2000	3,058	72,332	411	203	1,042	31
2001	2,981	91,257	809	117	1,318	14
Total	44,140	9,45,965	7,774	3,684	1,07,033	818

Notes :
* Figures rounded
@ August-December

first nine months of the current fiscal (April-December, 2001-02) with the growth rate of IIP at 2.3 per cent, substantially lower than the growth rate of 5.8 per cent registered during the corresponding period of previous year. Also, private sector investment in infrastructure

sector has not picked up as envisaged. Thus, a general sluggishness in investment demand from the private corporate sector has resulted in the lower growth in the flow of funds from institutions.

TABLE 7.5
Total Foreign Technology Agreements and Foreign Direct Investment Approvals

Year	No. of FTAs Approved	No. of FDI Approved	Amount Approved (in Rs. crore)	Actual Inflow of FDI (in Rs. crore)
1991	661	289	534	351
1992	828	692	3,888	675
1993	691	785	8,859	1,787
1994	792	1,062	14,187	3,289
1995	982	1,355	32,072	6,820
1996	744	1,559	36,147	10,389
1997	660	1,665	54,891	16,425
1998	595	1,191	30,814	13,340
1999	498	1,726	28,367	16,868
2000	418	1,726	37,039	19,342
2000*	339	1,494	32,631	13,810
2001*	247	1,590	23,266	16,127
Total ##	7,116	13,640	2,70,064#	1,05,413 @

Notes:

Includes approvals for Euro Issues {American Depository Receipts (ADRs)/ Global Depository Receipts (GDRs)/ Foreign Currency Convertible Bonds (FCCBs)}.

Totals may not tally because of rounding off on an annual basis.

@ Includes SIA/ FIPB/ RBI/ RBI's NRI Schemes, acquisition of shares, ADRs/ GDRs/ Pending issues of shares, etc.

* January – October.