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GOVERNMENT OF INDIA

AIM TO ACHIEVE GDP GROWTH OF 9 TO 9.5% DURING 12TH FIVE YEAR PLAN PERIOD; ASKS BANKS TO BRING DOWN NPA TO PREVIOUS LEVEL: FM

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Union Finance Minister, Shri Pranab Mukherjee has stressed on the need to sustain and pursue the efforts currently underway to reform the international and national policy regimes for better managing the forces of globalisation, in serving the collective well-being of people. He was speaking after inaugurating the National Banking Conclave organised by ASSOCHAM on the theme “Challenges and opportunities in a Trillion Dollar Economy”, here today.

The Finance Minister, Shri Mukherjee said that India has been more fortunate in surviving the global crisis and the economic slowdown of 2008 without major disruptions. Our major challenge in the short-term is inflation, which has implications of sustaining our growth momentum, he said. Shri Mukherjee stated that in the past few weeks we have taken measures to address inflation concerns. The monetary policy has been gradually tightened and at the same time new initiatives were announced in the Union Budget to address some of the bottlenecks in the food supply chain that were behind the inflationary spikes in 2010-11. He expressed hope that we should be able to repeat the growth performance of 2010-11 in 2011-12 as well.

The Finance Minister, Shri Mukherjee said that the medium term growth prospects of the economy remain buoyant. He stated that we need to aim at a GDP growth of 9 to 9.5 per cent for the Twelfth Five Year Plan period. Shri Mukherjee said that we are in the process of deepening policy reforms in the financial sector and addressing gaps in the overall economic regulatory architecture. In the Budget proposals for 2011-12, a significant legislative agenda for the financial sector has been outlined. The Finance Minister said that a Financial Sector Legislative Reforms Commission has been set up. The RBI is in the process of issuing additional banking licences to private sector players and discussions are underway to further liberalise the FDI policy. He stated that major steps are being taken to simplify and place the administrative procedures concerning taxation, trade and traffic and social transfers on electronic interface, free of discretion and bureaucratic delays.

In so far as the banking sector is concerned, the Finance Minister, Shri Mukherjee said that our banks are doing quite well. He, however, expressed concern over the issue of asset quality and said that it is important for banks to constantly monitor and bring down the Non Performing Assets (NPA) to the previous level. He said that it is important for the Indian banks to also adopt the best risk management practices to keep themselves abreast with global developments. He stated that consolidation of banking services, consistently

meeting the capital adequacy requirements, leveraging advanced technology, and effectively managing human resources with a focus on pro-active leadership and skilling and re-skilling of human resources are emerging as major areas of concern for Indian banks that need to be addressed in right earnest. Shri Mukherjee said that technological innovation enhances the capacity for continued and inclusive growth and that newer perspectives and strategies towards financial inclusion are needed to reach the un-banked and the under-banked sections of our country.

In his concluding remarks, the Finance Minister expressed confidence that India is in a position to sustain high economic growth in the coming decades and to create a more inclusive outcome for the society.

DSM/SS/GN