

PRESS INFORMATION BUREAU
GOVERNMENT OF INDIA

**UNION FINANCE MINISTER MEETS INSTITUTIONAL INVESTORS; CONFIDENT OF
REDUCING FISCAL DEFICIT; HOPEFUL OF ECONOMIC GROWTH AROUND 8.5
PER CENT DURING 2011-12**

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Union Finance Minister Shri Pranab Mukherjee has expressed confidence in reducing the fiscal deficit and achieving the target of 4.6 % of GDP announced in the 2011-12 budget. He said that the provisional figures for 2010-11 have given us strong reason to be hopeful in this regard.

The Union Finance Minister, Shri Pranab Mukherjee was speaking in a meeting, here today with a large group of more than 30 of the leading Indian and foreign institutional investors.

Striking an optimistic note on the trajectory that the economy is taking, the Finance Minister Shri Mukherjee said that the economic growth this year could be around 8.5 %. He said that the revenue collection is not likely to see any decline and hence there need not be any undue fear on the issue of fiscal deficit.

On the issue of fuel subsidy, the Finance Minister Shri Mukherjee said that it is difficult to accurately estimate the burden on the government, especially in view of the volatility in the international crude prices. However, if there is any requirement of additional subsidy, funds would be committed with least impact on the fiscal deficit, the Minister added.

On the issue of the government achieving its disinvestment target, the Finance Minister Shri Mukherjee said that it would also be too premature to reach a judgement as only the first two months of the financial year have gone by. Underlining the resolve of the government to pursue the issue of disinvestment, he stated that the public issue of Power Finance Corporation was already completed in the month of May 2011 and the government has raised Rs.1,145 crore on account of this. The Finance Minister reminded the investors that the disinvestment programme in FY11 was not pursued with extra vigour as the 3G/BWA spectrum auctions had brought in higher revenue than expected.

Referring to inflation, the Finance Minister Shri Mukherjee said that it is likely to be moderate in the months ahead especially as the monsoons are expected to be normal strengthening the economic prosperity of the farmers. As regards FDI in insurance and retail, the Finance Minister Shri Mukherjee assured the gathering that the consultations are underway and the Central Government would take all efforts to build a consensus in the matter.

The Finance Minister Shri Mukherjee urged the institutional investors to remain optimistic and take a long-term view of the economy and its performance rather than being disturbed by the short-term statistics. He stated that next generation financial sector reforms have already been initiated which include among other steps, the widening and deepening of the Indian securities markets, liberalising the policy on foreign capital flows, strengthening the regulatory and other institutional architecture and reducing transaction cost in the securities markets.

Replying to a host of questions from the investors, the Finance Minister Shri Mukherjee stated that the Indian growth story is robust and that the government is committed to doing all that is necessary to achieving and sustaining a higher economic growth rate. He assured the institutional investors that the government would continue to take investor friendly policies to encourage further growth.

Adviser to Finance Minister, Mrs. Omita Paul, Finance and Revenue Secretary, Shri Sunil Mitra, Disinvestment and Expenditure Secretary, Shri Sumit Bose and Chief Economic Advisor, Dr. Kaushik Basu were among the senior functionaries of the Ministry who attended the meeting. Smt. Chanda Kochhar, MD and CEO ICICI Bank and Chairperson ICICI Securities who moderated the one hour session stated that the investors have been enthused by the Finance Minister's confidence on managing deficit and inflation and his positive outlook for the Indian economy.

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