

**PRESS INFORMATION BUREAU
GOVERNMENT OF INDIA**

**FM SAYS FUNDAMENTALS OF THE ECONOMY ARE STRONG; ASKS TOP
BUSINESS LEADERS TO PLAY A PROACTIVE ROLE TO BUILD SYNERGY
AND FOR PROPELLING THE ECONOMY TO THE PATH OF HIGHER
TRAJECTORY OF GROWTH**

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The Union Finance Minister Shri Pranab Mukherjee has expressed confidence that the fundamentals of the economy are strong and the growth drivers in the medium term remain broadly intact. He was interacting with the captains of top business houses, here today. During his two and a half hour marathon meeting with top business leaders of the country, he said that the industry should play a proactive role in taking the country to the path of higher trajectory of growth. He said that such interaction should help in building the synergy needed to propel the economy to greater heights in the coming months. He said that there here had been some cynicism expressed of late regarding lack of adequate movement on policies and institutional processes. He stated that he found this view to be based more on perception than facts because several significant policy initiatives had been taken in the recent past and many others were in the pipeline.

The meeting was also attended by Shri Anand Sharma ,Union Commerce and Industry Minister alongwith R. S. Gujral, Finance Secretary, Shri R. Gopalan, Secretary, Economic Affairs, Shri Rahul Khullar, Secretary,Commerce, Shri R. P. Singh, Secretary, DIPP, Shri G. C. Chaturvedi, Secretary, Petroleum, Shri P. S. Sundareshan, Secretary, Heavy Industry, Shri P.Umashankar, Secretary,Power and Dr. Kaushik Basu, Chief Economic Adviser among others.

From business side,top industrialists who attended the aforesaid meet include Shri. Ratan Tata, Shri. Anil Ambani, Shri. Anand Mahindra, Shri. Y C Deveshwar, Shri. Sunil Mittal, Shri. Sunil Munjal, Shri. N R Narayana Murthy, Shri. G M Rao, Shri. Venu Srinivasan, Shri. RP Goenka, Shri Shashi Ruia and Shri. G V K Reddy.

The Union Finance Minister Shri Mukherjee said that on the global front, the sovereign debt problems that had beset the Euro zone over the past year were now threatening to spill over to the larger economies. From India's perspective, the issues of concern were the possible rise in commodity prices and increased volatility in capital flows.

The Finance Minister Shri Mukherjee said that weakening of business sentiments had been partly due to an uncertain global environment and, also on account of rising cost of domestic credit. He said that a tight monetary policy had been necessitated because of the continuing challenge posed by inflationary pressure.

The Finance Minister Shri Mukherjee said that the diversification of the agriculture sector had given it the resilience to survive erratic monsoons. India

was getting closer to self-sufficiency in pulses with the record production of over 18 million tons, he said. Regarding India's external trade performance, he stated that it was better than anticipated in an international market fraught with uncertainty. Significantly, he said, this growth had been accompanied by a structural shift in the composition of India's exports from labour intensive goods to higher value-added engineering and petroleum products. In addition, there had been a geographical diversification of the export destinations to include developing economies, he said. Thus, the Finance Minister stated that, even with a strong import growth, the current account deficit was at a manageable 2.6 per cent of the GDP in 2010-11. This trend had continued in the initial months of the current fiscal year. The Finance Minister said that the domestic private consumption demand continued to be strong. He said that the normal monsoons would contribute to maintaining this momentum.

The Union Finance Minister Shri Mukherjee said that the process of fiscal consolidation had already begun and the fiscal deficit was reduced to 4.7 per cent in 2010-11 as against the budget estimate of 5.5 per cent. He said that in 2011-12, it was hoped to reduce it to 4.6 per cent of GDP. The Finance Minister expressed confidence that the fiscal deficit would be contained as projected in the budget. He stated that both Direct and Indirect gross tax collections were showing healthy buoyancy. The first quarter growth in indirect taxes was over 30 per cent with excise duties and service tax growth at over 33 per cent. In the case of direct taxes the growth was 26 per cent as of July 20, 2011. He stated that efforts were being made to curtail expenditure and pursue resource mobilisation efforts in the remaining part of the fiscal year.

The Union Finance Minister Shri Pranab Mukherjee said that FDI inflow had been robust during April-May 2011-12 when inflows increased to \$7.8 billion

in comparison to \$ 4.4 billion during the corresponding period of the previous financial year. He said that it was likely that with the recent approval of some FDI proposals, the fiscal 2011-12 would see greater FDI inflows. Discussions were underway to build consensus on further liberalization of FDI policy, he said.

The Finance Minister Shri Mukherjee shared some of the measures that were being pursued by the Government. He said that the Commerce Ministry had targeted higher export growth and issued the Strategy Paper to Double Exports in the next three years. The National Manufacturing Policy was also being finalised to enhance India's manufacturing potential. Shri Mukherjee said that the enabling framework for Infrastructure Debt Fund to effectively meet the long-term debt requirements of the infrastructure sector had already been approved by SEBI and would be notified soon. Further, the B.K. Chaturvedi Committee set up to suggest solutions on issues relating to reconciliation of environmental concerns and coal mining, had submitted its report and it would be discussed by the GoM within this week. He stated that the reports of the Vinod Dhall Committee set up to examine the Public Procurement Standards and Public Procurement Policy and the Ashok Chawla Committee set up on Allocation and Pricing of Natural Resources were at an advanced stage of examination by the Committee of Secretaries after which the GoM would consider it by the end of this month. Besides this, the Committee headed by Soumitra Chowdhury had submitted its report on NBS regime in Urea. The recommendations would be considered by the GoM in the next 15 days. This would take forward the reform in NBS and lead to balanced use of fertilisers which would have a positive impact on agriculture production and soil health, he said.

The Union Finance Minister Shri Mukherjee said that important financial sector legislations were being pursued. Some of the bills introduced in the last session including Banking Laws Amendment Bill, Factoring and Assignment of Receivables Bill, Pension Fund Regulatory and Development Authority Bill, Insurance laws Amendment Bill and Life insurance Corporation Bill were expected to be passed in the Monsoon session of the Parliament.

The Finance Minister Shri Pranab Mukherjee stated that Financial Stability and Development Council established to strengthen financial stability, macro prudential supervision, inter-regulatory coordination and financial sector development in the country had been meeting regularly. It's last meeting was held on 29th July 2011. He said that a Financial Sector Legislative Reforms Commission was set up on 24th March 2011 with a view to rewriting the financial sector laws and bringing them in harmony with the new liberalized environment in the country in keeping with the global best practices. It had already held 5 meetings and would complete its work within the next 20 months.

The Union Finance Minister Shri Mukherjee said that SEBI had in the last week approved some significant proposals. These included the new Takeover Code keeping in view the interests of the domestic industry, modified the mutual funds regulations for greater retail participation, common KYC norms in the securities market and simplification of formalities for opening demat account to broaden investor base.

The Union Finance Minister Shri Mukherjee said that a pilot project would soon be launched on a new system of LPG distribution based on the recommendations of the Task Force for Direct Transfer of Subsidies on Kerosene, LPG and Fertilizer headed by Shri Nandan Nilekani.

In his concluding remarks, the Union Finance Minister Shri Pranab Mukherjee said that he was aware that much more could be done by both the government and the private industry. He invited the concerns and suggestions from the top business leaders present. He said that there was a panel of Secretaries to take note of sector specific concerns as well.

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