

PRESS INFORMATION BUREAU

GOVERNMENT OF INDIA

**REVERSAL IN POLICY RATES AFTER THREE YEARS WILL
HELP IN INVESTMENT REVIVAL AND CONTRIBUTE TO THE
STRENGTHENING OF BUSINESS SENTIMENTS IN INDIA :FM**

New Delhi, Vaisakha 15, 1934

May 05, 2012

The Union Finance Minister Shri Pranab Mukherjee said that the monetary authority in India has on 17th April 2012 reversed the policy rates for the first time, after a gap of nearly three years. He said that he hopes this will help in investment revival and contribute to strengthening of business sentiments. On the fiscal front, the Finance Minister said that we are committed to bring down the subsidy bill below 2% of GDP in 2012-13 and to 1.75% of GDP in next three years. Shri Mukherjee was making Introductory Remarks before addressing a Press Conference in Manila, Philippine today.

The complete text of the Introductory Remarks made by the Finance Minister Shri Mukherjee is given below:

Text of the FM's Introductory Remarks at the Press Conference

I would like to start this Press conference giving a brief preview of the Indian Economy. The unfolding of the euro zone has impacted the Indian economy through lower growth, falling business sentiments, declining capital inflows and exchange rate and stock market volatility with

attendant implication for investor confidence. Despite these challenges, India has continued to be a front runner in terms of economic growth in the region, which underlines the resilience of the Indian economy. We have managed to maintain a growth rate of 6.9 per cent in 2011-12 with continued emphasis on inclusive growth. Steps are being taken to meet the fiscal deficit. In Union Budget 2012-13, we have focussed on strengthening domestic growth drivers, encouraging private investments to regain its pre-2008 crisis growth momentum and addressing supply constraints in infrastructure and agriculture sector.

The monetary authority in India has on 17th April 2012 reversed the policy rates for the first time, after a gap of nearly three years. I hope this will help in investment revival and contribute to strengthening of business sentiments. On the fiscal front, we are committed to bring down the subsidy bill below 2% of GDP in 2012-13 and to 1.75% of GDP in next three years.

We have taken several steps to shore up the short and medium term growth prospects which include gradual liberalization of capital market and encouraging capital inflows including through FIIs, FDI and in the area of External Commercial Borrowings, especially for infrastructure financing. The Indian economy is more resilient than many other nations to withstand this fresh round of global economic turmoil, as the bulk of India's GDP is domestic demand driven. India's External Commercial Borrowings Policy has been successful in maintaining external debt at sustainable levels. India's banking sector is robust and our regulatory architecture is mostly in place. I am confident that the strong fundamentals of our economy will help us return to a sustained growth path of pre 2008 crisis level in the coming years.

India is a Founder Member of the ADB and our association with the institution dates back to 1966. The 45th Annual Meeting of Board of Governors of ADB here in Manila provided opportunity for meeting intellectuals and policy makers from across Asia and the world. In my intervention at the First Business Session of the Board of Governors yesterday, I highlighted that infrastructure development, dealing with the challenge of urbanization, managing food security, raising agricultural productivity, promoting efficient renewable sources of energy, improving livelihoods through inclusive growth and advancing regional cooperation are some of the key areas which need to be addressed with seriousness

for sustaining the growth of Asian region. ADB is uniquely placed to assist in realizing the full potential of the region.

During my stay in Manila, I held bilateral meetings with the Finance Ministers of Bhutan, Bangladesh and the President of ADB. The new President of Japan International Cooperation Agency (JICA) also called on me. Issues of mutual interest were discussed. I would also be meeting Secretary of Finance, Republic of Philippines during my stay.

India is honoured to be the host of 46th Annual Meeting of the Board of Governors of the ADB that is scheduled to be held on May 2-5, 2013 in Delhi. We have chosen as theme for the event “**Development through Empowerment**”. This theme reflects the development strategy of India namely, empowerment backed by legal entitlement and encompasses issues that are critical for sustaining high and inclusive growth in Asia.

I am extremely happy that a Website to publicize the event was formally launched by the President of ADB and myself just now. This website will provide information about the Delhi Annual Meeting and act as a link between the host country and prospective delegates. We hope the Annual Meeting of 2013 will help bring countries of Asia closer to each other and also facilitate the formulation of policies that can lead us towards greater prosperity and well being. I welcome all colleagues from the media to visit India in May, 2013 and make this event a big success.

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