Union Finance Minister's Opening Remarks

Post-Budget Interactive Session with CII, FICCI and ASSOCHAM

Vigyan Bhavan, March 18, 2012

I am happy to see all the three major apex industry and trade bodies present here this morning. This meeting with you all is an occasion to elaborate and clarify the thinking behind some of the Union Budget 2012-13 proposals that have been placed before the Parliament. I have my team here to help me with that. At the same time, it is an opportunity for you to give your feedback and share our concerns on issues that remain to be addressed.

2. In this past year, the global economic environment has witnessed considerable uncertainty due to both political and economic developments. Despite significant weakness global demand, the international fuel oil prices have remained buoyant. Growth in Euro zone area has slowed down and a durable solution to the sovereign debt problems remains elusive. The US is just beginning to recover. While Japan is yet to emerge from the unfortunate twin impact of the earthquake and the nuclear disaster, there are some early signs of sluggishness in the Chinese economy. At home we have seen four consecutive quarters of growth deceleration in the calendar year 2011, with GDP growth dropping from 8.3 per cent to 6.1 per cent.

3. It is against this background that we had to prepare the proposals for the Union Budget 2012-13. It was necessary that the topical and emerging concerns were effectively addressed. It is only then that I could hope to bring a convergence in the expectations of our investors,

entrepreneurs and consumers on the macroeconomic prospects of the economy, and elicit the required response from them.

4. In drawing-up the Union Budget proposals for 2012-13, I have focused on strengthening domestic growth drivers, encouraging private investment to regain its pre-2008 crisis growth momentum and addressing supply constraints in infrastructure and agriculture sector. The initiative on improving the employability and opportunities for livelihood has been further strengthened to create more inclusive outcomes in both rural and urban areas. This is turn is expected to improve domestic demand and growth prospects in the medium term.

5. A critical element of the strategy is to implement an ambitious but realistic fiscal consolidation road map, and leveraging technology to give effect to a quantum improvement in Government's expenditure management. The strategy involves:

- Expenditure management through cap on subsidies at 2 per cent of GDP for 2012-13 and gradually taking it to 1.75 per cent of the GDP over three years;
- Additional resource mobilisation in 2012-13 of over Rs 41,440 crore to bridge the fiscal deficit;
- Better targeting of subsidies through the gradually expanding Aadhaar platform; and
- Expenditure monitoring and better expenditure planning through the amended provisions in the FRBM Act, wherein three year rolling targets on expenditure indicators have been prescribed.

6. Several steps have been taken to strengthen the domestic growth drivers, with a focus to recover the pre-crisis growth momentum in private investments. While fiscal consolidation will help in creating more space for private investment demand, improved financing and spending on infrastructure will help in improving business sentiments. We have taken steps to deepen capital markets and liberalise capital inflows including through FIIs, FDI and ECBs to improve the access of Indian industry to cheaper credit. Two new SME exchanges have been launched for facilitating fund availability to the SME sector. There are proposals for the creation of credit guarantee funds to improve credit flows to specific activities like skill creations and education.

7. At the same time, we have increased plan spending, with public spending on infrastructure going up by 17 per cent. Policy issues in specific sectors like power, coal, transport, low-income housing and textile have been addressed to ease the supply constraints on expansion. The agriculture thrust on specific crops /produce and on eastern region continues with increased allocations, by over 17 per cent from Rs.7860 crore to Rs 9217 crore. Accelerated Irrigation Benefit Programme is being restructured with an increase in allocation by over 53 per cent from Rs. 2034 crore to Rs 3114 crore.

8. The demand, particularly in the rural areas should remain buoyant. Besides the demand-driven MG-NREGA, which has managed to ensure the implementation of floor wages in the rural areas and the remunerative Minimum Support Prices with increased procurement, there is enhanced spending and attention being given to:

- Social security measures including National Social Assistance programme, where allocation shave been increased by over 37 per cent from Rs 6,158 crore to Rs 8447 crore;

- National Rural livelihood Mission (Ajeevika) where the increase is by over 34 per cent from Rs 2914 crore to Rs 3915 crore; and
- Backward region grant fund by 22 per cent from Rs 9890 crore to 12040 crore; and
- Financial inclusion.

9. These measures, coupled with the fact that core inflation has moderated in the past three months and that in the coming months we are looking at a reversal in the policy rates, should help in improving business sentiments.

10. I would like to assure you all that we are committed to protect the credibility of the numbers that you have seen in the Budget proposals. All required measures will be pursued in putting the economy back on the high growth path. But the success would depend on collective efforts. Together we have the means to address the challenges that we face, or are likely to face in the coming year. We have worked jointly and come thus far, there is no reason that why we should not succeed in our future endeavours.

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