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GOVERNMENT OF INDIA

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**GOVERNMENT’S DEVELOPMENT OBJECTIVE IS TO REDUCE AND ULTIMATELY REMOVE THE INEQUALITIES IN ALL DIMENSIONS OF HUMAN LIFE IN SOCIETY; REAFFIRMS GOVERNMENT’S UNWAVERING COMMITMENT TO REFORMS TO FURTHER CONSOLIDATE OUR ECONOMIC STRENGTHS; URGES INDUSTRIAL BODIES TO HELP IN BRIDGING THE SKILL GAP: FM**

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The Union Finance Minister Shri Pranab Mukherjee said that the Government’s development objective is to reduce and ultimately remove the inequalities in all dimensions of human life in the society. In order to achieve the same, Shri Mukherjee said that an adequate pace of growth is a necessary condition. The Finance Minister Shri Mukherjee was addressing the 91<sup>st</sup> Annual Session of Assocham, here today. The Finance Minister further said that rapid and sustained poverty reduction requires inclusive development which would enable people from all sections of society to contribute to as well as benefit from economic growth. He said that for growth to be sustainable in the long term, it has to be broad-based across sectors, regions and among the different population segments of our society.

The Union Finance Minister Shri Mukherjee said that in a globalised world where the major developed economies are passing through a turbulent time, growth cannot be taken for granted in any part of the world including in the emerging market economies. He said that the Indian economy is in some ways better placed than many other nations to withstand a fresh round of global economic turmoil. He said that India’s resilience results from the fact that bulk of India’s GDP is domestic demand driven. He said that India’s External Commercial Borrowings Policy has been successful in maintaining external debt at sustainable level. The Finance Minister said that India’s banking sector is robust. He said that there is unwavering commitment to reforms to further consolidate our economic strengths.

The Union Finance Minister Shri Mukherjee said that policy measures have been taken in recent months to further ease capital controls and making available a framework for pooling of debt finances for infrastructure among others. Shri Mukherjee said that a direct investment scheme was announced on 1<sup>st</sup> January, 2012 under which qualified financial investors will be allowed to invest directly in Indian equity market. He said that this is the first time that we have taken steps to open up direct access to our capital markets for the individual foreign investors other than the institutional investors and foreign venture capital firms. The Finance Minister said we have further liberalised FDI in single brand retail, and a consensus for operationalising the decision taken to open FDI in multi brand retail trading is being pursued. He said that Foreign

Direct Investment (FDI) flows which had considerably slowed down in 2010-11, have bounced back and as of January 2012, FII inflows have also picked-up.

The Finance Minister Shri Mukherjee said that the path to economic development has to be focused on two parallel objectives. He said that on one hand we have to develop villages, improve agriculture and agro based industries and infrastructure in rural India while on the other hand, we need to empower the rural people and give them new opportunities and provide jobs in keeping with their growing aspirations. The Finance Minister said that an important requirement for bringing this about is empowerment of labour through skill upgradation. He said that in this task of bridging the skill gap, an industry body like Assocham can play a significant role. The members of Assocham or the affiliated bodies can identify the skill requirements in their respective areas of enterprise and help set up required supply chains for skills. The Finance Minister said that this will be supplemented by various skill development initiatives being under taken by the Government.

**The text of the speech delivered by Union Finance Minister, Shri Pranab Mukherjee at the 91<sup>st</sup> Annual Session of Assocham on the theme “Making Inclusive Transformation Happen: Reinventing the Growth Track through Innovation and Entrepreneurship is given below:-**

“I am very happy to be here this morning to participate in the 91<sup>st</sup> Annual Session of ASSOCHAM. Let me start by congratulating you all on the journey covered so far and wish you success in the years to come. As an organization representing the interests of trade and industry your Chamber has made significant contributions to the development of these sectors and in interfacing with the Government on your behalf.

Your meeting today has taken up a topical theme namely: “Making Inclusive Transformation Happen: Reinventing the Growth Track through Innovation and Entrepreneurship”. In nutshell, the different elements of the theme namely, inclusive transformation, reinventing the growth track, nurturing innovation and promoting entrepreneurship represent the key challenges before our economy today. I commend the choice of this theme by ASSOCHAM.

We are aware of the significant disparities in our country that relate to an individual’s access to resources, her capabilities and skill-sets and her attainments on socially desired outcomes and well-being. It has to be our developmental objective to reduce and ultimately remove these inequalities in all dimensions of human life in our society. Ensuring an adequate pace of growth is a necessary condition in this endeavour. But rapid and sustained poverty reduction requires inclusive development which would enable people from all strata to contribute to and benefit from economic growth.

For growth to be sustainable in the long-term, it has to be broad-based across sectors, regions and among the different population segments of our society. Then again the effort has to be to provide for the basic needs and create opportunities to enhance capabilities and incomes in meeting the growing aspirations of the people. For it is then alone that each of us will derive the sense of belonging and also become a part of the growth of the country.

In a globalised world, where the major developed economies are going through a turbulent time, growth cannot be taken for granted in any part of the world, including in the emerging market economies. Over the past months, deep and widespread economic concerns with a complex mix of real and financial problems have surfaced in Europe. It is a setback to the global recovery. Even the tepid economic recovery that we have seen so far in some of the advanced economies is stalling. Unemployment in these economies has not recovered from the crisis highs. Several countries have experienced sovereign rating downgrades. The relatively robust revival in emerging market economies is also beginning to falter. The financial markets, which had never fully recovered from the earlier crisis, are under renewed stress.

This continuing global uncertainty is also affecting India. The increased volatility in capital flows is resulting in heightened fluctuations in stock and currency markets with attendant implications for investor confidence. Moreover, slowdown in external demand has led to deceleration in the growth of exports in recent months leading to widening of the current account deficit. Growth has slowed to just under 7 per cent, as per the advance estimates released by the Central Statistical Organisation. Yet, India is still among the global frontrunners in the growth field, but reinventing the growth track, which is the theme of today's meeting, is something that we must not lose sight of. India has to target a double digit growth in the not too distant future. We have shown that we can grow fast but we must learn to sustain it over extended period of time.

Sustained near double digit level of inflation that has been a major policy concern for us over the last two years. It is beginning to show signs of moderation of late with WPI headline inflation declining to around 6.5 per cent in January 2011. A tight monetary policy has impacted investment and consumption growth through higher cost of credit. Growth has consequently slowed. Nevertheless, we have been able to keep the adverse impact of global slowdown and uncertainty on our economy to the minimum. I expect this slowdown to be temporary and the economy would soon revert to the high growth trajectory.

Indeed, the Indian economy is, in some ways, better placed than many other nations to withstand a fresh round of global economic turmoil. India's resilience results from the fact that 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. There is unwavering commitment to reforms to further consolidate our economic strengths.

Policy measures have been taken in recent months to further ease capital controls, making available a framework for pooling of debt finances for infrastructure. A Direct Investment Scheme was announced on January 1, 2012 under which Qualified Financial Investors (QFIs) will be allowed to invest directly in Indian equity market. This is the first time that we have taken steps to open up direct access to our capital markets for the individual foreign investors other than the institutional investors and foreign venture capital firms. We have further

liberalised FDI in single brand retail, and a consensus for operationalising the decision taken to open FDI in multi brand retail trading is being pursued. Foreign Direct Investment (FDI) flows which had considerably slowdown in 2010-11 have bounced back and as of January 2012 FII inflows have also picked-up.

The Government has now put in place the New Manufacturing Policy to give a big push to the manufacturing sector with the objective of increasing its share in the GDP to 25 per cent and create 100 million jobs in the next ten years. The Policy encourages the setting-up of New Investments and Manufacturing Zones across the country. These zones would address the problems of infrastructure, would create world class urban centres and also absorb surplus labour by providing them gainful employment. We are putting in place an enabling framework for ease of doing business, compliance based on self-regulation, ensuring availability of skills, technology and finance within a supportive environment.

Innovation, whether as knowledge creation or as knowledge application has always been a major source of competitive advantage, wealth creation and improvement in the quality of life. Sustaining India's growth momentum is critically dependent on improving our factor-productivity through technological innovations and process reengineering. It is also dependent on enhancing the capability of our young population to understand new technology and absorb and simulate it to meet local needs. In that context there are at least three areas that we need to focus on. The first area is education and knowledge creation. The second is creating and strengthening of a competitive environment to support private enterprise. The third is to encourage a greater focus on research and design activities (R&D) in our enterprises and in institutions of higher learning. We are making progress in all these areas, though perhaps not at the pace we would ideally like to.

Our path to economic development has to be focused on two parallel objectives. On one hand, we have to develop villages, improve agriculture and agro based industries and infrastructure in rural India. On the other hand, we need to empower the rural people and give them new opportunities and provide jobs in keeping with their growing aspirations. They must have the chance to move in step with the modern India, the India that is being talked about around the world. This would take a majority of them into cities and semi-urban areas, where it would be necessary to upscale and improve the infrastructure. The industry and the service sector will have to provide a large share of those opportunities.

An important requirement for bringing this about is empowerment of labour through skill up-gradation. The task of meeting the skill gap is where an industry body like ASSOCHAM can play a significant role. It can form the bridge between education and industry. The members of ASSOCHAM or the affiliated Bodies can identify the skill requirements in their respective areas of enterprise and help set up required supply chains for skills. This will be supplemented by the various skill development initiatives being undertaken by the government.

India is a young nation, and it has the advantage of demographic dividend over the next two decades. Empowering the youth of India with adequate skills is the key pillar in this policy and we have separately earmarked resources for this purpose by way of creating a National Skill Development Fund. We intend to impart skill and train 150 million persons over the next 10 years in partnership with Indian industry. The availability of skilled manpower will itself attract investment both domestic and foreign and take productivity to newer heights. This will then provide the quantum jump to India's growth story. We are also continuously engaging with our business leaders for their support and collaboration in setting up sector skill Councils.

Before I conclude, let me suggest that as a society we need to set new benchmarks for implementing initiatives under Corporate Social Responsibility (CSR). I am in favour of voluntary social programmes by the corporate sector to create sustainable industrial development model for the country. The Government is receptive to ideas and is committed to making the best efforts to push forward on all these fronts that I have alluded to with a view to create sustainable opportunities for growth. I am also sure that the Indian enterprise that has proved and established itself on the international level will come together to meet the challenges before us and take the economy to new heights. I wish you all success in your respective endeavours."

**DSM/SS/GN**