

## **Finance Ministers Speech**

### **NDTV Profit Business Leadership awards 2011**

Ladies and Gentlemen,

I am very happy to be here today among this distinguished gathering of industrialists and business persons on the occasion of the annual NDTV Profit Business Leadership Awards for 2011. Leadership and excellence are the two pillars which determine how the future shapes up for all of us and at the same time, they provide the inspiration to realize that future. The recipients of the awards are individuals who epitomize courage, ingenuity, knowledge and foresight. They have led their businesses with vision and inspiration. Through events like this we acknowledge their contribution to the society and their achievements set new benchmarks for others to emulate.

2. The world economy is facing renewed challenges in the aftermath of the global financial turmoil of 2008. The Euro zone sovereign debt crisis has taken its toll and all major economies of the world are fighting to get out of a recessionary phase and persistently high levels of unemployment. After the initial phase of harmonising the use of macro-economic policy and keeping markets open, countries in the developed and the developing world adopted revival strategies, in keeping with the needs of their respective contexts, though with varying degree of success. In a globalised world, it has been one of the most challenging periods for policy makers.

3. The current state of heightened global uncertainty has implications for emerging market economies including India. It has impacted the Indian economy through the financial market channel, the equity and foreign exchange markets, due to the risk averse nature of global capital flows. Thus, we have seen the Rupee depreciating vis-à-vis US dollar in the current fiscal year, most of it has been since August 2011. This has come in the way of the economy benefiting from softening in international commodity prices, including that of fuel oils and hence better management of domestic inflation. Rupee depreciation is largely driven by global factors and the pressure would continue until there is a durable solution to the sovereign debt problem in Europe.

4. The impact on the real economy has been mainly through slowdown in global demand for Indian exports. Weak global cues have contributed to depressed domestic business sentiments. This is holding back growth in private investments. Our monetary and fiscal policy response has been geared towards taming domestic inflationary pressures, which has impacted consumption and investment growth. As a result, in the first half of the fiscal year, growth in private consumption and gross fixed capital formation has been moderate, resulting in some deceleration in the aggregate demand. Despite all this, we have been able to keep the adverse impact of global slowdown and uncertainty on our economy to the minimum.

5. I would say that India's growth fundamentals are strong and they look more attractive in a world challenged by problems of confidence and lack of growth. Indeed, these global developments are markers of shifting balance in the global economy, presenting new opportunities for us. India's robust performance in difficult times shows that we could actually come out stronger from this crisis. We have to be alert to shape real-time policy responses, reform systems, improve the regulatory framework of our institutions to make the most of the opportunities coming our way.

6. As stakeholders in the development of our economy, we have to work together in strengthening the drivers and the demographic dynamics of our economy. We need to delink our business sentiments from global cues. We need to lift ourselves from despondence and cynicism and focus on the positives.

7. It is true that sometimes the process of reforms gets overtaken by political events. This is in the very nature of our democracy and its polity. Despite differences, the principal political parties have been able to work together on most issues. For this process to be speeded-up, the Indian enterprise has to help build the consensus across our diverse social and political space, to benefit from the opportunities before us. It has to demonstrate its willingness to marry its economic interests with some larger social responsibilities.

8. We have difficult three months ahead of us in this fiscal year. Our growth for 2011-12 may be around 7.5 per cent or less. There are

also concerns on the Central Government finances for the current fiscal. Performance during the first half on the fiscal front poses some risks in both receipts as well as expenditure estimates. Adhering to the fiscal deficit target of 4.6 per cent of GDP in 2011-12 is a major challenge. However, there are some clear signs of inflation moderating in the coming months. I expect it to be in the range of 6 to 7 per cent in end March 2012. Going forward, I am sure that RBI will take into account the important concern of balancing the targets of controlling inflation and keeping up growth and employment generation.

9. Let me now address an important concern which of late is being frequently expressed and that is one of policy inaction. It is this sentiment and apprehension that things are not being addressed, which even as it is unfounded, perhaps has a more telling effect on business sentiments than the economic numbers that I have just mentioned. It is true that progress of economic reforms on some fronts especially FDI in multi brand retail and some legislative amendments have not seen a smooth passage, but we cannot be accused of not trying.

10. There have been a host of policy measures including incremental changes in easing capital controls, making available a framework for pooling of debt finances for infrastructure and various other measures which lend credence to our commitment to economic reforms. The Government has now put in place the New Manufacturing Policy to give a big push to the manufacturing sector.

11. We have a vibrant democracy, a diverse range of opinions and a respect for all. In such a milieu, the way forward is determined by the approach which accommodates all and which essentially draws on a consensus. Does this mean that reforms take a back seat? Not at all. All efforts will continue and the fully supported and warranted reform measures will be realized when sound economic logic breaks down ideological barriers and this, ladies and gentlemen, will happen.

12. In the medium to long term we are committed to prudent management of our fiscal situation, bridging our infrastructure deficit, hastening the reform process and ushering in a more inclusive growth regime. The government is making the best effort to push forward on all these fronts and these, I am sure, will bear fruit.

13. Let me conclude by saying that despite the challenges before us, I am confident that we will improve our short-term growth prospects in the coming months. I have faith in the Indian entrepreneurial spirits and the other stakeholders, and we have the political will to do the needful to meet the aspirations of our people. With these words, let me congratulate once again the award winners. I wish you all a very fulfilling and exciting times ahead.

Thank You.

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