

February 26, 2010**Comments of Mrs Chanda Kochhar, Managing Director & CEO, ICICI Bank on Union Budget FY2011**

The Union Budget for FY2011 will provide fresh impetus to investment and consumption demand in the economy and promote infrastructure development on a larger scale. The focus is on supporting the growth momentum of the economy and addressing long-term constraints to growth. At the same time the budget continues with the government's plan to improve systemic efficiency through a simplified tax structure. Further the renewed focus on fiscal consolidation, in light of economic recovery, augurs well for the economy over the long-term. The budget, while highlighting the strong fundamentals of the economy, therefore, presents a balanced approach towards long-term economic planning and short term considerations of sustaining and broad-basing the momentum in economic recovery.

The budget is a balanced exercise in policy making that focuses on leveraging the strong fundamentals of the Indian economy, providing an enabling environment for the growth process and facilitating broad-based and inclusive growth while at the same time committing to better fiscal management and prudence. The Finance Minister has articulated that while regaining 9% growth momentum at the earliest is a priority, the endeavour would be to cross the double digit mark in the near future. As such the budget is oriented towards enhancing the long-term growth fundamentals of the economy. The budget lays emphasis on expenditure in sectors like agriculture, infrastructure development, rural and urban development and development of clean technology. The implementation of these development programmes will go a long way in addressing supply constraints in the economy, improving productivity and enabling sustained long-term economic growth.

With respect to taxes, the budget continues to focus on simplifying the country's tax system and making it more broad-based with the intention of implementing the direct tax code and GST regimes from April 1, 2011. At the same time, the reduction in tax slabs for income taxes is expected to result in greater disposable incomes in the hands of individuals leading to greater consumer spending and demand. The increase in the excise duty and removal of certain exemptions on the indirect tax front were largely expected and are in line with the government's articulation of focusing on fiscal consolidation.

The overall focus of the government on improving its fiscal position and increasing fiscal transparency is highly commendable. The Finance Minister has announced medium term targets for the fiscal deficit, with the fiscal deficit targeted at 4.1% in FY2013. At the same time he has articulated bringing items like oil and fertilizer subsidies, so far considered as off-balance sheet, into direct fiscal computation. This movement towards better fiscal management and transparency will increase efficiency in the economy, improve India's attractiveness as an investment destination and provide the government greater fiscal flexibility to deal with any future economic shocks.