

**March 16, 2012****Comments of Ms.Chanda Kochhar, Managing Director & CEO, ICICI Bank on Union Budget FY2013****Pragmatic budget focused on fiscal consolidation**

The Union Budget for fiscal 2013 is a pragmatic exercise aimed at growth and stability in the backdrop of the challenging year gone by and the broad consensus needed for various policy measures. It goes further to set a direction for fiscal consolidation to ensure long term stability and sustainability.

Fiscal 2012 has been a challenging year for the Indian economy. Both global and domestic factors resulted in a moderation of economic activity, led to persistent inflationary pressures and contributed to deterioration in the current account and fiscal position. The Union Budget for fiscal 2013 has to be seen in the context of these developments.

The Union Budget seeks to address the imperative of fiscal consolidation. In this context, the intention to contain subsidies at 2.0% of GDP next year and 1.75% of GDP within three years is laudable. Greater efficiency in distribution and lower leakage through use of the Aadhaar platform are key positives that should contribute towards achieving this goal.

The Union Budget seeks to revive the growth momentum in the economy with a focus on infrastructure development, agriculture & rural economy and inclusive growth. Specific measures regarding the infrastructure sectors, including permitting external commercial borrowings, reduction in withholding tax and exemptions in customs duty are positive steps towards addressing some of the current challenges being experienced by these sectors. In addition, outlays in critical sectors such as agriculture, education, healthcare and rural development have been enhanced.

Overall, the Union Budget adopts a pragmatic approach towards addressing the needs of the economy and managing the fiscal position. Continued incentives to critical sectors emphasise the government's focus on growth. At the same time a reduction in the fiscal deficit through increased efficiencies in the subsidy and government spending mechanism as well as higher revenue generation has been emphasised. In addition, necessary policy and administrative measures to facilitate the execution of investment plans would need to be pursued. The growth slowdown appears to have bottomed out and some pickup in growth can be expected next year. In the long term, the fundamental strengths of the Indian economy coupled with appropriate fiscal policies and investments in key sectors should take India back to a higher growth trajectory.