

**PRESS INFORMATION BUREAU
GOVERNMENT OF INDIA**

**EXISTENCE OF EFFICIENT FINANCIAL MARKETS IS PARAMOUNT FOR
ACHIEVING ECONOMIC GROWTH: FM**

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The Union Finance Minister Shri P. Chidambaram said that existence of efficient financial markets i.e. both banks and capital markets, is paramount for achieving economic growth. He said that without vibrant and viable financial market architecture, there cannot be any sustainable economic growth. The Finance Minister said that efficient intermediation by financial markets lead to higher economic growth by increasing savings and their optimal allocation for productive uses. Shri Chidambaram said that banks and other intermediaries including Non-Banking Financial Companies (NBFCs), Insurance and Pension Funds and Mutual Funds etc. are mechanisms to channel savings to investment. They have the capacity to promote economic growth as they allocate savings to those investments which have potential to yield higher returns, the Minister added. The Finance Minister Shri P. Chidambaram was making his opening remarks during his fourth pre-budget consultation meeting with representatives of banking and financial institutions here today. The Finance Minister further said that major steps have been taken to reform India's regulatory framework to adopt best international practices. Reforms in equity markets lead the market development process. The Finance Minister said that results of the reforms taken by the Government are encouraging and the country is now one of the most vibrant and transparent markets in the world.

Along with the Finance Minister, both the Minister of State for Finance Shri S.S. Palanimanickam and Shri Namo Narain Meena, Adviser to the Finance Minister, Shri Parthasarthy Shome, Finance Secretary, Shri R.S. Gujral, Secretary, Financial Services & Disinvestment, Shri D.K. Mittal, Revenue Secretary, Shri Sumit Bose, Secretary, Department of Economic Affairs, Shri Arvind Mayaram, Chief Economic Adviser, Dr. Raghuram R. Rajan, and Chairperson, CBEC were present among others.

About 22 participants representing different Banking and Financial Institutions participated in the aforesaid meeting. The major participants included Dr. K.C. Chakraborty, Deputy Governor, Reserve Bank of India, Shri Pratip Chaudhuri, Chairman, State Bank of India, Shri M. Narendra, CMD, Indian Overseas Bank, Shri K.R. Kamath, CMD, Punjab National Bank, Shri Arun Kaul, CMD, UCO Bank, Shri M.V. Tanksale, CMD, Central Bank of India, Shri R.M. Malla, CMD, IDBI, Shri Prakash Bakshi, Chairman, NABARD, Shri D.K. Mehrotra, Chairman, LIC, Shri G. Srinivasan, New India Insurance, Shri T.C.A. Ranganathan, E CMD, XIM Bank, Shri S.K. Goel, IIFCL, Ms. Chanda Kochhar, CEO, ICICI Bank, Shri R.V. Verma, CMD, National Housing Bank, Shri Sunil Kaushal, Standard Chartered Bank, Shri Uday Kotak, Kotak Mahindra Bank Ltd, Shri Atul Kumar Rai, IFCI, Ms Shikha Sharma, CEO, Axis Bank, Shri Rana Kapoor, YES Bank, Shri Raman Aggarwal, FIDC, Shri Deepak S. Parekh, IDFC and Shri D. Krishna, Urban Cooperative Banks.

The participants made various suggestions and recommendations for consideration of the Finance Minister for the forthcoming Union Budget 2013-14. These proposals and recommendations include extension of Agriculture Interest Subvention Scheme to Self Help Groups, interest amount for the purpose of TDS be increased from Rs. 10,000/- to Rs. 25,000/- on fixed term deposits with banks, tax exemption of Rs. 20,000/- under section 80CCF for investing in Infrastructure Tax Free Bonds be reintroduced, bringing more transparency in gold and real estate transactions at par with equity transactions, to bring housing sector within the definition of infrastructure and encouraging long term funds for investment in housing sector among others.

Other suggestions and proposals include to allow banks to issue tax free infrastructure bonds, treat Urban Cooperative Banks at par with those in rural areas, to exempt social security insurance schemes from service tax and tax concession on contribution to leave encashment as on group gratuity etc..

Beside above, some other suggestions were to include NBFCs and AFC (Asset Financing Companies) for promoting financial inclusion and grant them tax parity with banks by extending service tax benefits which are available to banks & public financing intuitions etc but not extended to NBFCs, giving exemption to NBFCs-AFCs from TDS under section 194A from the Income Tax Act and tax benefit for income deferral under section 43D and allowing depreciation @ 30-50 per cent for construction equipments among others.

Some other proposals include monetizing of the real estate assets of the railways and central government Ministries/Departments, inclusion of different subsidies in direct benefit transfer scheme, exemption from PAN for TDS in case of small investors in rural areas and boost to asset reconstruction companies among others.
