

India seeing record growth: FM

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FINANCE Minister P Chidambaram on Saturday said India was witnessing an unprecedented period of growth and was still grappling with the challenges that came along with it.

With credit growing at over 30% for 24 months running now, he said, "We are witnessing an unprecedented period of boom. While I am certain we will sustain and exceed the current growth rate of 8%, we are grappling with the problems of success."

Speaking at the Indian Express Group's Idea Exchange programme, Chidambaram underlined the measures that would help

sustain this growth story. "Savings should ideally stand at about 30% of the GDP, investments should go up to 34% of the GDP," he said. "What we also need is to manage these investments professionally, preferably through the private sector. Most importantly, the government must also keep pace with the rest of the world on the policy front and work to fine tune and update them continuously."

Chidambaram emphasised on the need to invest more in agriculture, which in turn would lead to a higher growth rate. "Agriculture is a drag in this whole growth story. But it will be less and less of a drag, with the services and manufacturing sectors growing. One of the



Chidambaram at the Indian Express Group's Idea Exchange meet in Delhi on Saturday

saddest parts of the growth story is the neglect of agriculture, which contributes only

about 25% to the GDP despite employing over 60% of the population."

He also pointed out that the present subsidy system has created great imbalances and inefficiencies in the sector. "We should ideally be providing subsidy to the user and not the producer. For instance, in the fertiliser sector, the subsidies must be provided to farmers and not the fertiliser companies" he said.

According to Chidambaram, the way to improve agriculture is to bring in every additional rupee of investment into the sector. The state can provide additional investment in the form of irrigation and repair and renovation of water bodies.

Inflation is another issue of serious concern, the minister said. "At 6.12%, inflation is a matter for concern. Ultimately, inflation is a mon-

etary phenomenon. The money supply is above target and there are supply-side constraints," Chidambaram said, adding the government must remove constraints on the supply side by enhancing production capacities and by filling the gap through imports.

He, however, said, we must learn to live with some inflation given the high growth rate of over 8%. It can be reined in only if the government resorted to massive price control or suppressing demand. However, both these options cannot be exercised. Ideally, inflation needs to be contained at below 4%, Chidambaram said, adding he was in touch with the ministry of agriculture and the department of consumer affairs on this.