

## **Union Finance Minister, Shri Pranab Mukherjee's speech at ICAI International Conference, Chennai**

"The global financial crisis and the current international economic environment has brought into focus significant challenges for governments across the world. India has also been impacted and continues to face challenges on several fronts. Yet, I would say that we have done well in maintaining the growth momentum in what have been uncertain and difficult times. More importantly, we have taken important steps in creating a policy framework for pursuing 'inclusive growth' as the core of our development agenda.

I am happy to see that the Institute of Chartered Accountants of India (ICAI) has taken the initiative to organize this International Conference on an apt theme. It has brought together experts and practitioners from the domain of accountancy to deliberate on the role of the profession as a driver in generating inclusive growth and economic stability.

Today India can proudly claim to be fourth largest economy in the world on purchasing power parity. The economic reforms initiated by successive governments in India have paid rich dividends leading to strong all around development of the agriculture, service and industry sectors. India's robust performance in difficult times shows that we could actually come out stronger from these crises. It is marks the shifting of balance in the global economy, presenting new opportunities for us. We have to be alert to shape real-time policy responses, reform systems, improve our institutions and make the most of the opportunities coming our way.

. The challenge now is to sustain this high GDP growth over an extended period of time and find the means and modalities to make it count for each and every individual across the country. Our objective is to harness this growth to make the development process more inclusive, strengthen food security, improve education opportunities and health facilities both in rural and urban areas. At the same time, we are looking to address the weaknesses in our systems, structures and institutions of governance at different levels of governance.

Even as the country prepares itself to set new benchmarks for growth and sustaining it over an extended period of time, development would be welcome only if inequalities in incomes and opportunities come down. And if there is better social cohesion and social attainments for all. This requires action on several fronts. We need to have effective policies in place and an efficient institutional system to make those policies yield the desired results. We need to strengthen our governance, oversight and regulatory systems to minimize corruption and improve accountability in public life. We need to craft credible and consistent rules and regulations for markets, including financial markets, to prevent a race to the bottom where capital leaks out to the areas with the weakest regulation. In this process we all have to play our respective roles.

India is globalizing in every aspect, the way businesses are being conducted and resources are being mobilized. The accountancy profession has an added role to play in this context. The standards for accounting and auditing should enable everyone to access the balance sheets in a comprehensible way that makes comparisons easy. The accounting profession has to play its role as a watchdog for ensuring and complying with the financial probity and propriety. Your profession has to focus on working and contributing to the upcoming areas of reforms in urban and local bodies, accounting of NGOs and even the government run entities, extending your domain beyond the corporate world, thereby re-enforcing elements of accountability. All this would help in making the best use of our resources for the greater good of our people.

While the direct outcome of a robust accounting system is to bring out the correctness of the financial information, ultimately it has to promote the concept of correct usage of funds on projects that involve larger public interest. There is thus a case for creating a platform wherein the huge welfare schemes launched by the government are able to provide the desired benefits to the set of stakeholders for whom such initiatives are directed at. It is here that the accountancy profession has to make significant contribution by disseminating its best practices.

Transparency is very important in the accounting profession and is a major tool to combat corruption. Accountants work in diverse areas as auditors, practitioners, tax advisors and in key internal positions in public and private sector. It is expected of the accountants, while performing their roles in these areas, to act decisively and in the best interest of the public without compromising professional values and ethics. Indeed the role of the accountancy profession is critical for the fight against corruption.

The role of the accounting profession is critical in lending credibility to financial markets by providing high quality information, facilitating market discipline and fostering confidence of various stakeholders. This has become all the more important with today's volatile nature of capital markets, emergence of knowledge based economy, and technological changes that have posed major issues in financial reporting. I must add here that the effectiveness of the accounting profession also depends on the quality and the consistency of the services provided by its members and the capacity to respond to market demands. Professional organizations like ICAI have a specific responsibility and role to play in this regard. I am happy to see the Institute contributing in making available a large base of world class chartered accountants, and developing high quality financial reporting standards. I commend your commitment in the drive for convergence of accounting, auditing and ethical standards with international best practices, and improving corporate governance in the business world.

The ICAI has been in the forefront of development of the accounting profession in India. The Indian accountancy profession has the distinction of being one of the largest in the world, and also technically competent. Your pursuit towards internationalization of your skills and experience is a welcome step. We need to promote brand India in a big way globally. Your members who have excelled in India should, on the strength of their internationally benchmarked qualification and orientation to international standards, be able to perform equally well in foreign

markets. I am aware that the Institute has signed MoUs/MRAs with internationally reputed institutes. There is a need for establishing professional reciprocity wherever possible to gain from each others' experience.

The growing demand for Indian chartered accountants across the world, as has been the case with Indian IT professionals, is indeed very encouraging. I am told that ICAI has taken a number of initiatives to develop the profession of accountancy in other countries where it is in its infancy. The Government encourages such initiatives of the Institute.

We recognize that India's economic legislation needs to be progressive and be in tune with global norms and best practices. Towards that end we have set up a Financial Sector Legislative Reforms Commission to re-write the financial sector laws and bringing them in harmony with the new liberalized environment in the country.

. We have introduced the Direct Taxes Code Bill. The thrust of the Code is to improve efficiency and equity of our tax system by eliminating distortions in the tax structure, introducing moderate levels of taxation and expanding the tax base. The language has been simplified to enable better comprehension, remove ambiguity and encourage voluntary compliance. The new Code is designed to provide stability in the tax regime as it is based on well accepted principles of taxation and best international practices. I am confident that together with GST, this will streamline the tax administration of the country by making it efficient and equitable.

ICAI, being a partner in nation building, has the onerous responsibility of standing hand in hand with the Government in the new phase of tax reforms and assist in facilitating the implementation of the DTC and the GST. You could contribute to Government's capacity building initiatives, assist in developing policy and provide implementation inputs at relevant forums. I am sure, ICAI, as the premier accounting body will help in the smooth transition to the new tax regime in the coming years. I

hope that the Institute would strive to constantly equip its members to deliver professional services of the highest standards with credibility, reliability and accountability.

I once again congratulate the Institute of Chartered Accountants of India for organizing this mega event and wish the International Conference a grand success."