Boosting Investments

What is the issue?

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- India is witnessing a declining trend in the rate of gross fixed investment in recent years.
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- It is crucial now that the government make policies to revive investments to boost the declining economic growth rate.
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What are the causes for low investments?

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- As regards the unorganised sector, the investment pessimism is largely a result of the impact created by **demonetisation and GST**.
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- Private corporate sector is also cautious of making new investments due to the **slowing of demand growth** as a result of low household consumption.
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- The influx of imports and **deceleration in export growth** are making cases worse for new investments.
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- The Non-performing assets (NPA) problem has risen to a proportion of being a threat to the financial system and the economy.
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- The Reserve Bank of India and the government are resorting to stringent measures to tackle this.
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- Resultantly, the corporate heads face the burden of having to pay the price instead of passing it on to workers and lenders.
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- The new provisions for **insolvency and bankruptcy** have reinforced this very necessary pressure.
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- All these developments are having its own impact in the overall investment trend.
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What should be done?

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- Reviving the investment optimism is essential at this point to improve the economic conditions.
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- RBI should be cautious of the exchange rate trend, in addition to its mandate on inflation control, to make conditions favourable for investment.
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- Reviving investment sentiment in small and micro enterprises sector has a huge potential to generating jobs and thus growth.
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- Redesigning the PPP policy so as to ensure more realistic risk sharing is needed.
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- In all, the government should put in place a long-term agenda for boosting growth than repeated temporary corrections.
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- This is essential to keep favourable the private and public sectors investments that are crucial for the economy.
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Source: Business Standard

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