

# CEA urges India Inc to step up investments

## Says drivers of economic growth need to rebalance

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Cautioning that demand uncertainty will continue in the decade ahead, Chief Economic Advisor (CEA) V. Anantha Nageswaran on Thursday urged India Inc to increase investments and not conserve resources despite the 'repairing' of the balance sheets.

"So what is holding it (corporates) back? It is easy to say that there is general demand uncertainty. Post Covid, recovery has started. But one thing we have to remember is that this decade is going to be the decade of uncertainty, whether we like it or not. So for us to wait for the uncertainties to abate or recede, [its] like waiting for the waves to subside before taking a dip in the ocean. That is not going to happen," he said at a Confederation of Indian Industry (CII) event.

The CEA further said that the drivers of economic growth have to rebalance between consumption and investment, as usually the con-



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CHIEF ECONOMIC ADVISOR

sumption has to be a residual in the growth cycle.

The balance of financial resources for the corporate sector which was negative for the corporate sector between FY13 and FY20 has turned positive in FY21 (2.7 per cent), FY22 (0.8 per cent) and FY23 (2.1 per cent).

"[This] rebalancing has to happen in India. Waiting for demand to arise before they start investing will actually delay the onset of such demand conditions happening, because usually consumption has to be the residual. Investment leads

to employment, which leads to income generation and which in turn creates consumption and then the savings are recycled back into the investment. So the more the corporate sector delays its investment, this virtuous cycle will not materialise," Nageswaran said.

Noting that the infrastructure gap, compliance burden, and policy provisions that prevent scale and the financial sector's unwillingness to lend have been holding back the corporate sector from investing, the CEA said that the government is already addressing these issues.

## India's growth to be led by women: NITI vice-chairman

India's growth going forward will be 'female-led', as it strives for a consistent 8 per cent growth in the coming 25 years, NITI Aayog's vice-chairman and economist Suman Bery said on Thursday.

"The direction from the PM is clear. Inclusive growth, and particularly, female-led growth," Bery said at the CII Global Economic Policy Forum 2023.

DHRUVAKSH SAHA

there is a close correlation between growth in net sales and investment in fixed assets.

The net sales of 725 companies, excluding BFSI and state-run oil & gas firms, were up 4.2 per cent year-on-year (Y-o-Y) in H1FY24 – the lowest half-yearly increase in the last three years and down sharply from 12.2 per cent growth in the second half of FY23 and 31.3 per cent growth in the first half of FY23.

Earlier in the day, Luis E Breuer, senior resident representative for India, International Monetary Fund (IMF) commended the government on reforms like flexible inflation targeting, bankruptcy code and digitisation among others, along with the success of its financial sector which provided support to its economic boom.

"Going forward it is important for the country to continue on the reforms path, focusing on the soft infrastructure which includes regulatory and institutional reforms. Modernisation of institutions will help India achieve its own development goals. In the banking sector, greater participation of the private sector and strengthening governance of public sector banks should be prioritised," he added.

"Initiatives such as Aatmanirbhar Bharat and performance-linked incentive (PLI) schemes, coupled with infrastructure spending and decriminalisation of laws, are meant to create global champions in India," he said. Nageswaran also called the retail investors to rebalance from speculation to real investment for the long term.

As reported by *Business Standard*, the slowdown in corporate revenue growth over the last one year has begun to reflect in India Inc's capital expenditure as