

'Slump has Bottomed Out, But Credit Worries Remain'

Sharp recovery unlikely soon as India still facing liquidity issues, says Assocham prez Goenka

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New Delhi: Economic slowdown has bottomed out, but India Inc is still facing difficulties in getting credit, Assocham president BK Goenka told ET. He said the recent trends indicate that there would not be a further large dip in the growth but that a lack of availability of credit could hamper recovery.

"If you see the numbers in Diwali sales and if you see automobile sales numbers, they have bottomed out... Here on, I think, there should be some kind of a U-turn," said Goenka, adding that the recovery would not be sharp and that it would take 2-3 quarters for the government efforts to stimulate the economy to have an impact on growth.

"The biggest issue industry is facing is

liquidity," said Goenka, adding that while banks were flush with liquidity, small enterprises were still not getting credit.

Goenka said the government had made efforts to make credit available to the industry but banks dragged their feet on it.

"RBI has reduced rates five times by almost 1.5% where the bankers have reduced lending rates less than 0.5%," he said, adding that the government needed to lower the rate at which it borrows funds to allow bankers to lower their cost of funds.



The Assocham president also highlighted that India needed more development finance institutions to fund long-term infrastructure projects as commercial banks did not have the risk appetite to fund such projects. Goenka said the recent announcement of a fund to revive real estate projects would have a positive knock on effect on the rest of the economy. "Once people who have invested their savings get a roof over their head, it will have a huge impact and the cycle of purchasing will start," said Goenka.