



AJAY SRINIVASAN/ADITYA BIRLA

The way to get investments back is to get stalled projects moving

BY HARSHA SUBRAMANIAM

Ajay Srinivasan, chief executive of financial services at Aditya Birla Group, said in an interview that stalled projects should start moving for near-term gains.

Edited excerpts:

The Reserve Bank of India (RBI) in its policy few days ago spoke about the fact that inflation remains a primary concern. On the other hand, it injects liquidity into the system. Do you see a contradiction? Is RBI saying something and doing something else?

No, I don't see a contradiction. I clearly think RBI is concerned about inflation and inflation remains sticky. You could argue that even with all the demand contraction it has tried, inflation hasn't come down. But RBI obviously still believes that inflation has to be kept under control and a tight monetary policy is required for that.

At the same time, by ensuring liquidity, I think it is providing some buffer to the banks to deal with other issues that banks are facing and providing liquidity to segments of the economy that would continue to require it. So I think by doing that they are managing to make sure there is adequate liquidity and supply of money in the market, but it's still not sending a signal of rates coming down as yet.

The larger concern is the complete lack of corporate investment. What do you think can trigger the investment cycle to restart?



Growth issues: Srinivasan says policy support is an issue.

INTERVIEW

That's a good question because I think if you go back to mid 2000s, when we had strong economic growth, a large bit was driven by investments. If you look at new project announcements currently, I think it's not been as low as it has been currently for the last 15-20 years in my view. So new project announcements itself have really come off. I think you are seeing some amount of project investments from projects that were created earlier.

If I give you another data point, if we look back in the mid 2000s, repo rates were broadly where they were at this point in time. So I think you could argue, therefore, interest rates alone is not the issue, clearly there is an issue with policy support and with the general sentiment to invest.

I think the good news though at least in the near-

term horizon is the number of stalled projects.

Because if you look at just the data of projects that have been stalled, either because of not getting clearances or because of not getting linkages, it's a fairly significant number. So one quick way to kind of get investment back on track could be to just get these stalled projects moving again, that will give you some near-term kick, but ultimately to get investments back on track, I think there is going to be, you have to have project investments coming back.

Indian mutual funds are perhaps the cheapest financial products in the world. Yet somehow one does not see the growth in this sector matching what people call the actual potential. Why?

I think if you look at other parts of the world, triggers for mutual fund growth particularly have either come from tax. So as in the US and the UK, large tax incentives to equity mutual funds have driven a big growth in mutual funds or it's come from a culture of investing in equity, which you see in a number of other markets is basically a culture of investing in equity. We don't have both of those today in our market and if you look at household savings, you still have a large propensity to invest in bank deposits and in gold, in real estate, and much less in capital market related instruments. My sense is that, that will change, but it will change over a period of time.

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