



## Emerging from the slowdown

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Moody's decision to lower India's credit rating outlook from stable to negative is just another reminder of the deteriorating economic situation in the country. In this context, India needs to address multiple issues. For example, the ongoing stress in the financial sector is a key reason for the slowdown. While the government and RBI have taken several remedial measures in this regard, our financial services sector continues to be dominated by public sector banks, which do not always allocate credit efficiently (often under political pressure) and thus remain a drag on the exchequer. The slowdown also has a cyclical dimension to it, and dealing with it will necessitate introducing reform supporting long-term economic growth and significantly broadening the tax base. That will help in overcoming the ongoing systemic sluggishness.

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