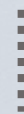


AUGUST 2023



MONTHLY NEWSLETTER



CENTRE FOR BUDGET STUDIES (CBS)
CUSAT

NEWS 

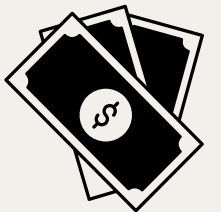
MACROECONOMIC ANALYSIS

India's construction sector to employ 100 million, requires skilled workforce for economic growth: Report



According to a report by 'Knight Frank India', India's employment in the construction sector is estimated to grow to 100 million to attain economic growth targets. The construction sector, which is the second-largest employment generator in the country, is estimated to employ 71 million of the workforce by 2023.

Consumer spending in India to exceed to \$4 Trillion by 2030



Consumer spending in India is expected to cross the \$4 trillion mark by 2030, growing at a compounded annual growth rate of 10%. The report submitted by the dept says that E comm is the major reason for the increased consumption in the state. In terms of categories, the report projected consumer spending on food, housing, apparel, personal care, transport, and communication to increase twice by 2030.

Unemployment falls to 8% in July

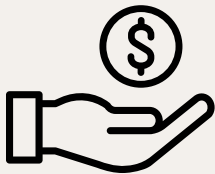


The country's overall unemployment rate decreased in July as a result of rising demand for work in agriculture with the start of the monsoon season. The overall unemployment rate dropped to 7.95% in July compared to 8.45% in June, based on information provided by independent forecaster, Centre for Monitoring Indian Economy.

NEWS 

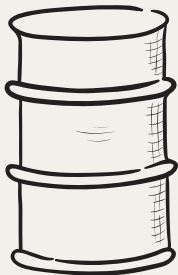
ECONOMIC POLICY

MPC to hold on to current Repo Rate at 6.5%



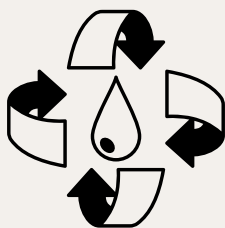
The RBI's Monetary Policy Committee (MPC) decided unanimously to keep the benchmark repo rate at 6.5%. It raised the projection for retail inflation in the current fiscal year by 30 basis points to 5.4%. In its previous policy in June too, the RBI kept the policy repo rate unchanged. The MPC revised its CPI inflation projection for 2023–24 upwards to 5.4% while retaining its projection for real GDP growth in 2023–24 at 6.5%.

Indian refiners stock up Urals oil before Russian supply cut



With 1.58 million barrels per day, Urals oil—a high-sulphur, sour grade of petroleum—accounted for 76% of India's entire July purchases from Russia and 33% of its total crude oil purchases. According to a state refiner official, purchases of Urals grade rose by 130% year over year in July as Indian refiners stocked up on the discounted fuel out of concern that the discounts and supplies would be eroded in August and September. Russia is voluntarily reducing its oil exports by 500,000 bpd in August to coincide with the output reductions planned by the Saudi Arabia-led Opec.

The government's think tank sets water neutrality standards for companies



NITI Aayog has laid out a standard definition and approach to water neutrality for industries, saying it will help save water, lead to efficient usage, and enable the evaluation of water neutrality claims made by industries. Practising water neutrality standards could lead to an estimated total savings of 38.23 BCM of water over the next 10 years until 2032. The Aayog has argued that water neutrality can only be assessed if water extracted and water recharged are at the same location.

NEWS 

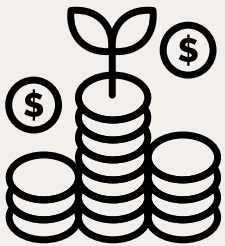
FINANCIAL TECHNOLOGY

GravityX, Coinswitch to help web3 ventures scale-up



Coinswitch Ventures, the web3 investment arm of Coinswitch and GravityXCapital are launching a web3 scale up programme called “LevitateX”. This initiative aims to support early stage web3 companies in achieving launch readiness, accelerated traction, and operational excellence. The programme will leverage the experience of the CoinSwitch team and the resources of GravityX Capital to help early-stage startup founders with appropriate connections to navigate the Web3 ecosystem.

Indian fintech industry remains third-highest funded in H1 2023



A new report by market intelligence platform Tracxn, reveals the Indian fintech industry remained the third-highest funded in the world in the first half of 2023. During the first quarter of 2023, fintech start-ups demonstrated impressive growth, raising funds totalling \$1.18 billion. Titled ‘FinTech - India Semi Annual Funding Report - H1 2023’, the study said there were seven \$100 million+ rounds in the first six months of 2023. In the first six months of 2023, Indian fintechs raised \$1.4 billion, a significant drop from \$4.3 billion in the same period last year (funding drops 67%).

India to add AI-powered conversational payments to UPI

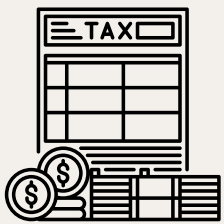


The central bank has identified AI’s potential to enable conversational payments, letting users engage in a conversation with an AI-powered system to initiate and complete transactions. Users will soon be able to ask an AI-powered system to make payments for them. The feature is set to offer a public digital platform for the provision of frictionless credit. RBI Governor Shaktikanta Das announced new UPI measures while sharing the outcome of the central bank’s bi-monthly policy review.

NEWS 

INTERNATIONAL ECONOMICS

Government defers restrictions over hardware imports



To address security concerns and promote domestic production, the government had placed limitations on the import of laptops, tablets, all-in-one personal computers, and ultra tiny form factor computers and servers. The central govt on August 4, announced a relaxation over the sudden imposing of import restrictions over the hardware imports. The govt announced that this restriction is to control the imports in the state and to ensure verifiable, trusted client dealings.

Foxconn inks Rs 1.6K cr deal with TN for mobile component plant



TN govt has made collaborations with the largest electronics manufacturing company named Taiwan's Foxconn, to build a mobile component manufacturing facility in the Kancheepuram district at a proposed investment of Rs 1,600 crore. They also mentioned about starting an EV manufacturing unit in India. Following a meeting with Liu, CEO of the Foxconn group, Chief Minister (CM) M K Stalin tweeted that their ambition is to make TN the new emerging electronics manufacturing hub of Asia, which is another milestone in their journey.

Sri Lanka has announced scrapping \$3.85 b oil refinery deal



The deal to build an oil refinery that was set to become the island's largest foreign investment was scrapped. The project was originally meant to be jointly funded by Silver Park, owned by an Indian family company, and Oman and was due to be completed this year Energy minister Kanchana Wijesekera said the cabinet terminated the agreement on Monday because Singapore-registered Silver Park International had failed to begin construction since a ground-breaking ceremony in 2019.



ARTICLES OF THE MONTH

➤➤➤ READ MORE

Explaining the U curve Trend in Female Labour force participation in Bihar

-Aviral Pandey

Despite Bihar's high economic growth rates over the past 15 years, its female labour force participation rate has declined, especially between 2004-05 and 2018-19, with a modest increase after 2018-19. This "U-curve" phenomenon of FLFPR in Bihar is examined using the National Sample Survey Office and Periodic Labour Force Survey data.

READ MORE <<<

Do not underestimate the National Statistical System

-Editorials

Rather than discrediting official statistics, the focus should be on a radical rehaul of the statistical agencies.

**THE NATIONAL
STATISTICAL SYSTEM
AIN'T DEFECTIVE**

➤➤➤ READ MORE

In defence of credit-rating agencies

-Buttonwood

The much-maligned institutions have performed well of late.

**TO HALT THE
DEFACING OF CREDIT
RATING AGENCIES**

READ MORE <<<

Can Uber and Lyft ever make real money?

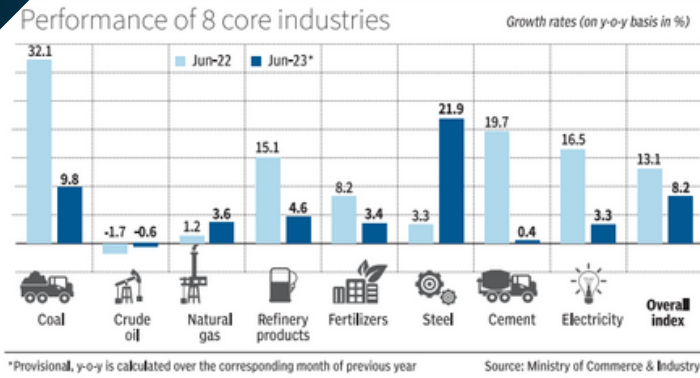
Ride-hailing seems a long way from generating riches for investors.

**UBER AND LYFT
STILL GOING
DOWNHILL**

DATA POINT

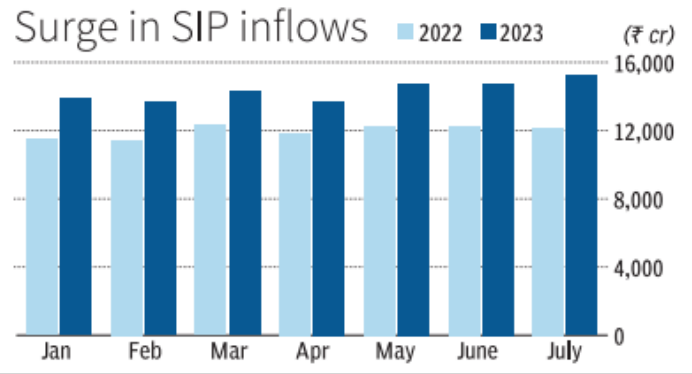
GROWTH IN CORE SECTORS; SEVEN OUT OF EIGHT INDUSTRIES HAVE INCREASED OUTPUT

The core infrastructural industries in the country experienced an increase in the output to a five-month high in June. According to the data released by the Ministry of Commerce and Industry, the combined index of eight core industries was up to 8.2%. For the first quarter of the FY24, the expansion of the core industries was 5.8%.



SURGE IN RETAIL INVESTORS' INTEREST IN MUTUAL FUND'S HAS TRANSLATED INTO AN IMPRESSIVE GROWTH IN SIP

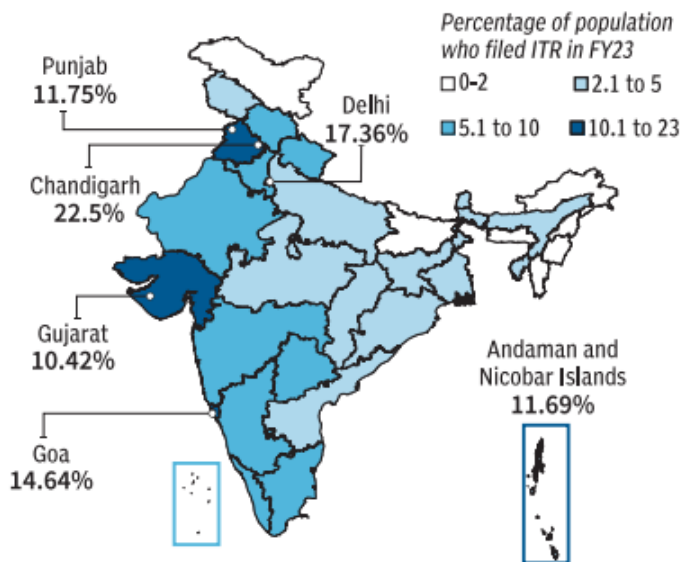
Inflows through systematic investment plan (SIP) hit a new high in the month of July at Rs. 15245 crores, as the number of new SIPs registered was the highest ever at 33.06 lakh. Investors are pouring into small-cap funds as they want to reap the benefit of bounce-back in these stocks after a sharp fall.



THE NUMBER OF INCOME-TAX RETURNS FILERS

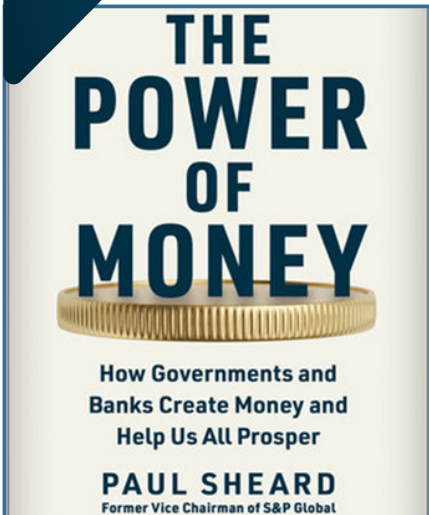
Analysing the data shared by Ministry of finance in Lok Sabha, whopping 7.4 crore people filed I-T returns in FY23, but 70 per cent of those were zero tax returns, bringing the number of people who paid money towards I-T at 2.23 crore. The pandemic significantly reduced people's income and businesses saw a slowdown. This could be majorly why there have been a lot of zero tax filings since FY21. There has been an increase in the number of first-time taxpayers, who may not fall into the tax bracket.

More ITR filers in Chandigarh, Delhi, Punjab



Source: Lok Sabha – Ministry of Finance, UIDAI Projections, BL Calculations

BOOK RELEASES



“THE POWER OF MONEY: HOW GOVERNMENTS AND BANKS CREATE MONEY AND HELP US ALL PROSPER

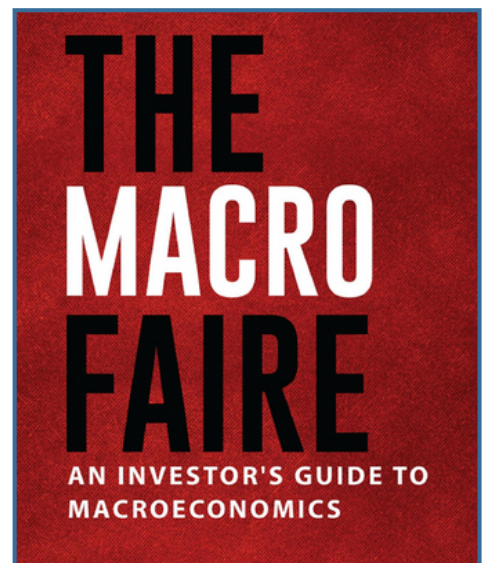
-PAUL SHEARD

Economist Paul Sheard distills what money is, how it comes into existence, and how it interacts with the real economy. Sheard empowers readers to become better-informed economic citizens by providing context for some of the biggest questions surrounding money.

THE MACRO FAIRE: AN INVESTOR’S GUIDE TO MACROECONOMICS

- ANKITA PATHAK

The Macro Faire' is the DIY kit for top-down investing and aims to help build an understanding of macro data starting from the very basics. It will equip you with a set of tools that will let you interpret data in all market conditions and make better investing decisions.



WEALTH SUPREMACY

How the Extractive Economy and the Biased Rules of Capitalism Drive Today's Crises



WEALTH SUPREMACY: HOW THE EXTRACTIVE ECONOMY AND THE BIASED RULES OF CAPITALISM DRIVE TODAY’S CRISES

- MARJORIE KELLY

This powerful analysis explains how the bias toward wealth that is woven into the very fabric of American capitalism is damaging people, the economy, and the planet and explores what the foundations of a new economy could be.

FACULTY ARTICLE

EMPOWERING THE RUPEE: INDIA'S PATH TO GLOBAL CURRENCY RECOGNITION

-DR. SANTHOSH KUMAR P. K



The Reserve Bank of India (RBI) has taken a significant stride towards enhancing the global stature of the Indian rupee with the release of a comprehensive report outlining strategies for its internationalization. The report's multifaceted recommendations span short-term, medium-term, and long-term objectives, all aimed at propelling the rupee onto the international stage and solidifying India's position in global financial markets. In the immediate term, the RBI's proposals are geared towards fostering bilateral and multilateral trade arrangements, including standardized central bank swaps, which would facilitate more efficient currency exchange between nations. The innovative approach of leveraging opposing countries' trade balances to mutual advantage stands out, as it suggests utilizing currency surpluses for productive purposes, such as foreign direct investment (FDI), portfolio investments (FPI), infrastructure projects, and interest-bearing investments. To facilitate the growth of local currency settlements (LCS), the RBI recommends creating a liquidity framework and enabling swaps in local currencies. This paves the way for the seamless integration of INR into various financial instruments, ensuring a thriving 24x5 INR market, and fostering price discovery. The medium-term vision includes liberalizing the masala bond framework by waiving withholding taxes,

making these bonds more attractive to investors. The push for inclusion of INR in the Continuous Linked Settlement (CLS) system further strengthens India's financial market infrastructure, enhancing international transactions' efficiency. Perhaps the most ambitious objective outlined is the long-term aspiration of including the rupee in the Special Drawing Rights (SDR) basket. Such recognition by the International Monetary Fund (IMF) would confer considerable prestige upon the Indian currency and align it with a select group of globally recognized currencies. These recommendations not only enhance India's economic influence but also position the country as a hub for INR transactions and price discovery. The call for including Indian government bonds in global indices and revamping the Foreign Portfolio Investment (FPI) regime underscores the intent to bolster India's presence in international financial markets. As the RBI and the government embark on the journey to realize these recommendations, the impact on India's economy will undoubtedly be closely watched. The report signifies an important step towards the rupee's internationalization and sets the stage for India's increased economic prominence. By embracing these suggestions, India is poised to assert itself on the global financial scene, advancing its economic growth and influence.

STUDENT ARTICLE

OVERCOMING THE TWIN BALANCE SHEET PROBLEM

-ASWATHY J



According to the RBI's Financial Stability Report (FSR) - June 2023, the banking industry is becoming consistently more stable. RBI Governor Shaktikanta Das stated in the foreword to the report that India is on the verge of a "twin balance sheet advantage for growth". A key indication of asset quality, GNPA's of banks, dramatically decreased from 11.5% in FY18 to 3.9% in FY23, while NNPA's decreased from 6.1% to 1.0% over the same time period. Another notable feature is the improvement in the performance of banks and the corporate sector that **'twin balance sheet syndrome' (TBS) is fast shaping into a 'twin balance sheet advantage' (TBA)**.

The twin balance sheet problem refers to the deteriorating balance sheets of corporates and banks at the same time. The issue occurs when companies have excessive debt and insufficient funds to repay it. On the other hand, public sector banks (PSBs) get burdened with significant non-performing assets (NPAs), high provision requirements, low profits, and low capital adequacy ratios (CAR). Desperately, some PSBs resort to the restructuring of loans and the evergreening of NPAs. This was more pronounced beginning in 2008-09, following the global financial crisis.

Following the FSR, balance sheets in both the banking and corporate sectors have improved. There has been a decline in NPAs and rising corporate profitability. **The transition from TBS to TBA is a prolonged struggle for all stakeholders.** The RBI introduced the Central Repository of Information on Large Credits (CRILC) in 2014, the Asset Quality Review (AQR) in September 2015, and the Insolvency and Bankruptcy Code (IBC) in 2016. The National Asset Reconstruction Company (NARCL), a separate bank, was founded in 2021 with the sole purpose of managing bad loans.

It is necessary to assess and keep an eye on the risk governance tools and the specific policies that make up this framework. With a proper credit evaluation, proportionality in lending to the corporate sector must be ensured. To retain strong credit ratings and lower borrowing costs, the corporate sector should practise responsible borrowing and assure prompt loan repayment. To ensure that they play a more strategic role in putting the economy on a higher trajectory of growth, banks and the corporate sector need to work together in order to fully realise the potential of their recently acquired strengths.

CBS ORGANISED



On August 4th, Centre for Budget Studies conducted a seminar on the '**National Multidimensional Poverty Index**' progress review **2023 released by NITI Aayog**, which included a detailed study of the concept, an analysis of the latest report, and an open discussion over the relevance of the MPI in the Indian context.

Around 13.5 crore Indians (one-tenth of the population) managed to escape poverty between 2016 and 2021. **The MPI value has nearly halved from 0.117 to 0.066 and the intensity of poverty has reduced from 47% to 44%, thereby setting India on the path of achieving SDG Target 1.2 (of reducing multidimensional poverty by at least half) much ahead of the stipulated timeline of 2030.**

The key components to calculate national MPI are health, education, and standard of living. It is evident from the report that there was substantial improvement in all 12 indicators of MPI, and improvements in nutrition, years of schooling, sanitation, etc. have played a significant role in bringing down poverty.

Even so, there are several aspects that are not reflected through MPI, such as increasing income inequality, social exclusion, etc. This was further taken up as a discussion by the students, who challenged and pointed out the data not being up-to-date, the arbitrariness in the weighting of indicators, etc., and suggested modifications in the method of data collection and design of MPI.



On August 18th and 19th, Centre for Budget Studies organised a **two-day aptitude and softskill training programme in collaboration with IMS Cochin**. The programme was designed to equip students at CBS with **essential aptitude** and **soft skills** that are vital for their professional journey.

The training was aimed at providing the edge that one needs today to grab the opportunities that come their way. The first-day session began with quantitative aptitude and logical reasoning classes by Mr. Eldo Paul, which were followed by a verbal ability class by Mr. Aditya. These classes provided the students with tips and tricks to solve the questions correctly within a short span of time and on how to improve communication skills. The students were asked to introduce themselves and speak freely, which helped them boost their confidence.

The second day was dedicated to in-depth resume writing and interview preparation. The students then got the opportunity to attend a pre-placement test covering QA, LR, and VA, along with a personal interview.

Feedback was provided by the mentors to each student regarding improving their resume and communication skills to excel in interviews. **IMS** is a pioneer in the test preparation industry, has been training and mentoring students for more than 4 decades for various entrance exams, and focuses on helping students achieve their career goals.

CBS LINE

VOL-I ISSUE- 2

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