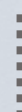


**JANUARY 2024**



**MONTHLY NEWSLETTER**



CENTRE FOR BUDGET STUDIES (CBS)  
CUSAT

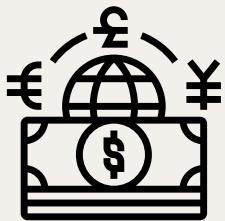
## NEWS

### MACROECONOMIC ANALYSIS



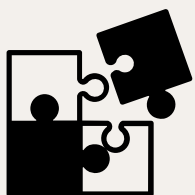
#### **India, Singapore cooperation in climate finance has promising future: NITI Aayog VP Suman Bery**

NITI Aayog Vice Chairman Suman Bery believes India and Singapore can work together in green finance, within the framework of the G20 New Delhi Leaders' Declaration on sustainable finance. Bery visited Singapore to strengthen bilateral ties and foster cooperation across all levels. The declaration aims to pursue environmentally sustainable and inclusive economic growth and development in an integrated, holistic, and balanced manner. Singapore has pioneered AI in Asia and plans to triple its AI expert pool to 15,000.



#### **India eyes \$100 billion annual foreign direct investment in coming years: IT minister**

India plans to attract \$100 billion in annual foreign direct investment (FDI) in the coming years, according to IT minister, Ashwini Vaishnaw. The strategy aims for a 6-8% consistent growth rate over the next decade, focusing on infrastructure, lifting the bottom-up, boosting manufacturing, and simplifying business processes. Foreign investors have been a significant contributor since Narendra Modi's 2014 election win. Investors now see India as the "most important investment destination" compared to China's annual inflows.



#### **Fitch affirms India sovereign ratings, flags difficult fiscal consolidation path**

The global agency reported India's long-term foreign currency issuer default ratings at 'BBB' on Tuesday. The country's fragile public finances posed the "largest constraint" to the rating. While Fitch anticipates that the federal government will reach its objective of 5.9% of GDP in fiscal year 2024, up from 6.4% in fiscal year 2023. India's GDP would expand by 6.9% in the current fiscal year, which ends in March 2024, and by 6.5% in the following year.

## NEWS

### ECONOMIC POLICY



#### **Insurance cover under Ayushman Bharat health insurance scheme likely to be doubled**

The Indian government is planning to double the insurance cover under its Ayushman Bharat health scheme to Rs 10 lakh to support serious diseases like cancer and transplants requiring more expenditure. The announcement is expected in the interim Union Budget on February 1. The health ministry also plans to double beneficiaries to 100 crore under the Ayushman Bharat Pradhan Mantri Jan Arogya Yojana



#### **Indian banks seek looser liquidity conditions going ahead: Traders**

Indian lenders are seeking the Reserve Bank of India to ease liquidity conditions due to overnight cash rates exceeding the key policy rate for over five months. The Reserve Bank of India (RBI) has tightened banking liquidity since mid-2023 to combat inflation and unwind pandemic-era stimulus. The RBI has stopped withdrawing cash from the banking system through variable rate reverse repos and now lends cash to banks through intermittent auctions.



#### **States' annual guarantees could be capped to ensure lower fiscal stress**

A working group has recommended that state governments' guarantees should have an upper limit of 5% of their revenue receipts or 0.5 percent of their Gross State Domestic Product, whichever is lower. The recommendations of the Working Group on State Government Guarantees come amid increasing discussions on the financial situation of states, with some governments reverting to the Old Pension Scheme seen as a step back in improving their finances.. The report highlights concerns about state guarantees, including increasing bank finance to government-owned entities, which has substituted budgetary resources.

## NEWS

### FINANCIAL TECHNOLOGY



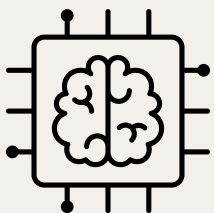
#### **MoU worth ₹10,000 crore signed with Web Werks for data centre in Maharashtra**

According to official sources, the Maharashtra govt and Web Werks, a data centre major, have inked a memorandum of understanding (MoU) valued at Rs 10,000 crore for the construction of a massive IT/ITES data centre in the state during the next five years. It stated that 1,500 jobs may be directly created by the investment plan. At the World Economic Forum in Davos, CM Shinde had earlier claimed that the state has signed Memorandums of Understanding worth Rs 3,53,675 crore.



#### **Corporate affairs ministry may strike off registration, freeze funds of Chinese loan apps for fraud**

The Ministry of Corporate Affairs is considering cancelling the registration of Chinese loan app companies and freezing their accounts if fraud is found. The ministry is investigating 665 Chinese companies, including loan apps, for offering easy loans and allegedly cheating people. The Directorate of Enforcement is also investigating Chinese loan apps for money laundering. The ministry of electronics and information technology has urged the Reserve Bank of India to design a more stringent KYC process.



#### **World Economic Forum 2024: Make people the centrepiece of conversations on AI**

The World Economic Forum's annual meeting in Davos could prioritize people's concerns over Artificial Intelligence (AI), focusing on the societal aspect. The focus should be on AI as a driving force for the economy and society, acknowledging that AI ultimately benefits people. The WEF's "The Future of Jobs Report 2023" predicts AI adoption by 75% of surveyed companies, leading to high job turnover, with 50% expecting job growth and 25% expecting job losses.

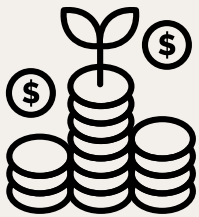
## NEWS

### INTERNATIONAL ECONOMICS



#### **Top CEOs fear that volatile supply chains are now just the new normal**

Top CEOs are closely monitoring tensions in the Red Sea due to Houthi rebels attacking commercial vessels since November. The US and UK have launched strikes to stop the attacks. However, tensions have led to cargo ships halting transit and moving goods via the Cape of Good Hope in Africa, adding 10 days to the transit time. This has made it longer and more expensive to move items from Asia to Europe.



#### **Top Goldman Sachs analyst says the world is moving into a new super cycle**

Goldman Sachs' Peter Oppenheimer predicts the global economy is entering a new "super cycle" driven by artificial intelligence and decarbonization. This cycle typically involves prolonged periods of economic expansion, GDP growth, high demand for goods, and employment. Markets are concerned about geopolitical issues like the Russia-Ukraine war, trade tensions between the US and China, and the Israel-Hamas conflict. However, AI and decarbonization could have a positive impact on stocks, as AI is increasingly used in new products and services.



#### **Saudi Arabia's sovereign wealth fund overtakes Singapore's GIC to top spending table**

Saudi Arabia's Public Investment Fund (PIF) was the top spender among global sovereign wealth funds last year, accounting for about a quarter of the \$124 billion splashed by state-owned investors. The PIF increased its deal activities from \$20.7 billion in 2022 to \$31.6 billion in 2023, despite most other counterparts tapering down their spending. The report suggests an overly cautious approach among these institutions, as there is no shortage of capital to put to work among these institutions.





## ARTICLES OF THE MONTH

### IMPLEMENTATION OF GST AND EFFECTS ON ULG'S

#### >>> READ MORE

Did the Implementation of GST Hurt Municipal Finances?

**-Muhammad Riyas MP**

The revenue sources of urban local governments are too small to meet their expenditure needs. Own source revenue generation of ULGs is weak and the increasing dependency on transfers from the higher governments has declined the autonomy of municipalities. The goods and services tax has adversely affected municipal finance. The extent of loss due to implementing GST is examined and ways to streamline municipal finance in India are proposed

#### READ MORE <<<

Corporate Fund Governance for Alternative Investments

**-Urmil Shah**

With increasing investment opportunities in the alternative investment funds sector and to penetrate the global financial markets, structural reforms to the governance standards are mandatory. We suggest these structural changes to the existing framework to make India a leading asset and funds management hub.

### CORPORATE FUND GOVERNANCE AND STRUCTURAL CHANGES

### AGRICULTURAL SECTOR

#### >>> READ MORE

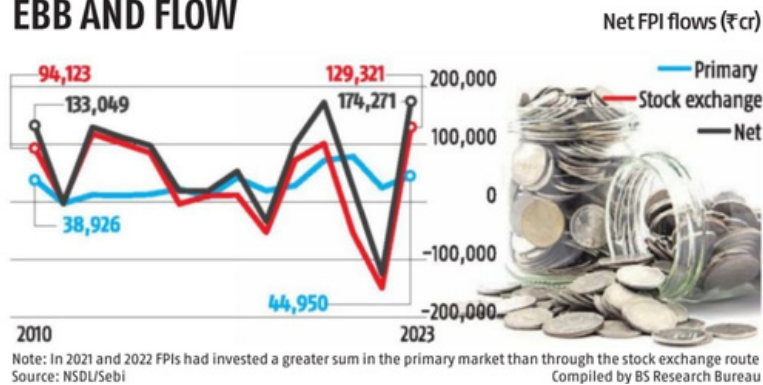
Is India's Agricultural Export Policy Ambiguous?

**-Ram Singh, Dhriti Mukherjee Pipil**

The agricultural export policy was announced in 2018 to transform the ecosystem of India's agricultural exports. However, the country's agricultural exports have faced several policy-induced restrictions. This article explores the ambiguities in the policy by citing empirical data on trade policy instruments used for export restrictions

## DATA POINT

### EBB AND FLOW

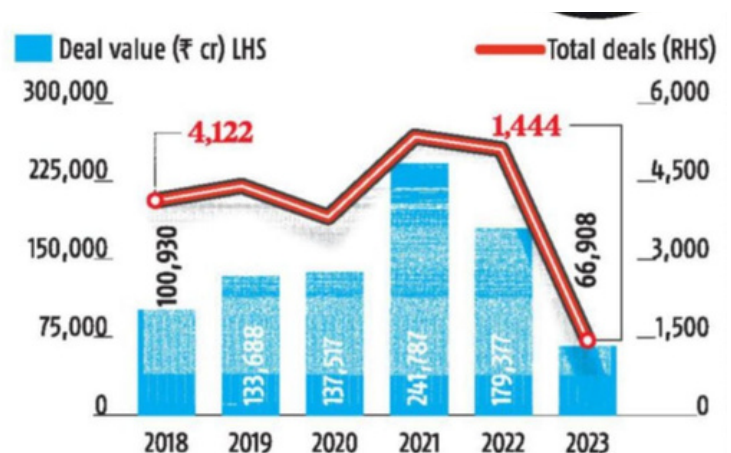


### A FOURTH OF FPI INFLOWS IN 2023 WENT INTO PRIMARY MARKETS

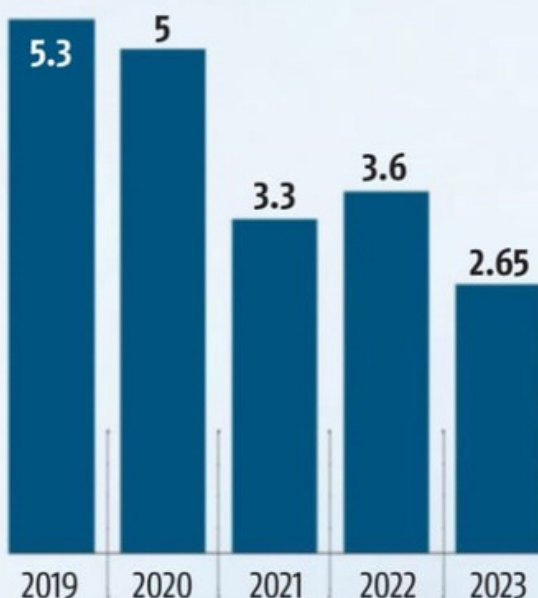
Foreign portfolio investments (FPIs) pumped in Rs.1.7 trillion into domestic stocks in 2023, one of the highest net inflow, of which 25 per cent went into the direct buying of stocks. Data provided by depository NSDL revealed that Rs.44,950 crore of the total FPI flows last year went into primary issuance.

### STARTUP FUNDING NOSEDIVED 62% TO 6 YEAR LOW IN 2023

Startup funding in India fell over 62 per cent in 2023 to Rs.66,908 crore compared to Rs. 1.8 trillion in 2022, a report by market intelligence platform PrivateCircle Research. This is the lowest funding amount since 2018 when startups raised Rs.1 trillion. Only two startups, IncRED and Zepto, achieved unicorn status in 2023.



### PE flows into real estate during Apr-Dec period of each year (\$ bn)

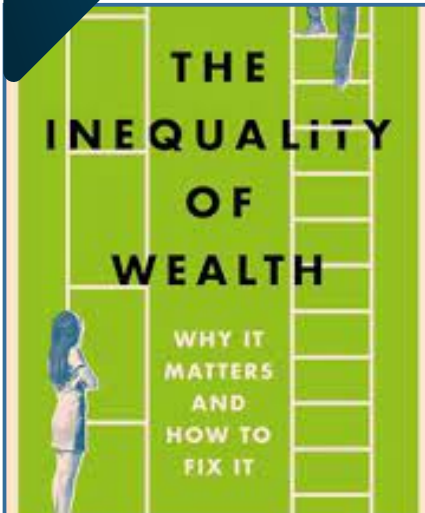


### PE INVESTMENT IN REAL ESTATE DOWN 26% IN APR-DEC 2023

Private equity (PE) investments in Indian real estate fell by 26 per cent to \$2.65 billion in April-December 2023 compared to \$3.6 billion the same time in FY 2023, said a report by Anarock Capital on Tuesday. It is reported that this massive decline is due to global geopolitical uncertainties and high interests rates. But the average ticket size of PE investment has been increased to \$95 million in FY24 from \$91 million in FY23

SOURCE: BUSINESS STANDARD

## BOOK RELEASES



### THE INEQUALITY OF WEALTH: WHY IT MATTERS AND HOW TO FIX IT

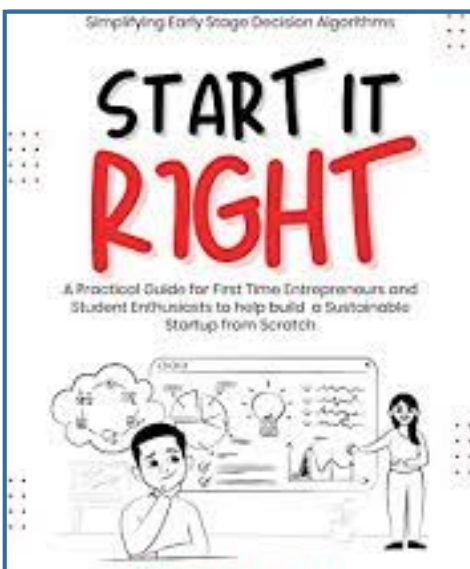
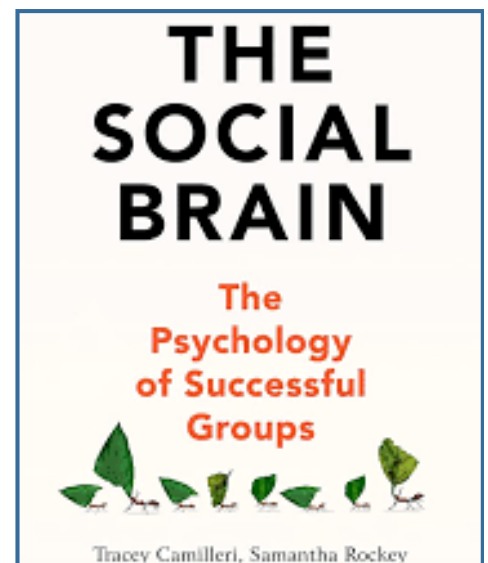
-LIAM BYRNE

"The book 'The Inequality of Wealth: Why it Matters and How to Fix it' by Liam Byrne delves into the rapid growth of wealth inequality, highlighting its threats. It critiques economic perspectives, offering a common-sense approach with five practical ways to restore the concept of a wealth-owning democracy. While the future may not be utopian, the book envisions a world where we can lead longer, happier, healthier, and wealthier lives.

### THE SOCIAL BRAIN: THE PSYCHOLOGY OF SUCCESSFUL GROUPS

- TRACEY CAMILLERI, SAMANTHA ROCKEY, ROBIN DUNBAR

In "The Social Brain," experts in evolutionary psychology and business management collaborate to provide insights into effective teamwork. They discuss the optimal size of groups and how to tailor them to specific tasks. The book offers practical tips for resolving conflicts, fostering cooperation, and emphasises the crucial balance between unity and diverse perspectives.



### START IT RIGHT

- INDRAVEER SINGH

"Start it Right" is a guidebook that provides do's and don'ts before starting a venture for first-time startup entrepreneurs. The book covers the mindset needed for entrepreneurship, why most startups fail, how to execute your venture, what should be the early business priorities, how to find the right co-founders, how to get your first 100 customers, and much more.



## FACULTY ARTICLE

**READ MORE** <<<**INTERNATIONALIZATION OF INDIAN RUPEE****-AJAY RAJEEV**

The following article discusses the importance and the impact of accepting internationalisation of Indian Rupee. It covers up the benefits of doing so for the Indian economy and the obstacles faced by the RBI and the govt to accept the same. It also provides some factual data whether is it beneficial to accept the risk to surmount the obstacles.



## STUDENT ARTICLE

**READ MORE** <<<**THE BABRI MASJID DEMOLITION AND "A NEW ERA"****-ARJUN KRISHNA**

The article discusses the facts surrounding the current events and those that occurred in the past regarding the demolition of the Babri Masjid. The Babri Masjid was demolished on December 6, 1992, during a riot between the Hindu and Muslim communities, resulting in the death of at least 2,000 people. Present-day politics and support from various community groups laid the foundation for the Ayodhya Ram Mandir, replacing the Babri Masjid.



## CBS ORGANISED



On 16th January 2024, CBS organised a **one-day seminar** on **Crafting A Sustainable Future: Designing A Model Budget For Kerala**. The session comprised discussions on the fiscal future where experts from different areas of public finance, dissected expenditures, revenue, and fiscal management.

The session was moderated by **Prof. S. Muraleedharan**, visiting faculty for the Centre for Budget Studies.

The 1st session was on **Upgrading the Quality and Quantity of Expenditure**. The discussion for this session was undertaken by **Prof. Alwin Prakash**, Former Professor and HOD of Economics, University of Kerala along with **Mr. Gopakumar Mukundan**, Adjunct Faculty at the Centre for Socio-Economic and Environmental Studies

**Solving the Puzzle for Revenue** was the topic for the 2nd session. **Dr. Aswathy Rachel**, Assistant Professor, Gulati Institute of Finance and Taxation along with **Dr. Anoop S Kumar**, Assistant Professor, Gulati Institute of Finance and Taxation were the speakers for this session

The final session covered the discussion on **Debt and Fiscal Management: A balancing act or Slippery Slide**. There were 3 esteemed speakers for this session, **Dr. Renjith P. S**, Assistant Professor, Gulati Institute of Finance and Taxation, along with Mr. Santosh T Varghese, Assistant Professor, Maharajas College, Ernakulam and **Dr. Justine George**, Assistant Professor, St Paul's College Kalamassery.

## STUDENT ACHIEVEMENTS



In the UGC-NET examination conducted by the National Testing Agency, Aswathy J and Jisha Judson have successfully qualified.

# **CBS LINE**

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