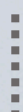


AUGUST 2024



MONTHLY NEWSLETTER

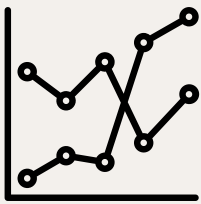


CENTRE FOR BUDGET STUDIES (CBS)
CUSAT

NEWS

MACROECONOMIC ANALYSIS

Price pressures continue to build up



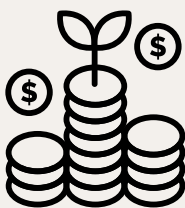
The RBI officials flag the fact that the downward statistical pull of large base effects in July concealed the strong price build-up in the food category inflation. Observing that the moderation in headline consumer price index (CPI) inflation in July to a level below 4% was primarily due to the downward statistical pull of large base effects”, official said this had concealed the strong price build up in the food category. India will have to adopt a more cautious approach to monetary policy if high food prices persist and threaten to spill over into more generalised price.

NCAER expects GDP growth of 7 - 7.5% this fiscal



India’s GDP is likely to grow in the range of 7% to 7.5%, the National Council for Applied Economic Research (NCAER) citing a normal monsoon and the momentum in high-frequency indicators like bank credit growth as key factors amid signs of receding global shocks. The NCAER’s growth projection is higher than the 6.5% to 7% growth estimated for this fiscal in the Economic Survey for 2023-24 released last week, prior to the Union Budget.

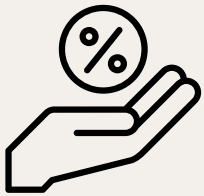
India inflation dips below RBI target first time since 2019



India inflation dips below RBI target for the first time since 2019. Inflation slowed to 3.54% in July due to statistical effect. RBI expects price gains to accelerate post September. India’s inflation eased below the central bank’s target for the first time in nearly five years, though it is unlikely to spur interest rate cuts just yet as policymakers want to see a sustained decline in prices. The consumer price index rose 3.54% in July from a year earlier, data from the Statistics Ministry showed. That’s the slowest pace since August 2019 and compares with a median forecast of a 3.60% increase predicted by economists in a Bloomberg survey. Inflation climbed 5.08% in June.

NEWS

ECONOMIC POLICY



Govt not against e-commerce firms, but wants fair play: Piyush Goyal

The government may review e-commerce players market practices and their impact on traditional retailers and consumers. A day after criticising Amazon for predatory pricing, Commerce Minister Piyush Goyal says, the government aims to balance online and offline businesses, not stifle digital growth. While acknowledging the importance of e-commerce, Goyal stressed the need to “carefully consider” its role in a more organised manner, weighing both its benefits and potential drawbacks.



FM revises Personal Income Tax slabs

Finance Minister Nirmala Sitaraman on Tuesday revised the tax slabs while retaining past corresponding tax rates other than increasing the standard deductions. The present slab of Rs 3-6 lakh, that is, the preliminary bracket liable to be taxed, would now be revised upwards to Rs 3-7 lakh. However, the corresponding rate of taxation remains unchanged at 5%. The standard deduction for salaried employees under the new tax regime has been increased to Rs 75000 from the current Rs 50000. Moreover, Ms. Sitaraman announced an increase in the deduction on family pension for pensioners from Rs 15000 to Rs 25000.



Five new schemes to aid job creation

The first budget of the third Narendra Modi government has proposed five schemes to take a prioritised approach in employment and skilling with an outlay of Rs 2 lakh crore to generate jobs for the youth. Union Finance Minister Nirmala Sitaraman said the Centre will implement three schemes for "employment-linked incentives" as part of the Prime Minister's package based on enrolment in the Employees Provident Fund Organization (EPFO). Another two schemes are intended to skill 20 lakh youth over a five-year period and to enable one crore youth to get internship opportunities for 12 months in top 500 companies in the next five years.

NEWS

FINANCIAL TECHNOLOGY



RBI introduces delegated payments through UPI

The Reserve Bank of India has introduced a new feature of UPI delegated payments. This feature allows a primary user to authorize a secondary user to make transactions within limits set by the primary user. It enables individuals without their own bank accounts to make transactions, allowing parents to approve UPI transactions for minors through a family account system, with transactions linked to savings accounts only. The RBI also increased the threshold of tax payments via UPI from Rs.1 lakh to Rs. 5 lakh per transaction.



Global Fintech Fest 2024 to focus on responsible, inclusive, and resilient AI

The 5th edition of Global Fintech Fest is scheduled to take place this month in Mumbai. It will focus on responsible, inclusive, and resilient artificial intelligence. The fest will host central bankers from more than 20 nations. It is one of the largest fintech conferences organized annually by the Payments Council of India (PCI), the National Payments Corporation of India (NPCI), and the Fintech Convergence Council (FCC).



Australian firm Ziksu ties with Elanistech to start fintech platform in India

Australian fintech Ziksu has partnered with Elanistech, an Indian fintech company to support Indian students pursuing higher education in Australia. The platform will offer comprehensive financial service solutions to streamline the entire student financing from pre-admission to post-admission stage. It aims to tap into India's ₹55,000 crore student market.

NEWS

INTERNATIONAL ECONOMICS



European markets tick higher as the Fed remains in focus; UK net Borrowing exceeds expectations

European stock markets moved higher, rebounding after snapping a long winning streak. The pan-European Stoxx 600 index gained 0.19%, with nearly all sectors trading positively. In the UK, public sector net borrowing rose to £3.1 billion (\$4.037 billion) in July, an increase of £1.8 billion compared to the previous year, as reported by the Office for National Statistics. This figure exceeded a consensus forecast of £2.5 billion, with borrowing for the first four months of the year coming at £4.7 billion above the Office for Budget Responsibility's March forecast.



Sri Lanka to boost tourism, approves free tourist visas for 35 countries

Sri Lanka's cabinet approved issuing free tourist visas to visitors from 35 countries including China, India and Russia, a top official said, in an effort to boost tourism and help revive its crisis-hit economy. Tourists will be given 30-day visas under a six-month pilot programme that will start from Oct 1, said Cabinet spokesman and Transport Minister Bandula Gunawardana. Sri Lanka earned \$1.5 billion from tourism in the first six months of 2024 and expects close to 2.3 million arrivals.

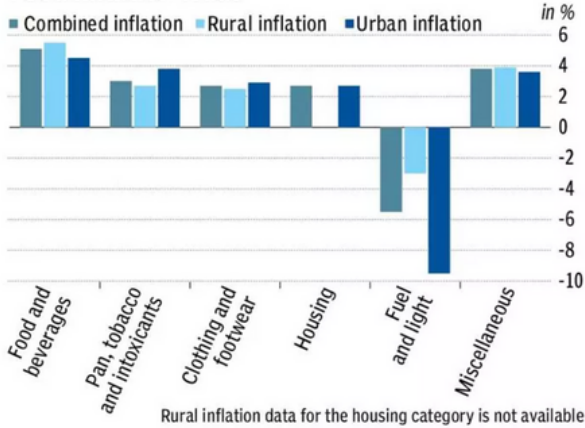


Google to help build cyber protection software for Australian infra

Google and Australia's national science agency will join hands to develop digital tools that automatically detect and fix software vulnerabilities for operators of critical infrastructure, seeking to combat a surge in cyberattacks. The software for organisations such as hospitals, defence bodies and energy suppliers will be customised to be in line with Australia's regulatory environment. The Australian govt has been imposing tougher requirements on critical infrastructure operators to report and prevent cyberattacks after a spate of breaches of almost half the population, 26 million, exposing personal and security information.

DATA POINT

Food inflation leads



RURAL INDIA STRUGGLES UNDER RISING COSTS FOR 13 MONTHS

India's rural areas are experiencing higher inflation than urban areas, with CPI inflation outpacing urban inflation for 13 consecutive months. This has led to states like Bihar and Odisha experiencing higher inflation compared to all-India inflation. Food inflation, particularly vegetables, and traditional fuels like firewood and charcoal contribute to this increase.

MOST LANDSLIDE-PRONE AREAS IN INDIA

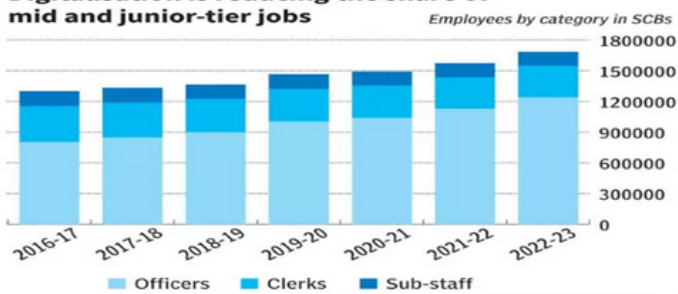
India faces nearly 80,000 landslides between 1998-2022, primarily due to natural factors like heavy rainfall and earthquakes, and anthropogenic activities like road construction and mining. The Himalayas and Western Ghats are most vulnerable, with high population densities and exposure to major pilgrimage routes.

Landslide exposure analysis



Automation reshaping roles

Digitalisation is reducing the share of mid and junior-tier jobs



FEWER CLERICAL JOBS AS BANKS PRIORITIZE OFFICER HIRING

India's banking sector is still labour-intensive, but digital technologies are changing the composition of the workforce, particularly in nationalised banks. The Reserve Bank of India (RBI) data shows that while headcount has been on a steady rise, the growth has come from hiring staff in the 'officers' cadre of the banks, while the number of juniors (comprising clerks, associates, and sub-staffs) has declined since at least FY17.



ARTICLES OF THE MONTH

ASSETS AND INDIAN BANKING

>>> **READ MORE**

Asset Reconstruction Companies and Indian Banking
-Aditya Sushant Jain

Asset reconstruction companies were instituted in India in 2002 to combat the issue of non-performing assets in banking. However, they have been largely unsuccessful in combating this problem, facing both structural and market issues. While the Reserve Bank of India effectively corrected the structural issues by changing the ARCs' business model, it failed to adequately create a favourable market for investing in ARCs. This engendered a vicious cycle of pricing mismatch and a lack of investor appetite, rendering structural reforms futile.

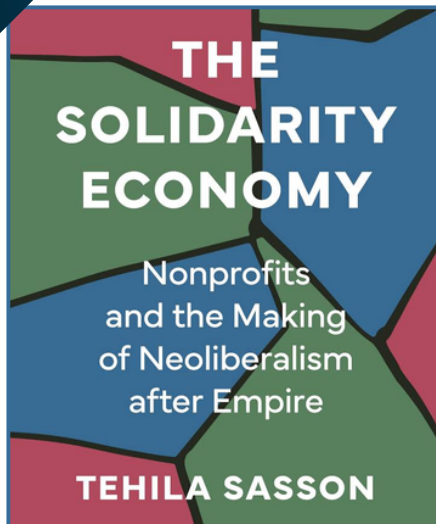
READ MORE <<<

Catastrophic Decline in Women's Ownership of Firms in India, 2014 and 2022
-Rozi Kumari, Rupayan Pal

WOMEN OWNERSHIP AND BUSINESS

Analysing nationally representative data sets from the World Bank Enterprise Surveys, women's ownership and participation in top management of registered private firms in India are examined. It is seen that both the parameters have drastically decreased, from a low to a meagre level between 2014 and 2022, despite sustained gross domestic product growth and the launch of several government programmes to promote entrepreneurship. The pattern of decline is consistent across sectors of firms, barring some variations. This is true regardless of the measure of women's ownership considered and is not due to the entry and exit of firms.

BOOK RELEASES



THE SOLIDARITY ECONOMY

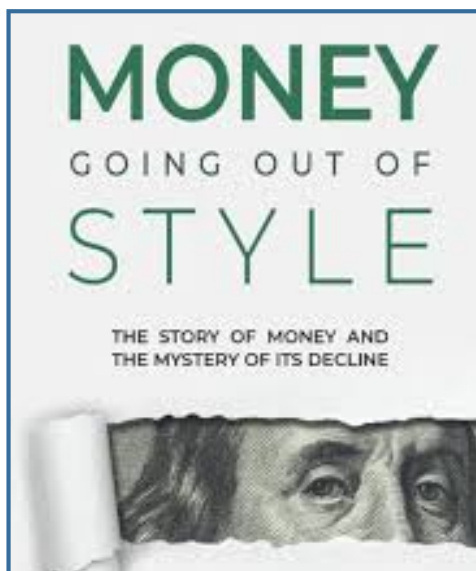
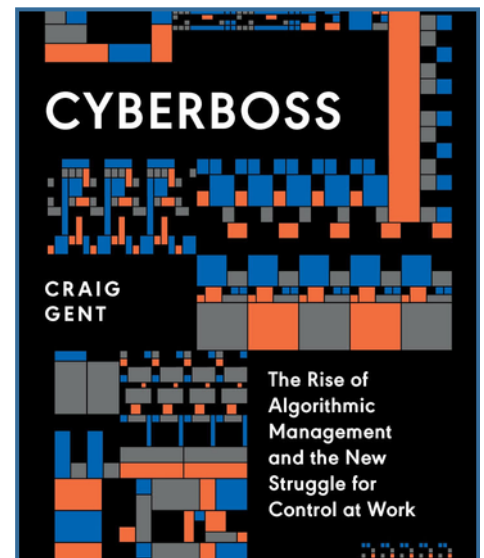
-TEHILA SASSON

"The Solidarity Economy" by Dr. Tehila Sasson examines how British NGOs, post-1947, used colonial networks to promote ethical capitalism. Between the 1950s-1990s, these nonprofits pioneered neoliberalism through fair trade, microfinance, and CSR, reimagining markets as humanizing spaces. The book reveals how liberal left initiatives shaped neoliberalism, emphasizing decentralization and entrepreneurship.

CYBERBOSS

-CRAIG GENT

In "Cyberboss: The Rise of Algorithmic Management and the New Struggle for Control at Work", Craig Gent explores how algorithms dominate logistics and distribution sectors, reshaping management and worker experiences. Through worker testimonies and research on companies like Amazon, Uber, and Deliveroo, the book uncovers the political dynamics of digital control and proposes resistance strategies against algorithmic power.



MONEY, GOING OUT OF STYLE

- ZVI SCHREIBER

Money, Going Out of Style by Zvi Schreiber explores the evolution of money, tracing its origins from a fictional island to the present. The book examines how money's detachment from gold in 1971 led to economic changes, including rising inequality and near-zero interest rates. Schreiber argues that money is now in a "midlife crisis," losing relevance in the face of modern economic challenges.

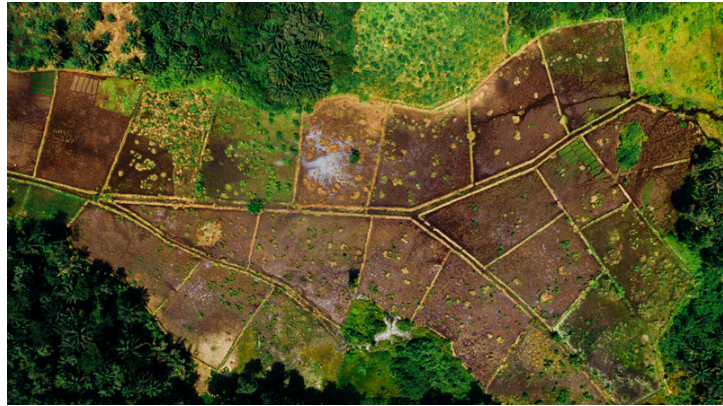
CBS ARTICLES

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NEED OF SVAMITVA SCHEME IN REFORMATION OF LAND REVENUE SYSTEM IN KERALA

-AJAY RAJEEV

The article discusses the challenges in Kerala's land administration system, rooted in outdated records from the early 20th century, which have led to numerous land disputes and inefficiencies. It highlights the broader issue of inadequate land records across India and the government's efforts to modernize property documentation through initiatives like the SVAMITVA scheme, which uses advanced technology to improve rural land management.



"If economists were to wait for careful studies before offering opinions about policy, we would never have anything timely to say".

- Dr. Raghuram Rajan

READ MORE <<<

CAMERALISM: THE GERMAN ROOTS OF PUBLIC ECONOMICS-EXPLORING CONTEMPORARY RELEVANCE AND HISTORICAL BACKGROUNDS

-MANUPRASAD K P

The article explores cameralism, an economic ideology developed in 16th and 17th century German territories as a state-controlled, welfare-oriented alternative to mercantilism. It traces the origins, key principles, and influence of cameralism on modern public economics, highlighting its role in shaping economic policies despite its decline due to the rise of classical economic theories.



BOOK REVIEW**POOR ECONOMICS: A RADICAL RETHINKING OF THE WAY TO FIGHT GLOBAL POVERTY**

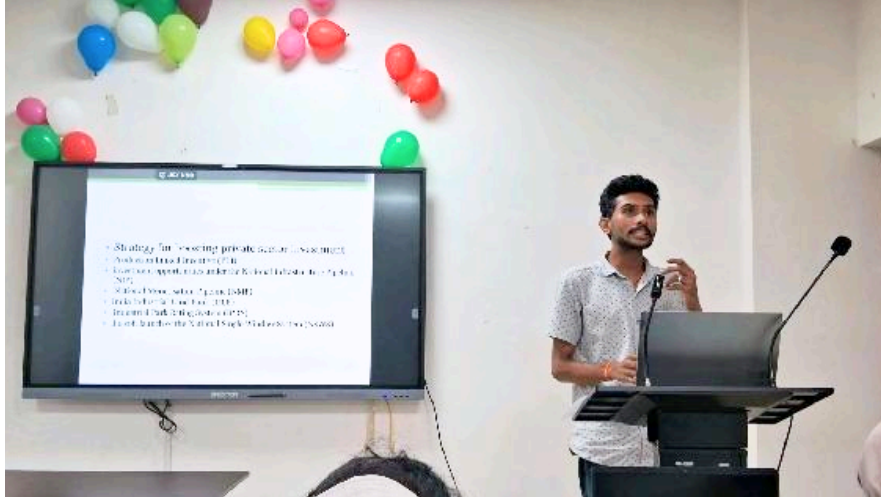
"Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty" by Abhijit Banerjee and Esther Duflo presents a nuanced exploration of poverty through the lens of microeconomic behaviors and data-driven analysis. The authors, Nobel Prize-winning economists, challenge traditional approaches to poverty alleviation by advocating for small-scale, ground-up interventions tailored to the specific needs and experiences of the poor. Through the use of Randomized Control Trials (RCTs) across diverse countries, the book highlights the complexity of poverty and the importance of targeted solutions over one-size-fits-all programs. While the book is lauded for its empirical approach, it also faces critiques for its perceived inconclusiveness and reliance on RCTs. Nonetheless, "Poor Economics" is a thought-provoking work that encourages readers to rethink conventional poverty reduction strategies and consider innovative, evidence-based approaches.

[**READ MORE**](#) <<<**CBS SCOOP: SPECIAL ARTICLE****BEYOND THE HYPE: INCOME AND PRICE TRUMP SOCIAL MEDIA IN SHOPPING**

We, the students of Budget Studies, following our discussions on contemporary life and societal changes, have developed an interest in understanding the role social media plays in shaping our lifestyles. Consequently, we conducted a brief empirical study on this topic, conducted a short survey, and analysed the survey results employing econometric tools uncovering some intriguing results. We would appreciate your feedback after reviewing this article.

[**READ MORE**](#) <<<

CBS ORGANISED



The Centre for Budget Studies (CBS) recently organized a two-part presentation series on the Economic Survey 2023-24, conducted by its students on July 30th and August 8th, 2024. The events aimed to provide an in-depth analysis of the country's current economic landscape, highlighting key trends, challenges, and policy recommendations outlined in the survey. The students contributed their own analysis and views along with data and trends from the Economic Survey. They reviewed various answers to the economic problems raised, looked at different viewpoints, and criticized the policies in place. Each presentation was followed by a dynamic question-and-answer session, allowing the audience to engage with the presenters and fostering a deeper understanding of the economic issues discussed. These sessions not only showcased the student's analytical skills but also encouraged critical thinking and meaningful discourse, making the events a significant success.

CBS LINE

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