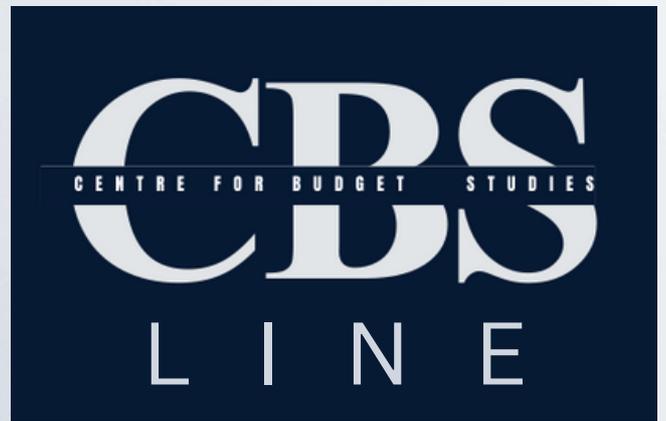


**JULY 2023**



**MONTHLY NEWSLETTER**



**CENTRE FOR BUDGET STUDIES (CBS)**  
**CUSAT**

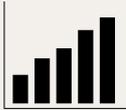
## NEWS

### **GST Council to impose 28% tax on online gaming firms**



At its 50th meeting on July 11, the GST Council added a 28% levy on online gaming, sparking criticism from industry bodies. They argue that the move is irrational and unconstitutional, potentially causing the collapse of the Indian gaming sector and resulting in significant job losses. The Finance Minister, Nirmala Sitharaman, presided over the meeting and clarified tax rates on various items, including uncooked snack pellets and SUVs.

### **The Government forms a new panel to review all NSO data.**



India's Ministry of Statistics and Program Implementation has established a new Standing Committee on Statistics (SCoS) to advise on economic statistics. Led by Pronab Sen, India's inaugural Chief Statistician, the SCoS replaces a similar committee formed in December 2019. The SCoS aims to provide expert guidance on statistical matters, facilitating robust and reliable data-driven decision-making in the country.

### **Public Sector banks turning to record Profits: PM Narendra Modi**



On July 22, the PM lauded public sector banks' transformation from incurring massive losses and non-performing assets (NPAs) to achieving record profits. He commended banking sector employees for their dedication and hard work. Furthermore, the PM highlighted his government's efforts in assisting the impoverished and unorganized sectors through loans under the 'Mudra' scheme and empowering women's self-help groups.

### **Ministry of Power notifies Carbon Credit Trading Program**



The Ministry of Power (MoP) has introduced the Carbon Trading Program 2023 in collaboration with the Bureau of Energy Efficiency. This initiative outlines the framework, regulatory bodies, and guidelines for carbon credit trading in India. The "National Steering Committee for Indian Carbon Market" will be established by the Central Government to oversee and direct the functioning of the carbon market. The Bureau will develop procedures for crediting periods, certificate renewal and expiration, and data submission formats to ensure the program's smooth operation.

## NEWS



### Japan signs the Semicon Pact and pledges to spend Rs 2.95 trillion across various sectors in India



A memorandum of cooperation (MoC) in semi-conductors was also signed by the two nations, and it focused on important sectors such as R&D, production, design, and the development of talent. The deal was sealed when senior Indian government representatives met with a Japanese group led by Minister Nishimura Yasutoshi of Japan's trade, industry, and economy.

### The Rajasthan Platform-Based Gig Workers (Registration and Welfare) Bill, 2023 passed in the Rajasthan Assembly on July 24



The Bill extends social security to gig workers and creates a regulatory framework for aggregators along with the setting up of a welfare board for the unorganized segment not covered under existing labor laws. This will be the nation's first piece of legislation establishing welfare provisions for platform-based employment once it is made into an Act.

### 6.1%: IMF's Growth Forecast for India



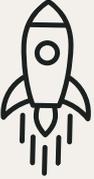
The International Monetary Fund (IMF) raised its growth forecast for India, expecting 6.1% economic growth for the country in the current fiscal year. The growth expectations are raised by 0.2 percentage points from their April projection as a result of stronger domestic investment.

### Govt debt stands at ₹155.6 lakh cr in March 2023



As of March 2023, the Central government's debt amounted to ₹155.6 lakh crore, equivalent to 57.1% of the GDP. Since 2014, the government has implemented significant reforms, including GST, IBC, reduced corporate tax rates, Make in India, Start-up India, and Production Linked Incentive Schemes. Capital expenditure has risen from 2.15% of GDP in FY21 to 2.7% in FY23, and the 'Effective Capital Expenditure' is budgeted at ₹13.7 lakh crore (4.5% of GDP) for FY24. This move is expected to attract private investment and drive economic growth.

## NEWS



### **Chandrayaan-3 lifts off successfully**

India achieved a successful launch of Chandrayaan-3, its third moon mission, on July 14 at 2:35 p.m., utilizing the Launch Vehicle Mark-3 (LVM-3) rocket from the Satish Dhawan Space Centre in Sriharikota. The mission's objective is a soft landing of robotic instruments on the lunar surface, marking India's second attempt. This achievement places India among the elite group of countries that have accomplished soft landings on the moon, including the United States, Russia, and China.

### **The 164th anniversary of Income Tax Day was observed by Central Board of Direct Taxes (CBDT)**



Every year on July 24, Income Tax Day is observed to raise public awareness of the value of taxes and to encourage more individuals to pay taxes in order to advance the country's growth. This year, days before the deadline, the Income Tax department surpassed its previous year milestone target of filing 3 crore ITRs. Also, more than 91 per cent ITRs have been verified electronically.

### **GST mop-up tops ₹1.6-lakh cr on better compliance, consumption**



Last month, improved compliance and increased consumption contributed to Goods & Services Tax (GST) collections reaching ₹1.65-lakh crore. Additionally, revenues from domestic transactions, including import of services, were 15% higher compared to the same month last year. MS Mani, Partner with Deloitte, attributed the sustained rise in GST collections to the gradual reduction in e-invoicing turnover limits and a rise in State-wise GST audits, facilitating enhanced monitoring and control.

### **Tamil Nadu CM writes to PM Modi urging import duty withdrawal for relief to MSMEs**



Tamil Nadu Chief Minister MK Stalin wrote to Prime Minister Narendra Modi drawing his attention to the 'steep' surge in cotton prices and also requested him to withdraw the import duty among others in order to provide relief to MSMEs, as high cotton prices, increased operational costs including bank interest rates and poor demand had hit the sector.



## ARTICLES OF THE MONTH

### BLENDING FINANCE COULD PAVE A STRONGER WAY TOWARD ACCOMPLISHING SDGS

#### ➤➤➤ READ MORE

**Blended Finance in the Health Sector of India**  
Subramania Raju Rajasulochana, Diwahar Nadar

The blended-financing vehicle created in India during the COVID-19 pandemic provided support to social initiatives in healthcare training and service delivery. The organisation and functioning of blended finance are complex. The article put forth some concerns related to its role in the Indian healthcare system.

#### READ MORE <<<

**Interest Rates in Informal Credit Markets and Their Impact on National Accounts,**  
K G K Subba Rao

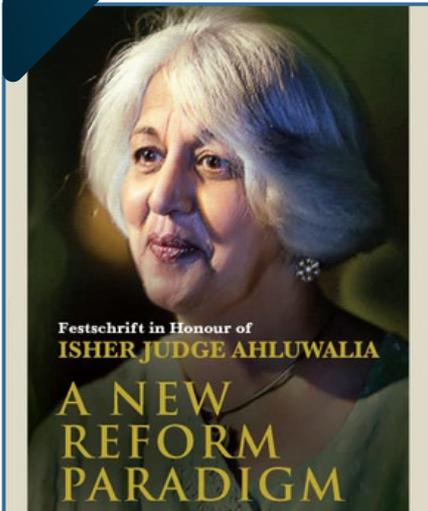
Informal credit markets cater to households and unincorporated enterprises. Despite charging high rates of interest compared to formal financial institutions, they add significant value. In this article, the structure of interest rates charged by moneylenders is examined, based on the results of the All India Debt and Investment Survey 2019, which provides information on households' outstanding cash loans, classified by interest rate ranges and each credit agency.

### INFORMAL CREDIT MARKET INTEREST RATES AND THE EFFECT ON NATIONAL ACCOUNTS

## BOOK RELEASES

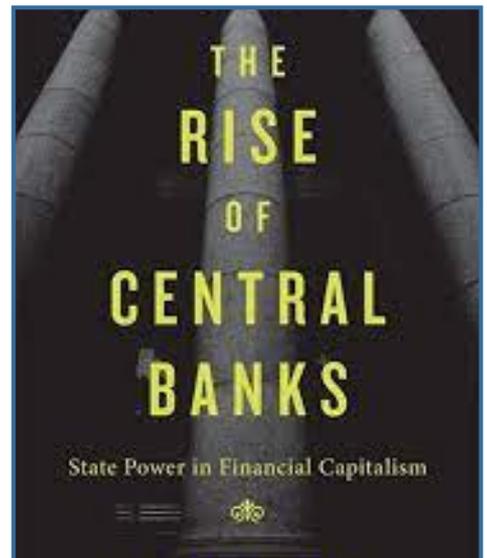
### “A NEW REFORM PARADIGM FESTSCHRIFT IN HONOUR OF ISHER JUDGE AHLUWALIA”

Penned by Radhicka Kapoor attempts to develop a blueprint for the reforms required to achieve rapid, inclusive and sustainable growth in India in a post-pandemic world.



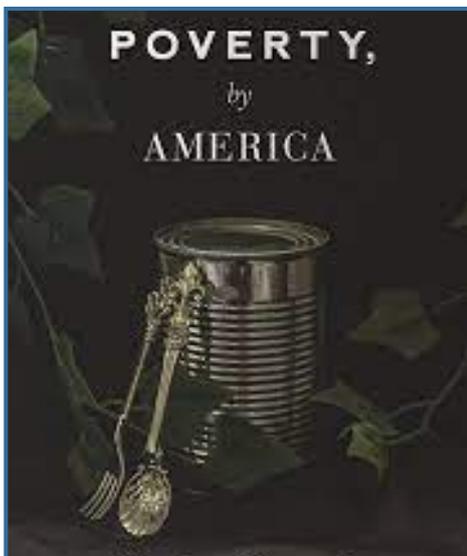
### THE RISE OF CENTRAL BANKS: STATE POWER IN FINANCIAL CAPITALISM

It is penned by Leon Wansleben and discusses the bold history of the rise of central banks, showing how institutions designed to steady the ship of global finance have instead become as destabilizing as they are dominant.



### POVERTY, BY AMERICA

Poverty, by America by Matthew Desmond addresses the poverty persisting in the United States and the ways to solve it.



## FACULTY ARTICLE

## IS BLOCKCHAIN TECHNOLOGY A THREAT TO CLIMATE CHANGE?

-ANJALI HARIDAS



Since its inception in 2008, blockchain technology has grown in popularity as a distributed ledger. Its growth has been attributed to the development of cryptocurrencies such as Bitcoin as a financial alternative in the aftermath of the Global Recession. By utilising its decentralised consensus mechanisms and advanced cryptographic algorithms, Blockchain Technology has facilitated the process of recording transactions and data. However, the environmental sustainability of this technology remains an issue.

The creation of blocks after verification involves the process of solving complex mathematical algorithms termed as mining. This process makes use of energy-intensive mechanisms such as high-powered computer equipment such as Graphic Processing Units (GPU), which causes significant effect in carbon emissions which could in turn contribute to the accumulation of greenhouse gases simultaneously leading to global warming. The carbon footprint has severe effect in climate changing conditions.

According to studies, the Proof of Work (PoW) algorithm used in Bitcoin mining consumes 110 Terawatt hours a year, which is roughly equivalent to the energy consumption of a small country like Sweden! These findings are concerning and require quick attention.

Due to the growing acceptance of Blockchain Technology in the field of finance, it is the need of the hour to find sustainable ways of using this emerging technology. There are some effective strategies which we could make use of in this scenario. One of these is the use of renewable resources such as solar or wind energy instead of fossil fuels in mining. Carbon emissions could also be reduced by using more energy-efficient algorithms or consensus processes, such as Proof of Stock, which are also more scalable. More energy-efficient infrastructure, as well as blockchain designs, may be considered. Finally, governments must prioritise R&D and implement strong regulations to assure the long-term viability of this technology by lowering its carbon footprint.

## STUDENT ARTICLE

### WHY A COMPREHENSIVE SECTOR WISE STUDY BY THE GOVERNMENT IS ESSENTIAL FOR TAPPING NON-TAX REVENUE TO REDUCE THEIR BORROWINGS?

–SUBIN MUHAMMED N S

While it is desirable for a government to operate on a surplus or balanced budget, most of the states, including Kerala, run a deficit budget. The remaining requisite funds are obtained through borrowings from various entities, which should be spent productively but is not always the case. A way for a government to cut down on expenditures while achieving sustainable economic growth is to increase its revenue from currently available or new sources.

The two major sources of revenue are **tax revenue (TR) and non-tax revenue (NTR)**. The NTR remains a promising stream of revenue source for the government because a comparative decadal study of the NTR shows that, for the periods 2001-2011 & 2012-2022, the NTR was relatively stable in terms of both growth rate and share. For all the 17 major states (excluding Telangana), the tax revenue contributed 73 percent to the total revenue receipts, whereas the non-tax revenue contributed 27 percent on average. For the period 2001 - 2011, both the TR & NTR showed an average growth rate of 17 percent, but for 2012-2022 the average growth rate of tax revenue fell to 11 percent and the average growth rate of non-tax revenue managed to stay put at 16 percent.

To tap into maximum revenue, each state should look into its NTR composition. Generally, the states' NTR sources are categorised into two: **(i) States Own Non-Tax Revenue (SONTR) and (ii) Grants from the Centre (GFC)**. The SONTR refers to the funds raised by the state government from sources other than taxes, showing the state government's potential to generate independent money. It is essential for funding statewide welfare programmes, public services, etc. The GFC is the financial support that the Union government gives to the state governments for specific initiatives or developmental projects. These transfers are

essential for making national policies more easily implemented, resolving regional imbalances and fostering interstate development. However, the dependence of states on central grants is increasing. A robust federal fiscal system should prioritise states' ability to raise their own revenue while ensuring support and cooperation from the Union government. This further enlightens us as to why we should focus on the NTR and, more specifically, on the SONTR sources.

To get the most out of SONTR, we must focus on its subcomponents and look for what contributes most to SONTR and which are the areas of scope for development. SONTR consists of six components: **(i) Interest Receipts (ii) Dividends and Profits (iii) General Services (iv) Fiscal Services (v) Economic Services (vi) Social Services**. For majority of states, the leading contribution is made by economic services over both time periods. For Kerala, the leading contributor is general services, followed by economic services and then social services, respectively. This is not a desirable composition, as the general services do not directly contribute to economic growth or development. Only proper research and deliberations on the untapped opportunities, along with some new innovative ways, can solve this problem. Also, a comprehensive study on the potential revenue generation from the social services should be undertaken, as the revenue generated from these streams is, in a way, the return on the social welfare schemes the state governments promote or undertake.

Non-Tax Revenue (NTR) has a lot of potential left to be untapped and has been ignored by all the state governments. It is now up to the state governments, executives and other thinktanks to carry forward this side of study of the revenue receipts and take suitable decisions.

# **CBS LINE**

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