

JUNE 2024



MONTHLY NEWSLETTER



CENTRE FOR BUDGET STUDIES (CBS)
CUSAT

NEWS

MACROECONOMIC ANALYSIS

GST cess on sin goods may deliver Rs 70,000 crore boost to Centre's FY25 Budget



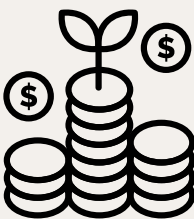
The Centre may receive a surprise Rs 70,000 crore bonanza from a GST compensation cess on sin goods like pan masala, cigarettes, and automobiles, even after repaying loans taken during the Covid period. This amount is based on revenue estimations for the FY25 budget presentation. The Centre is considering the use of an extra cess amount, which was promised to generate 14% CAGR in tax revenue for five years. The GST Council meeting on Saturday will discuss rate rationalisation. The compensation cess, which ended in June 2022, was extended until March 31, 2026 to repay the interest and principal on the Rs 2.69 lakh crore.

Retail inflations for farm, rural workers remain almost flat in May



In May, retail inflation for agricultural and rural workers remained stable at 7.7% and 7.02%, respectively, compared to 7.03% and 6.96% a month ago. The labour ministry reported a point-on-point inflation rate of 7.0% for CPI-AL and 7.02% for CPI-RL, respectively, reflecting a deceleration from April's rate. The All-India Consumer Price Index for Agricultural Labourers and Rural Labourers increased by 6 points each in May and April 2024, respectively. The main items driving the indices were vegetables, pulses, wheat, onion, milk, turmeric, ginger, fish fresh, jowar, pan leaf, medicines, shirting cloth, saree, and leather chappal.

Assets worth Rs 1.56 lakh crore monetised in 2023-24 as against the target of Rs 1.8 lakh crore under NMP: NITI Aayog



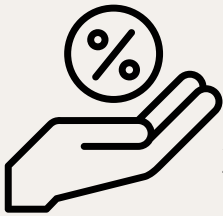
The Indian government monetized assets worth Rs 1.56 lakh crore in 2023-24, exceeding the target of Rs 1.8 lakh crore under the National Monetisation Pipeline (NMP), bringing the total monetisation to Rs 3.85 lakh crore in three years since the programme's launch in 2020-21. The ministry of road transport and highways and the ministry of coal were the top two achievers, with a total monetisation receipt of Rs 97,000 crore. Other ministries such as coal, power, mines, petroleum and natural gas, urban development, and shipping also monetized assets, with the shipping ministry achieving over 70% of the target.

NEWS



ECONOMIC POLICY

RBI holds Repo Rate steady at 6.5%, projects 7.2% GDP growth for FY25



In the June 2024 MPC meeting, the RBI maintained the repo rate at 6.5% for the eighth consecutive time. RBI Governor Shaktikanta Das emphasised the commitment to withdrawing accommodative policies to control inflation while supporting economic growth. The GDP growth projection for FY25 was raised to 7.2%, despite concerns over food inflation. The overall inflation forecast remains at 4.5%. India's foreign exchange reserves hit \$651.5 billion, and the current account deficit for FY25 is expected to remain sustainable.

GST Council's 53rd meeting: Advancements in business growth and tax reform



The 53rd GST Council meeting emphasised technological advancements, process simplification, and dispute resolution. Key measures included a provision to regularise unintentional GST underpayments, benefiting sectors like secondment and online gaming. The Council proposed amending the CGST law to exclude Extra Neutral Alcohol (ENA) used in liquor production from GST, providing industry clarity. Additionally, the 1% valuation rule for corporate guarantees between related parties was clarified to not apply to exports or full input tax credit scenarios, reducing litigation risk.

India's fiscal deficit at Rs 50,615 crore in April-May FY25, core sector output climbs 6.3% in May



India's fiscal deficit for the first two months of FY25 reached Rs 50,615 crore, or 3% of the annual estimate, as reported by the Controller General of Accounts (CAG). Net tax revenues for April-May totalled Rs 3.19 lakh crore, 12% of the annual target, up from Rs 2.78 lakh crore last year. Higher tax revenue and the RBI dividend boosted revenue receipts to 19% of budgeted estimates, resulting in a surplus of Rs 90,923 crore. Government expenditure was Rs 6.23 lakh crore, 13% of the annual goal, slightly down from Rs 6.26 lakh crore last year due to election impacts.

NEWS



FINANCIAL TECHNOLOGY

PayU's LazyPay Integrates with Blinkit to enable One Tap mobile payments for customers



With the LazyPay integration, Blinkit users will now be able to get a credit line, with no additional cost to merchants. In April, PayU India received an in-principle authorisation from the Reserve Bank of India (RBI) to operate as a payment aggregator. PayU India posted a 11% YoY jump in its revenue to \$444 Mn in FY24. The development comes at a time when PayU India is looking to make its stock market debut. As per media reports, the fintech giant could file its draft red herring prospectus (DRHP) with SEBI this year for an IPO of at least \$500 Mn.

Zerodha suffers another outage, users take to social media to complain



Online stock trading platform Zerodha suffered another service outage which prevented traders from accessing the platform for several minutes. According to Downdetector, a service that tracks online outages, Zerodha was struck by an outage just before 10 AM, rendering users unable to place new stock trade orders or modify existing ones. While 48% of the users were facing issues with Zerodha's mobile app, 32% and 20% were unable to access the website and make transactions for trade, respectively.

IBM signs MoU with Gujarat govt to deploy AI cluster at GIFT city

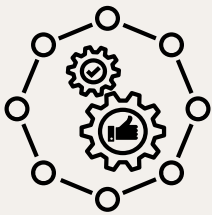


The AI cluster will leverage IBM's GenAI platform watsonx to foster innovation and collaboration among financial institutions at GIFT City. IBM will also offer financial institutions assistance in providing proof of concept and access to AI Sandbox, AI literacy programmes, and digital assistant solutions. As per Inc42, homegrown GenAI startups have raised more than \$600 Mn between 2019 and 2023.

NEWS 

INTERNATIONAL ECONOMICS

IMF Chief Calls for Further Integration in Europe



IMF Managing Director Kristalina Georgieva urges Europe to harness its single market's full potential, improve labor market flexibility, and deepen financial integration. She highlights Europe's current status as an "ideas supermarket" for the U.S. and emphasizes the need for greater investment in innovation and R&D to boost the euro zone's economic performance.

UAE to Top Global Wealth Migration in 2024



The UAE is set to attract a record 6,700 millionaires in 2024, leading as the world's top destination for the wealthy for the third consecutive year, according to The Henley Private Wealth Migration Report. The U.S. ranks second with 3,800 millionaires expected, while China faces the largest outflow, with 15,200 high-net-worth individuals projected to leave.

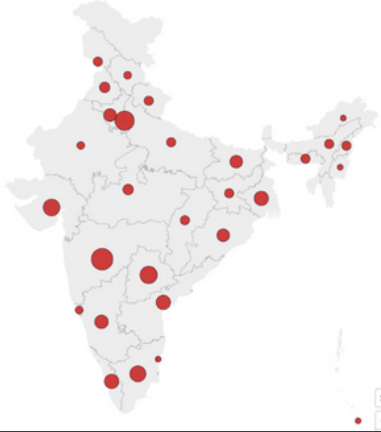
ECB to Cut Rates for First Time Since 2019



The European Central Bank is set to cut borrowing costs for the euro area for the first time since September 2019, ending its fast-hiking cycle initiated post-COVID-19. Despite May's higher-than-expected inflation rates, the cut aligns with the ECB's strategy. Investors now focus on subsequent policy moves following the June rate cut.

DATA POINT

Telangana and Delhi have the most number of active FRTs in India
A total of 170 FRTs are in place, of which 20 are active in the country



INDIA'S SURVEILLANCE STATE: RISE OF FACIAL RECOGNITION TECHNOLOGY

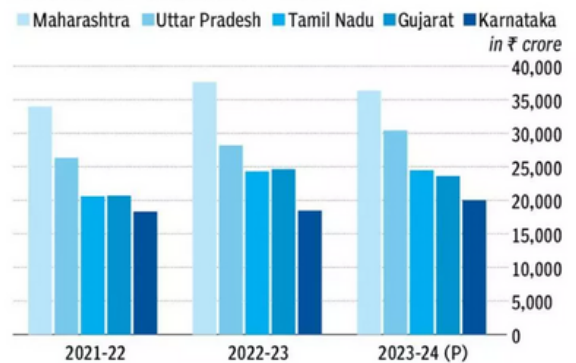
Indian authorities have invested over ₹1,513.26 crore in Facial Recognition Technology (FRT) systems, including the Central Government's ₹770.2 crore and state government's ₹743.06 crore, as security and surveillance focus. India has 170 facial recognition systems, with 88% in tender bidding, implementation, procurement, and final stage, and 20 already active, according to a rights-based group.

STATES EARN SIGNIFICANT 11-17% OF THEIR TAX REVENUE FROM PETROLEUM PRODUCTS

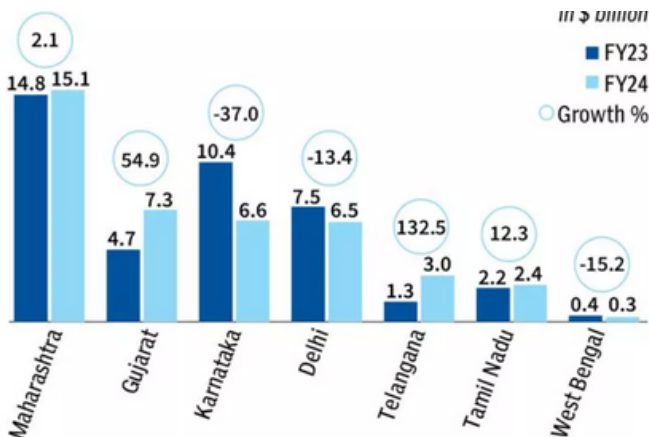
State governments in India generate significant tax revenue from petroleum, accounting for 11-17% of their own tax revenue in FY24, with Gujarat, Tamil Nadu, and Maharashtra having the highest share. Indian states heavily reliant on fuel tax revenue may face challenges in implementing the GST on petrol and diesel. The GST compensation cess, extended until March 31, 2026, will be used to compensate states for their loss of revenue.

Large States gain big from petroleum tax

Petroleum tax of top five States in India

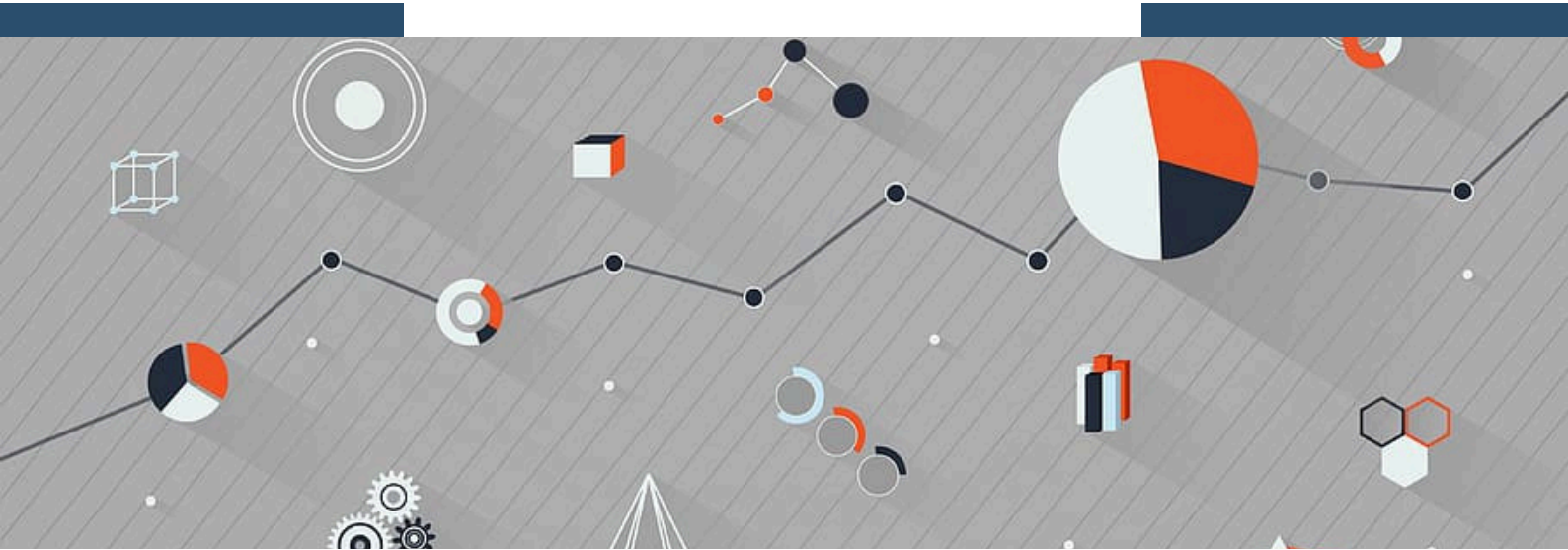


Source: CAG Monthly Bulletin, PPAC



INDIA'S SELECTIVE GROWTH: FDI FLOURISHES IN KEY STATES DESPITE NATIONAL DOWNTURN

Despite a five-year low in FDI in India, Maharashtra, Gujarat, and Tamil Nadu have seen significant growth, with Gujarat leading the pack with \$7.3 billion in FY24. Foreign direct investment (FDI) in India fell in both manufacturing and services sectors in the fiscal year, with a significant portion coming from the computer software and hardware sector. From 2000 to 2024, FDI inflows into India were led by Mauritius, Singapore, the United States, the Netherlands, and Japan, with Singapore contributing the highest at \$11.7 billion in the fiscal year 24.



ARTICLES OF THE MONTH

EDUCATION AND WELL BEING

➤➤➤ READ MORE

Regulating the Coaching Industry in India
-Yugank Goyal, Goyam Pitalia,
Tanvi Chabra, Atharva Navender

Through a primary survey of 997 students in premier Indian engineering and law universities, the need to regulate the coaching industry is examined. The results reveal a significant social cost imposed by coaching firms on students' mental health, well-being, and holistic development, suggesting the need for stringent regulation of coaching firms. We also reflect upon the regulatory guidelines issued by the central government in 2024 in this regard.

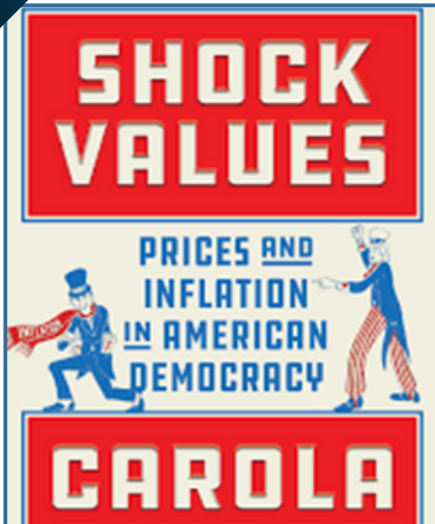
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Is GST Regressive in India?
-Sacchidananda Mukherjee

GST AND IT'S IMPACT ON CONSUMERS

The distributional impact of goods and services tax across different consumer groups in India is estimated for 2021-22 for various tax rates. Multiple rate structures and fixation of GST rates based on product specification make it difficult to assign a specific rate or estimate the effective rate across items. The Centre for Monitoring Indian Economy's Consumer Pyramids Household Survey for 2021-22 is used to explore the all-India average monthly per capita consumption expenditure for 123 items across nine tax categories. The share of each tax category in aggregate average monthly per capita consumption across fractile classes is estimated for both rural and urban areas.

BOOK RELEASES

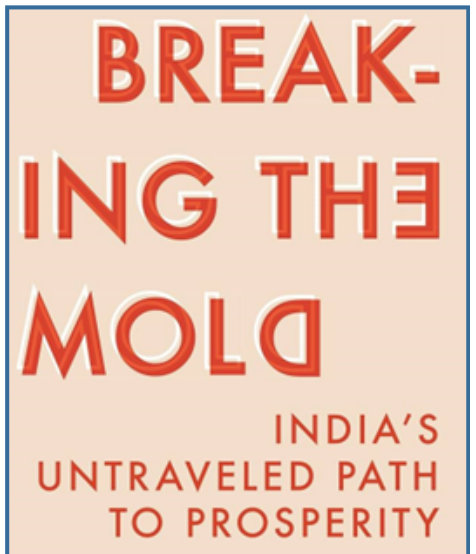


SHOCK VALUES: PRICES AND INFLATION IN AMERICAN DEMOCRACY
- CAROLA BINDER

This book explores the intricate relationship between inflation, price stability, and the political landscape in the United States. Binder delves into how inflation impacts various facets of American life, from the economy to social and political spheres. The book offers a historical perspective on inflation, examining its role in shaping policy decisions and public opinion.

BREAKING THE MOLD: INDIA'S UNTRAVELED PATH TO PROSPERITY
- RAGHURAM G. RAJAN, ROHIT LAMBA

The book provides a critical analysis of India's economic trajectory and proposes innovative strategies for sustainable growth. Rajan and Lamba argue that traditional economic models and policies have not fully harnessed India's potential. They explore alternative pathways that emphasize inclusive development, technological innovation, and robust institutional frameworks.



NOT THE END OF THE WORLD: HOW WE CAN BE THE FIRST GENERATION TO BUILD A SUSTAINABLE PLANET
-HANNAH RITCHIE

The book presents an optimistic yet practical approach to tackling the global environmental crisis. Ritchie emphasizes that while the planet faces significant ecological challenges, it is not too late to reverse the damage and build a sustainable future. Drawing on data-driven insights, she outlines actionable steps that individuals, communities, and governments can take to reduce their environmental impact.

CBS ARTICLES



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EXPLORING BANCASSURANCE: A SYNERGY OF FINANCIAL SERVICES

-LARA LAWRENCE

Bancassurance is a business model where banks and insurance companies collaborate to offer insurance products to the bank's customers, enhancing the range of financial services available. Originating in France, this concept has gained traction globally and provides mutual benefits by allowing banks to diversify their offerings and insurers to leverage the bank's customer base and distribution channels.

The object of government in peace and in war is not the glory of rulers or of races, but the happiness of the common man
-- William Beveridge

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SEBI'S NEW DELISTING RULES: A MILESTONE IN THE MATURATION OF THE INDIAN EQUITY MARKET

-ASWATHI M U

The Securities and Exchange Board of India (SEBI) has introduced comprehensive new delisting rules, marking a significant milestone in the maturation of the Indian equity market. These regulations emphasize fair exit prices for minority shareholders, increased accountability for independent directors and audit committees, and enhanced corporate governance standards, fostering a more equitable and transparent market environment.



CBS SCOOP



From May 5 to May 31, CBS hosted an enriching internship program blending academic rigor with practical experience. This month-long internship provided students with a comprehensive understanding of research methodologies, Python programming, and econometrics, led by expert educators.

The internship began with research and Python classes by Neenu Ma'am and Haseena Ma'am. Their sessions covered essentials from formulating research questions to designing robust methodologies and interpreting data. Concurrently, the Python classes focused on data analysis, visualization, and applying Python in research.

A highlight was the econometrics basics course by Santhosh Sir. His expertise gave interns a solid foundation in econometric theory and applications, including statistical relationships, model building, and hypothesis testing, crucial for analyzing economic data and making informed decisions.

The program also featured a hands-on project component, allowing interns to apply their newly acquired knowledge practically. This project enabled interns to integrate concepts from research, Python programming, and econometrics to solve real-world problems.

Throughout the internship, collaborative learning was encouraged, fostering a vibrant academic community. The guidance and mentorship of Neenu Ma'am, Haseena Ma'am, and Santhosh Sir were instrumental in shaping the interns' understanding and proficiency.

In conclusion, the CBS internship from May 5 to May 31 was a transformative experience, enhancing interns' academic prowess and preparing them for future professional challenges. This program exemplifies CBS's commitment to providing quality education and practical skills to its students.

CBS LINE

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