

**NOVEMBER 2023**



**MONTHLY NEWSLETTER**



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

## NEWS

### MACROECONOMIC ANALYSIS

#### **FY24 to end with strong growth performance, macroeconomic stability: Finance Ministry report**



The current financial year should conclude as projected with strong growth performance and macroeconomic stability, as more than half of this fiscal has witnessed positive developments in the economy, a finance ministry report said on November 21. The RBI has projected 6.5 percent GDP growth in the current financial year ending March 2024. In the Monthly Economic Review for October, the ministry also said the downside risk will continue to be inflation, that should keep both the government and the RBI on high alert. Financial flows in the external sector also need constant monitoring.

#### **Analysts see robust yield from agrochemical stocks**



Challenges to ensuring food safety seem to be bringing a boost to the agrochemical industry. Shrinking arable land and loss of crops due to pest attacks lead to wastage, posing a critical challenge to ensuring food and nutritional security. This is where the agrochemicals industry comes into the picture. The market size is projected to grow from \$7.90 billion in 2023 to \$12.58 billion by 2028. Government support, manageable seasonal challenges, and improving market conditions bode well for the agriculture and fertilizer industries.

#### **SDGs and Climate Change to Be Given Weight in New Finance Commission Formula**



The Government of India is currently finalising the terms of reference for the 16th Finance Commission and is set to revamp its resource allocation formula, placing greater emphasis on Sustainable Development Goals (SDGs), Human Development Index (HDI) and climate change mitigation initiatives. The Finance Commission is a constitutional authority that establishes the manner and formula for allocating tax proceeds between the federal government and the states. The 16th Finance Commission's recommendations will be in effect from April 2026 to March 2031.

**NEWS** 

**ECONOMIC POLICY**

**India to attract more investments from global corporations in 2024**



As per the Goldman Sachs Asset Management report, India is set to become partners with important global firms in various sectors. Goldman Sachs Asset Management, in its report titled 'Asset Management Outlook 2024: Embracing New Realities' said India has the advantage of resilient growth and strong demographics. The Indian economy is expected to grow at a rate of 7.2% in FY23, and the World Bank expects the growth to continue at a rate of 6.3%. India's productivity is expected to get a boost of 0.7% points against the global average of 1.3% points.

**SC suggests no MSP for farmers burning stubble**



The Supreme Court suggested excluding farmers burning stubble from the purview of the minimum support price (MSP) infrastructure to discourage them from burning stubble in Punjab and other states around Delhi. "Why should any purchase be made under the MSP system from people violating the orders and lighting fires, regardless of how this affects the people, the children?". The court was hearing a batch of pleas raising concerns over the deteriorating air quality in the capital. However, Bench also said farmers made 'villain and not being heard'.

**After FTA, India and Australia to boost economic ties**



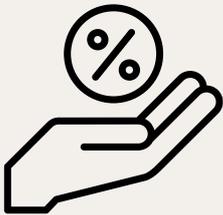
India and Australia have started discussions to take bilateral ties forward in areas such as digital trade, micro, small, and medium enterprises (MSMEs), traditional knowledge, labour, and sports after the successful conclusion of a preliminary free trade agreement (FTA) last year. The utilisation of the India-Australia Economic Cooperation and Trade Agreement (ECTA) by Indian exporters has reached 77 percent during the first nine months since the implementation of the interim trade deal.

**NEWS**



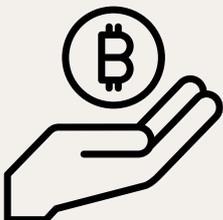
**FINANCIAL TECHNOLOGY**

**FinTechs Shift Focus to Priority Sector and Gold Loans Post RBI’s Consumer Loan Clampdown**



Indian fintech companies are strategically adjusting to the Reserve Bank of India’s (RBI) recent directive on unsecured loans. Anticipating an impact within the next 6–12 months, fintechs are focusing on diversifying and strengthening their portfolios, with a goal to make secured options constitute at least 40% of their total portfolio. This response includes exploring secured lending avenues such as gold loans in line with RBI guidelines. Fintechs are adapting to align with changing regulatory landscapes and preferences in the banking sector.

**G20 Endorses Finance Track Agenda and Approves Crypto Roadmap**



The Finance Minister announced G20’s broad endorsement of a roadmap for managing crypto assets during the virtual summit, marking the conclusion of India’s G20 presidency. The roadmap includes tailored measures to mitigate risks specific to emerging markets. FM highlighted ongoing work on regulating crypto assets, with no set timeframe for adopting the roadmap. The plan aligns with IMF and FSB recommendations, favouring regulation over a blanket ban. G20 backed India’s five key finance-related issues, emphasising multilateral development banks, digital financial inclusion, climate finance, crypto assets, and financing future cities.

**Fintechs to Outpace Traditional Lenders by 2030: RBI CAFRAL**



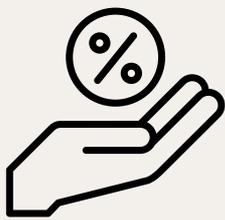
Fintech lending is poised to surpass traditional banking by 2030, as reported by the Centre for Advanced Financial Research and Learning (CAFRAL). The study underscores fintech’s exceptional growth, with half of the 14,000 start-ups from 2016 to 2021 falling under this category. Fintech lenders offer swift credit assessments and streamlined processes challenging traditional banking. The report highlights fintech’s potential to extend credit access to a wider population, providing personalised loan solutions and competitive interest rates. However, concerns about usurious rates, unethical practices, and data privacy are noted amid the sector’s rapid growth.

**NEWS**



**INTERNATIONAL ECONOMICS**

**\$400 million ADB loan to help improve Urban Services in India**



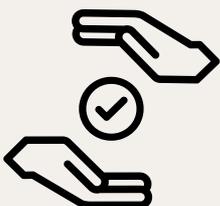
The Asian Development Bank (ADB) has approved a \$400 million policy-based loan to India for Subprogram 2 of the Sustainable Urban Development and Service Delivery Program. The programme aims to support the government’s urban reform agenda for improving the quality of urban life through the creation of high-quality urban infrastructure, assured public services, and efficient governance systems. While Subprogram 1 approved in 2021 established national-level policies and guidelines to improve urban services, Subprogram 2 is supporting investment planning and reform actions at the state and urban local body (ULB) levels.

**Mashreq, Ecolytiq, and Visa Launch First Climate Banking Platform in Middle East and North America (MENA)**



Mashreq, a prominent financial institution, has teamed up with sustainability-as-a-service provider Ecolytiq and Visa to launch the first-ever climate banking platform. This collaboration aims to empower nearly one million Mashreq members by providing transparency on their individual environmental impact. The platform overlays carbon emissions calculations onto transaction data, allowing users to gain insights into their spending habits. Aligned with the UAE government’s green strategy, this initiative supports sustainability goals and was introduced during the COP28 global climate summit in Dubai.

**India-China trade data discrepancy rises to \$15 billion in January–October this year**



The magnitude of the discrepancy in the India-China official trade numbers as per data sets released separately by New Delhi and Beijing has widened further this year, amid rising instances of under-invoicing and potentially higher losses to the Indian exchequer despite efforts by tax authorities to plug loopholes. Under-invoicing of imported goods involves marking the stated value of imports below the actual value paid to the foreign exporter, thereby reducing the import tax outgo. 896 cases of undervaluation were detected last year; the recovery process is underway, says government.



## ARTICLES OF THE MONTH

### ➤➤➤ READ MORE

[The Merger of HDFC Limited with HDFC Bank Synergy or Concentration?](#)

-M Manickaraj and Anjan Roy

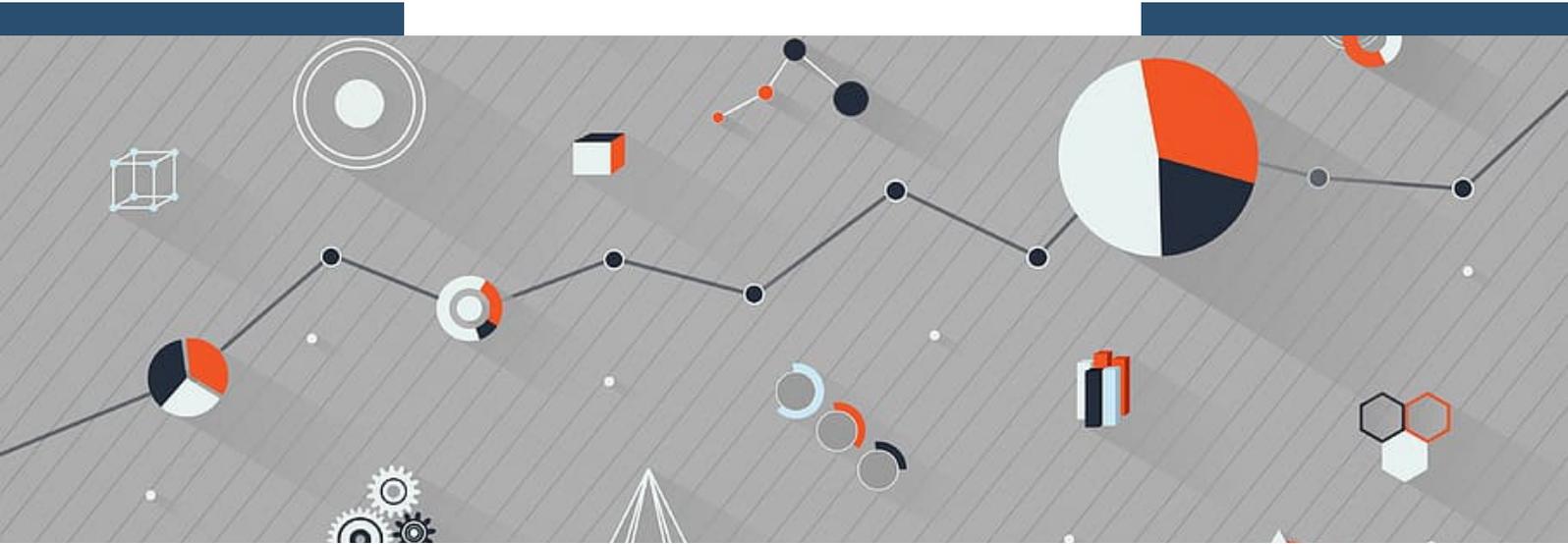
The merger of HDFC Limited with its associate, HDFC Bank, has further increased the size of the latter and benefited it from various organisational synergies. At the same time, the nature of the bank, being retail- and transaction-oriented, may have also changed as it moves towards higher exposures in wholesale and corporate banking. There may be, therefore, consequent impacts from the rise in industry concentration as well as systematic risk for the bank, and hence a need for enhanced corporate governance and regulatory oversight.

### READ MORE ◀◀◀

[Unpacking Inequality: A Regression-based Decomposition Analysis of Household Consumption in India](#)

-Sahil Verma, Bimal Kishore Sahoo and Sunandan Ghosh  
Gini coefficients show that the level of inequality was 0.303 in 2014 and declined to 0.261 in 2021, which fluctuates in the initial years and shows a decreasing trend after 2017. Most notably, the regression-based decomposition approach reveals that the level of education emerges as the primary contributor to explaining the level of inequality, playing a vital role in its reduction. This research highlights the urgent need for the government to intensify its focus on improving education levels in order to reduce the inequality in India effectively.

**THE VITAL ROLE OF  
EDUCATION IN  
REDUCING INEQUALITY**



## ARTICLES OF THE MONTH

### CHANGING NATURE OF FISCAL FEDERALISM IN INDIA

#### ➤➤➤ READ MORE

From Fiscal Crisis to the Creation of Off-budget and Contingent Liabilities in Kerala: Concerns and Implications

-Justine George, Akhil Menon and Nithin Thomas  
Kerala has become one of the most indebted states in India in recent years and faces severe debt sustainability issues. While Kerala has faced various levels of fiscal crisis since the 1980s, the nature of the crisis has undergone significant transformation in the last two decades, which can be attributed to the changing nature of fiscal federalism in India.

#### READ MORE <<<

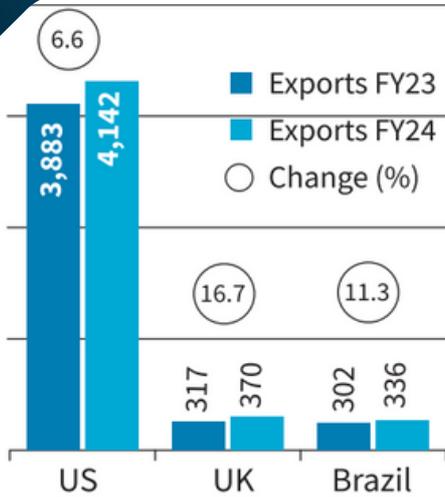
Tackling Food Inflation: Is Restricting Exports and Imposing Stocking Limits the Optimal Policy?

-Ashok Gulati, Raya Das, Sanchit Gupta and Manish Kumar Prasad

Retail inflation, measured by the year-on-year consumer price index, reached 6.83% in August 2023, higher than the Reserve Bank of India's upper tolerance limit of 6%. This surge was driven by soaring food prices. The government has implemented a series of measures, including an export ban on non-basmati white rice, export ban and stocking limits on wheat, a 20% export duty on parboiled rice, a minimum export price of \$1,200 per tonne on basmati rice, etc, to contain food inflation. However, these abrupt and stringent market-depressing measures are impacting farmers' income adversely. A more rational and dependable trade policy that balances the interests of producers and consumers while containing food inflation is advocated.

### THE MEASURES TO CONTAIN FOOD INFLATION

**DATA POINT**



**PHARMA EXPORTS GROW 5% IN H1; OVERALL EXPORTS ARE LIKELY TO SURPASS THE \$27 BILLION MARK**

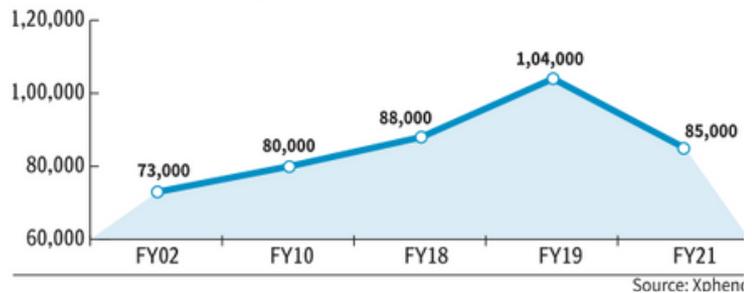
Pharmaceutical exports grew 5 per cent in the first half of the current fiscal year ended September 30, 2023, to \$13,361 million in the corresponding period of the previous financial year. The growth was driven by greater demand, wartime shortage, increase in export scale up of mid-level pharma companies and clearance of pending site inspections by the USFDA.

**FRESHERS BRACE FOR A TOUGH YEAR OF HIRING**

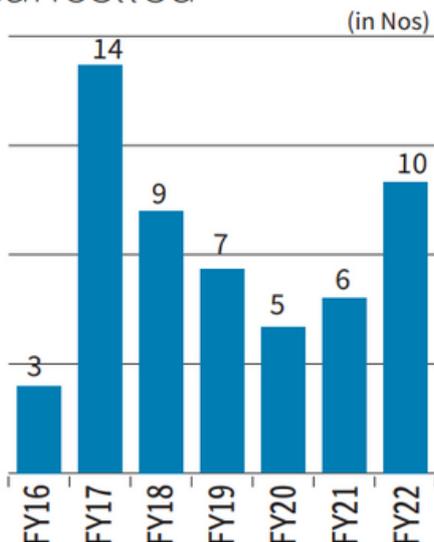
Thousands of engineering graduates are staring at a bleak year ahead and colleges are adopting a wait and watch mode. Awareness and information on the talent pattern will help plan academic interventions, training inclusions and industry reach outs. This delay in recruitment has affected potential job opportunities for graduates, leading to increased anxiety among them.

**The hiring lows**

Count of freshers hired by fiscal-end



**Number of licences cancelled**



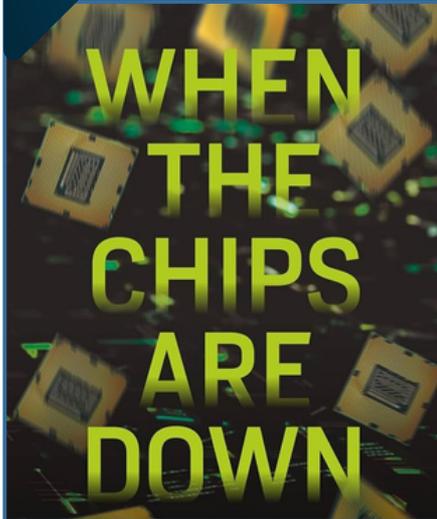
Source: RBI

**IN THE INTEREST OF THE DEPOSITOR, THE WIND IS IN FAVOUR OF MORE CONSOLIDATION AMONG URBAN COOPERATIVE BANKS (UCBS)**

The prospect of their licences getting cancelled seems to have prompted some of the financially weak urban cooperative banks (UCBs) to walk down the aisle with stronger counterparts, going by the approvals for amalgamation the Reserve Bank of India (RBI) has given over the last two decades. The RBI, in its latest 'Report on Trend and Progress of Banking in India', noted that the liberal licensing policy adopted in the 1990s has led to a surge in the number of UCBs.

**SOURCE: THE HINDU BUSINESSLINE**

**BOOK RELEASES**



**WHEN THE CHIPS ARE DOWN: A DEEP DIVE INTO A GLOBAL CRISIS**

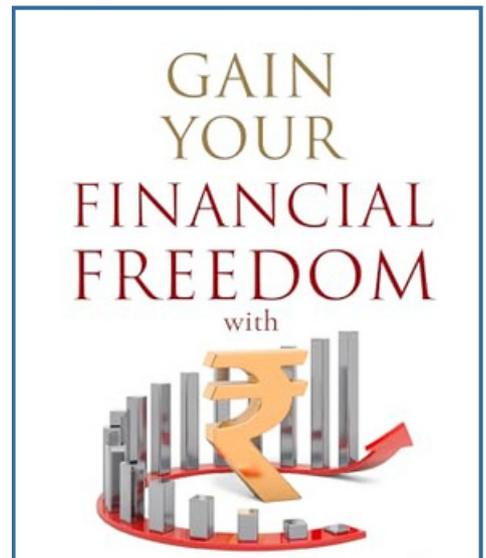
**-PRANAY KOTSTHANE AND ABHIRAM MANCHI**

The chip shortage during COVID-19 made governments take notice of the complex supply chain. The US began denying advanced semiconductors to Chinese companies. By 2022, China, the US, India, the EU, and Japan had released plans worth billions of dollars for setting up new semiconductor facilities. This book is a comprehensive overview of this “meta-critical” technology.

**GAIN YOUR FINANCIAL FREEDOM WITH THE 1% FORMULA**

**- DEEPAK MULLICK**

The book contains stories of people who used the 1% formula and created a nest egg without giving in to stress, anxiety or overwork. This book is a must-read for anyone who wants long-term wealth creation and a comfortable lifestyle off that wealth so that they don't have to keep working for money.



**THE UNEQUAL EFFECTS OF GLOBALIZATION**

**PINELOPI KOUJIANOU GOLDBERG**  
WITH GREG LARSON

**THE UNEQUAL EFFECTS OF GLOBALIZATION**  
**- PINELOPI KOUJIANO GOLDBERG**

The recent retreat from globalization has been triggered by a perception that increased competition from global trade is not fair. Is this phenomenon a small hiccup in the overall wave of globalization, or are we at the beginning of a new era of deglobalization? The answer depends on the policy choices we make, and this book calls for exploring alternative policy approaches, including place-based policies, while sustaining international cooperation.

**FACULTY ARTICLE**



**»»» READ MORE**

**ARTIFICIAL INTELLIGENCE IN THE FIELD OF ECONOMICS**

**-AMRITHA K MADHAV**

Recently, Machine Learning (ML), Deep Learning (DL), and Reinforcement Learning (RL) techniques have gained significant traction in various sectors of the economy. AI-driven approaches have shown promising results for improving decision-making processes, optimizing strategies, and enhancing overall performance in stock trading, market analysis, and risk management. Data and AI could add \$450-500bn to India’s GDP by 2025. Close to 45% of this value is likely to be delivered by 3 sectors: consumer goods and retail, agriculture and banking and finance.

“**POVERTY IS NOT JUST LACK OF MONEY; IT IS NOT HAVING THE CAPABILITY TO REALISE ONE’S FULL POTENTIAL AS A HUMAN BEING**”

**AMARTYA SEN WAS BORN ON NOVEMBER 3, 1933, IN SANTINIKETAN, INDIA. HIS PIONEERING WORK AND PROFOUND CONTRIBUTIONS TO ECONOMICS, ETHICS, AND PHILOSOPHY HAVE LEFT AN INDELIBLE MARK ON OUR UNDERSTANDING OF HUMAN WELFARE AND SOCIAL JUSTICE.**



**STUDENT ARTICLE**

**READ MORE <<<**

**TO FORTIFY OR TO MORTIFY?**

**-HARIPRIYA**

In the November bulletin released by RBI, it has been announced that a 25 percent point increase in risk weights would take place regarding unsecured consumer loans offered by the nation’s commercial banks and non-banking finance companies (NBFCs), and this has brought the risk weight figure up from 100 percent to 125 percent. The substance of this decision is to increase yields for commercial banks and other NBFCs, but with the adoption of better risk management strategies. The aftereffects of the risk weight hike would be the prevalence of higher capital requirements to be kept by lenders and an increase in lending rates for consumers.



## CBS SCOOP



Centre for Budget Studies (CBS) organised a two-day National Seminar - "**Headway to a Green World: Exploring Development through Sustainability**" on November 17th and 18th. Academicians, researchers, students and experts presented their theoretical and empirical papers addressing various topics in the domain of sustainability.

**Arshad Sahal K. C.** and **Josna Tressa Philip** from the second year competed in the business quiz at **Comarena Fest**, organised by the Department of Commerce at St. Thomas College, Palai. They went through three rounds in total. The questions were from the fields of economics, business, etc. They secured the **third position**.



**Amal M. Rajan**, **Sharen Raheal Koshy**, and **Koottala Kaavya Iyer** from the first year secured **first place** in the Economist Royale, the Best Economists Team competition organised by the Department of Economics at Sacred Heart College as part of their event **Artha**. The competition was in three rounds, with the final round titled: The Great Escape Odyssey.

# **CBS LINE**

**VOL-I ISSUE-5**

Chief Editor

**Dr. Santhosh Kumar P.K**

Student Editor

**Aswathy J**

Sub-Editors

**Aishwarya  
Haripriya**

Committee

**Abel B Punnachalil  
Athira V**

**Koottala Kaavya Iyer  
Josna Tressa Philip  
Ann Lopez  
Anakha Roy**

**Subin Muhammed N.S  
Santhwana T.S**

**See you next month in your inbox  
To receive the monthly newsletter,  
Subscribe by clicking on the icon**



**Share your thoughts and feedback  
with us through mail**

