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Kerala -Potentials for economic and social development

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Harnessing port-led development: Strategic insights for vizhinjam seaport from global success stories

GST updates

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Editorial

16 Finance Commission, States and Indian Development

Presumably, persuaded by the Hon'ble Prime Minister's highly perceptive statement "India grows when States grow", State Governments are apparently demanding the 16 Finance commission to ensure that the share of each State in the divisible pool should be in accordance with their contribution to India's development. Since the country is committed to become a developed one by 2047, Finance Commission, having a say on about 50% of the revenue receipts of Indian states, could ignore their requests only at the risk of not being sensitive to Vision India 2047. The crucial issue is how to understand the contribution of a state to India's development. The prevailing perspective in terms of "a particular state contributing Rs100 to the Union gets only 10 paise in return", is a narrow accounting approach and not appropriate from a development perspective.

A New Perspective

Considering fiscal federalism as a system, development of the India, having a cooperative federalism with 28 States and 8 union territories, could be construed as contingent on the interactions between the key stakeholders therein. They are broadly; a). The Union Government 2). The Governments of the States and c) The people of the States.

Since the development of the States lead to the development of India the crucial question is what determines the development of states. This depends on the state level specialisation in the production of goods and services which is a joint determinant inter alia of its resources endowment along with the institutions, endogenous and exogenous, that govern the utilization of resources and the distribution of the returns. These in turn give rise to certain broad pattern of specialisation in terms of economic activities by the states. In terms of the observed specialisation, the states could be divided into two; Type I States, which specialise in the production of goods which are, by their very nature, tradable, and Type II States that specialize on non-tradable. Here the issue of our concern is how the specialisation at the state level that prevails contribute to; a) development and welfare of the people of State concerned, b) fiscal health of the state government concerned c) development of other states, and finally, d) the fiscal health of the Union. Here we assume that the fiscal health of any stakeholder is in tandem with their development.

Type I States, by specialising in tradable (say physical capital like machinery or manufactures) which are taxable generate employment and income for the people of the State and thus contribute to the development and welfare of the people of state concerned.

The fiscal position of such a State is strengthened because the tradable contribute directly to their tax revenue. Since they provide taxes to the Union such states work for its fiscal health and development of the Union. With the supply of goods (eg machinery) they also contribute to the development of other States. Thus the specialisation by the Type I States acts as catalyst in the development of all the Stakeholders with none getting adversely affected. The extent of contribution for each Stakeholder, however, is an empirical question.

Type II States specialise in Non-tradable, human capital for example. By their very nature they are not tradable and non-taxable. By being mobile they migrate to other countries and other states in the country. Those migrate abroad get opportunities for earning higher income, and thus contribute the family income and welfare of the people of the type II States. Since those migrate abroad make remittance in foreign exchange, they contribute the development of the Union by help keeping the Current Account Deficit (CAD) under control and the building of foreign exchange reserve. Human capital that migrates to other states, as they embody knowledge, contribute to the development of those states. But what about the State Governments of the of the Type II States? As already noted, unlike the physical capital, the production of human capital doesn't provide any direct tax revenue entitlement to the state government. Instead, it adds to their fiscal stress because much of the investment in education and health is made by borrowing and thus added to the revenue deficit and debt burden of the Type II states. The specialisation by type II states, while having adverse developmental impact on themselves, contribute to the development of all the other stakeholders.

Case Study of Kerala

Viewed from the above perspective Kerala is a type II State and Kerala model of development turns out to be a model of export oriented human capital production. A part of the human capital migrated to other countries and equal number of them migrated to other States. As per the Kerala Migration Survey by Gulati Institute of Finance and Taxation (2023) led by Prof. Irudaya Rajan 2.2 Million Keralites have migrated to 183 of out of 197 countries in the world and made remittance to India. It was observed that Kerala with 2.76% of India's population account for about 23% of the total remittances to India in 2023

As shown by scholars like K N Harilal & K J Joseph and Pulapre Balakrishnan the migration-led "resource movement effect" and the remittance-induced "spending effect" has had an adverse effect on the growth of tradable sectors in Kerala and thus contributed to the stagnation of Kerala Economy since the mid 1970s. Thus the remittance to the country came at a cost of stagnating productive sectors of the economy which is the price that Kerala paid for the remittances which helped building up of the foreign exchange reserve of the country.

While India's trade policy has the provision for different direct and indirect subsidies for export oriented sectors, Kerala's export oriented human capital sector did not receive any export subsidies from the Centre. Since it was entirely financed by the State Government,

about 63% of Kerala's revenue receipts is on salary/ wages, pension and interest of which about 60% is towards salary for the teachers. In the absence of any direct tax contribution by the sector or subsidy from the Union such a strategy was instrumental in increasing the revenue deficit and the growing debt burden of the state.

Regarding the development of other states, it is estimated that over two million people from Kerala are working in other states of the country. Since knowledge is most important resource the knowledge embodied in the human capital contribute to the development of other states. Kerala model added to the fiscal stress of Kerala whereas it contributed to the development of all the other stakeholders of India's fiscal federal system.

Takeaways

Kerala turns out to be a true engine of Vision India 2047. There could be other engines in the country which are to be located such that the 16th Finance Commission could facilitate Vision India 2047. For facilitating informed recommendations regarding horizontal devolution in sync with India's new vision, NITI Aayog may consider developing an Index of State-level Contribution to Indian Development (ISCID). At the same time the issue of equity cannot be ignored. The aspirational India demands a new strategy of walking on two legs - rewarding performers, while handholding the laggards.

K J Joseph

A case for enhancing the fiscal space of states by increasing the base and size of finance commission grants

Sumalatha B S, Aswathy Rachel Varughese and Anitha Kumary L

Abstract

There exist vertical imbalances in resource sharing between the Union government and the states governments in India. This has serious implications for state finances and leads to fiscal crisis particularly in developed states. The share of FC grants in total grants in aid to the states has been declining while there is an increase in the conditional grants. States are different in terms of their development and other structural patterns, the uniform conditional grants in the form of Centrally Sponsored Schemes (CSS) provided by the Union government are not useful for already developed states. There is a strong need for increasing the share of FC grants that can substitute the loss in the tax share to the states from the devolution. Mere increase in the share of FC grants will not resolve the current fiscal problems of the states. This could be addressed by increasing the base and size of the FC grants.

Introduction

A pressing issue in India's fiscal federal landscape that demands due attention is the declining share of Finance Commission (FC) grants to states. Its share in total central transfers to the states plummeted from 6% to a mere 3.6% over a decade as per the revenue receipts data 2023-24. Total central transfers of the fiscal resources include tax devolution, FC and non-FC grants. They are considered the Indian states' lifeline owing to their unconditional nature, meaning FC grants provide states with the autonomy to allocate funds according to their specific requirements. The major fall in FC grant's share and its small size in overall transfers have far-reaching implications for the state finances. It also

distorts the transfer dynamics, leading to fiscal contention between the Union and the state governments. Besides, the fiscal imbalance may escalate under the existing transfer mechanism as there is a stark mismatch between the expenditure responsibilities and resource generation capacity between the union and state governments. Therefore, in the wake of the 16th Finance Commission finalizing its report, the critical matter of the dwindling share of FC grants must be addressed to enhance states' autonomy.

Changing patterns of fiscal federal resource allocation

Recent years have witnessed significant shifts in the pattern in which the union government

disburses federal resources to the states. The central share of taxes, through tax devolution, commands the largest share in total transfers, followed by non-FC and FC grants. Tax devolution to the states hovered around 21% to 28% of the total resource transfers while FC grants have considerably decreased from 6% to 3.6% during 2009-10 to 2022-23. On the other hand, non-FC grants, particularly grants for Centrally Sponsored Schemes (CSS) have risen from 13.4% to 17.2% during the same period. Notably, the non-FC grants are conditional, discretionary, or tied in nature, giving nil autonomy to the states. The increasing share of conditional grants is clear evidence of an increasing tendency toward centralization rather than decentralization. It poses a significant threat to the fiscal federal landscapes of the country.

Dwindling share of FC grants

FC grants are crucial because they are largely unconditional, allowing states flexibility in their use. However, their continuously declining share portrays a disturbing picture of India's fiscal federal framework. Out of the total grants in aid, FC grants now account for only 17.4% of total central grants to states while the non-FC grants which are often conditional, make up 82.6% (Table 1). Despite constitutional provisions stipulating that grants-in-aid should come from the Consolidated Fund of India (CFI), the Finance Commissions have been allocating these grants from the divisible pool. The divisible pool is the source from which the states receive their share of fiscal resources from the Union government. The 14th FC set aside only 5.72% of this pool for grants in aid to the states, while

the 15th FC increased this allocation to 10.03%. Under this allocation, the share of non-FC grants which are conditional has been rising. During the 14th FC tenure, conditional grants comprised 16% of the divisible pool, increasing to 19% under the 15th FC. These conditional grants pose a challenge for states, as they are earmarked for specific purposes, limiting states' ability to allocate funds according to their unique development needs and priorities. This lack of flexibility can hinder states' capacity to address their most pressing issues effectively (Table -1).

A case for increasing the base of FC grants

The constitution of the 16th Finance Commission is in a period where the states grapple with mounting fiscal pressures, hence the call for enhanced FC grants grows louder. With the growing Vertical Fiscal Imbalance (VFI), shrinking divisible pool, contracting volume of Finance Commission grants, and increasing share of discretionary transfers, the woes of state finances have worsened in recent times. The loss of fiscal autonomy due to paradigm shifts in tax regimes like the Goods and Services Tax (GST) exacerbated the concerns. Intriguingly, the post transfers through devolution and grants in aid, the revenue retained by the union government comes to around 50% while the state governments have disproportionately higher expenditure responsibilities than the union government. While states shoulder a whopping 62.4% of expenditure responsibilities, their revenue-generating capacity stands at a mere 37.3%. In stark contrast, the Union government, with only 37.6% of expenditure duties, commands a formidable 62.7% of revenue

Table 1: Share of FC and non FC grants from the union to the states (percentage)

Year	FC grants/Total grants	Non-FC grants to total
2009-10	470 87 (31.2)	103886 (68.8)
2010-11	48909 (29.9)	114588 (70.1)
2011-12	52199 (28.0)	134217 (72.0)
2012-13	48395 (25.6)	140286 (74.4)
2013-14	67133 (32.6)	138819 (67.4)
2014-15	71447 (21.6)	259358 (78.4)
2015-16	84579 (26.0)	241317 (74.0)
2016-17	95550 (26.8)	260541 (73.2)
2017-18	92244 (22.7)	313713 (77.3)
2018-19	93704 (21.3)	346165 (78.7)
2019-20	123710 (23.1)	410858 (76.9)
2020-21	184063 (28.6)	459778 (71.4)
2021-22	207435 (33.3)	415193 (66.7)
2022-23 (A)	172760 (19.7)	705011 (80.3)
2023-24(RE)	140429 (17.4)	665546 (82.6)

Source: Calculation from RBI's e-STATE database

capacity. This disparity has set the stage for a fiscal tug-of-war, with states increasingly finding themselves on the losing end. With the declining share of unconditional FC grants, these imbalances further exacerbate.

Though there is an increase in the FC grants as a share of divisible pool from 14th to 15th FC, its share in total grants from the Union declines (Table 2). Since the FC grants have to be distributed from the Consolidated Fund of India, there is much scope for increasing its share. Due to the prominence of conditional non-FC grants, there is a considerable wedge between the states' requirements and transfers. For instance, the state of Kerala submitted in its memorandum, a grant request across 38 categories to the 14th FC, however it received only grants for a

mere four items. This disconnects between state needs and central allocations underscore the urgency for a more responsive grants system (Table-2).

Way forward

As India looks to the 16th Finance Commission, the opportunity for meaningful reform presents itself. There is an urgent need to argue for a recalibration of the FC grants system advocating for the increasing share of FC grants relative to conditional allocations. This will enhance the states' autonomy and cater to the specific development needs of the state. Expanding the base for FC grants to include gross revenue or the Consolidated Fund of India is another recommendation that requires immediate attention. It is also justified by the growing revenue kitty of the

Table 2: Transfers recommended by the 14th and 15th FCs

Categories	14th FC		15th FC	
	Amount (crore)	As a % of divisible pool	Amount (crore)	As a % of divisible pool
Divisible pool	9400444		10304292	
Total transfers to states	4485541	47.72	5257822	51.03
Tax share	3948187	42	4224760	41.00
Grants from FC	537354	5.72	1033062	10.03
Fiscal Space for Union Govt	4914903	52.28	5046470	48.97
Provision of other transfers to states	1477943	15.72	1966199	19.08
Total grants from the Centre	2015297	21.44	2999261	29.11

Source: Union Finance Commission Reports (14 & 15)

union government. By increasing the share of FC grants, there will be greater alignment between state-specific needs and grant allocations. Addressing these concerns, the 16th FC could play a pivotal role in bridging the widening resource gap between the Union and state governments, nurturing a more equitable and efficient federal financial structure. As the debate unfolds, one thing remains clear that the future of India's fiscal federalism hangs in the balance, with the potential to reshape the nation's economic landscape for years to come.

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IGST settlement and compensation cess under GST : Addressing the state fiscal stress

Shency Mathew and Anitha Kumary L

Abstract

Despite being celebrated as one of the most important tax reforms in recent history, India's Goods and Services Tax (GST) has encountered numerous difficulties since going into effect. Undoubtedly, the reform has simplified indirect taxation and promoted a single market, but there are still some important problems that need to be addressed. This paper aims to comprehend the overall revenue performance of GST and looks at the two major issues that can help the States to deal with their fiscal stress such as; the distribution of huge unsettled amounts in IGST kitty without delay and the feasibility of continuing compensation cess at least for some more years even after the repayment of borrowings which is used for servicing the back-to-back loans taken during the COVID 19 period to compensate the revenue loss of the States. Continuance and sharing of compensation cess with states can help the States to handle with their fiscal stress.

Keywords: Revenue performance, IGST Settlement, Unsettled amount, Compensation Cess

Introduction

German businessman Wilhelm von Siemens came up with the concept of the Value Added Tax (VAT)/Goods and Services Tax (GST) in the 1920s. It was implemented first in France in 1954, and then in several other nations, including Japan, South Korea, the United Kingdom, Australia, Canada, and others. There are more than 160 countries implemented VAT/GST (World Bank, 2015). GST is not the same in every country, even though it is intended to be a destination-based tax

imposed on the consumption of goods and services. The GST was introduced in India as a follow-up to the VAT, which was first introduced in 2004. It was originally conceived as a single tax that subsumes all central and state indirect taxes in India. However, at the implementation level, we adopted a dual GST model followed by Canada, in which the structure of GST is given importance to preserving Centre-State fiscal relations.

Many believe that GST is one of the major policy successes of recent years, which

stimulated the growth of the national market and provided a stable source of revenue to both Centre and States (Subrahmanian et.al, 2024). The introduction of GST is aimed to bring economic unification in India in the form of a 'One Nation, One Market, One Tax'. But during the implementation of this new tax system, 'One Tax' in the slogan is replaced with uniformity in tax rules and procedures such as centralization of tax administration, registration, tax payments, return filing, refund payments, etc. instead of uniform tax and tax rate. Also, the exclusion taxes on petroleum products, electricity, stamp duties on immovable properties, and excise duties on alcohol from the purview of GST leaves a gaping hole in the plan to implement a common indirect tax regime (Kumar, A, 2019; Mukherjee, S., 2019). Even after seven and a half years of implementation, GST is still a work in progress with continuous changes in rules, procedures, and rates. Till 31 December 2022, 718 notifications has been issued under Central Goods and Services Tax Act (excluding the notifications issued by various state governments and union territories) which make the assessment, levy, and administration of tax and its collection made cumbersome (Thekkekkara, J. and Kumary L, A., 2023). This itself proves the still existing confusion and unresolved issues which has been creating distorting implications in the efficiency of the GST system, rather than the advantages listed by the proponents such as the increase in the growth rate of the economy, tax collection, improved export, and the fiscal gains to the consumer States since it is a destination-based tax. Against this

backdrop, this study attempts to comprehend the revenue performance and look into two issues of concern under Indian GST system such as; the prevalence of huge unsettled amounts in Integrated Goods and Services Tax (IGST) kitty and the feasibility of continuing compensation cess at least for some more years even after the repayment of borrowings which is used for servicing the back-to-back loans taken during the COVID 19 period to compensate the revenue loss of the States.

Understanding the revenue performance

The revenue performance of GST is analyzed by looking at the performance of various components of GST such as Central Goods and Services Tax (CGST), States Goods and Services Tax (SGST), and Integrated Goods and Services (IGST). Table 1 gives us the details of the actual amount that the government has earned from the GST. The GST figure reported for 2023-24 is Rs 18.01 lakh crores, equivalent to 6.10 percent of GDP. This implies that the GST to GDP ratio could reach the pre-GST level of tax-GDP ratio of 6.13 percent (average annual share (2012-13 to 2016-17) of taxes subsumed in GST to GDP ratio calculated by Mukherjee, 2023) only in the fiscal year 2023-24. Even if the tax-GDP ratio is slightly improved and reaches the same level as the pre-GST period, tax buoyancy declined from 1.5 in 2021-22 to 1.4 in 2023-24, less than the buoyancy of 1.5 in 2016-17 (Table - 1).

The difference in expected and actual revenue

GST was introduced with the expectation that States could attain 14 percent revenue growth in five years, which is why the GST

Table 1: GST revenue collection (in crores)

Gross GST Revenue Collection

Year	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25 (up to Oct-24)
CGST	118857.1	202433.7	227443.0	209916.0	269137.2	323923.1	375710.4	237372.7
SGST	171781.7	278805.9	309231.5	272827.8	344215.8	410251.2	471195.0	294365.1
IGST	387354.4	598736.8	586698.7	565719.4	762270.5	945220.5	1026789.9	654487.4
CESS	62614.3	97368.7	98748.6	88342.0	107667.2	128285.5	144553.8	88216.5
Total	740607.4	1177345.1	1222121.7	1136805.1	1483290.8	1807680.3	2018249.2	1274441.8
Net GST Revenue Collection (Gross Revenue - Refund)								
	2017-18*	2018-19*	2019-20*	2020-21	2021-22	2022-23	2023-24	2024-25 (uptoOct-24)
CGST	108301.1	184455.0	207243.1	191744.8	242767.2	294755.7	345404.6	217772.8
SGST	156939.1	254715.9	282512.7	250610.1	311117.5	374003.9	433654.1	270023.1
IGST	329398.9	509154.6	498917.6	485018.2	643208.7	795892.5	881348.6	554064.0
CESS	60167.1	93563.3	94889.2	84321.8	102713.0	123416.9	140671.6	85212.5
Total	654910.5	1041112.7	1080708.1	1011694.9	1299806.5	1588069.0	1801078.9	1127072.4
Growth (GST)			3.8	-6.4	28.5	22.2	13.4	
GDP (current)	17090042	18899668	20103593	19854096	23597399	26949646	29535667	15391471
Growth (GDP)		10.6	6.4	-1.2	18.9	14.2	9.6	
Net GST-GDP ratio (%)		5.5	5.4	5.1	5.5	5.9	6.1	
Tax buoyancy (%)			0.6	5.1	1.5	1.6	1.4	

*GST portal gives refund data from 2020-21 onwards only. We projected Net Revenue data for the years, 2017-18, 2018-19, and 2019-20 based on the average proportion of net revenue in gross revenue collection.

Source: GST Revenue - GST Portal, GDP - Niti Ayog

(Compensation to States) Act, 2017, was established to protect states' revenue for the initial five years. In light of this, we have calculated the expected revenue assuming that revenue grows at an annual rate of 14 percent from the revenue collected in 2015-16 (CAG certified).

When we compare this expected revenue calculated with the actual GST collected (net of refund) in 2023-24, it is amply clear that the GST revenues are nowhere near the levels attained by the taxes subsumed under GST, even after seven years. The States too far away from the expected revenue are Punjab (49.6%), Uttarakhand (42.4%) and Kerala (36.5%). The revenue attainment of All states and union territories (UTs) is 26 percent below the expected (Figure 1). The 10 states remain above this percentage, showing how big the cost of the States to move to the much-discussed tax reform implemented after the culmination of a 14-year-long thought process that began in December 2002. Indeed, COVID hit the State's revenue mobilization hard during the years 2020-21 and 2021-22, it should be noted that the revenue performance did not improve during the later periods also. Many argue that tax rate cutting without serious examination of revenue implications is responsible for poor revenue performance and the current rates are not revenue neutral (RBI, 2019; Isaac, T, 2020; Mukherjee, S, 2021 & 2023; Joseph and Kumary L A, 2023; Subramanian, 2024) (Table -2).

Figure 2 shows the average annual growth rate of GST collection in the States from 2019-20 to 2023-24. This indicates that the

states' revenue growth performance is also poor compared to the expected growth rate of 14 percent. Odisha (15.6%) is the only State that could just pass this benchmark, followed by Haryana (13.6%). Kerala is the lowest performer with an average growth rate of 8.8 percent from 2019-20 to 2023-24. It is 12 percent for All states and UTs. The difference in expected and actual revenue in Kerala is Rs 17512 crore during the year 2022-23.

Undoubtedly, the central government has an upper hand in GST compared to the state governments since many taxes in which states had autonomy were subsumed in GST. States do not have the flexibility to raise taxes constitutionally without the consent of the GST council and Central government. The above analysis shows the GST experience of the State governments is not that good. Here arises the question of doubt whether a unified tax system is good for a diverse country like India, where the States vastly differ from each other in their sectoral composition and consumption pattern. For example; the proponents believe that this new taxation system would benefit the consumer States since it is a last-point, consumption-based tax. But the reality is entirely different. Maintaining the State's fiscal autonomy is crucial. The goal of the GST should be to strike the balance between fiscal autonomy and tax harmonization.

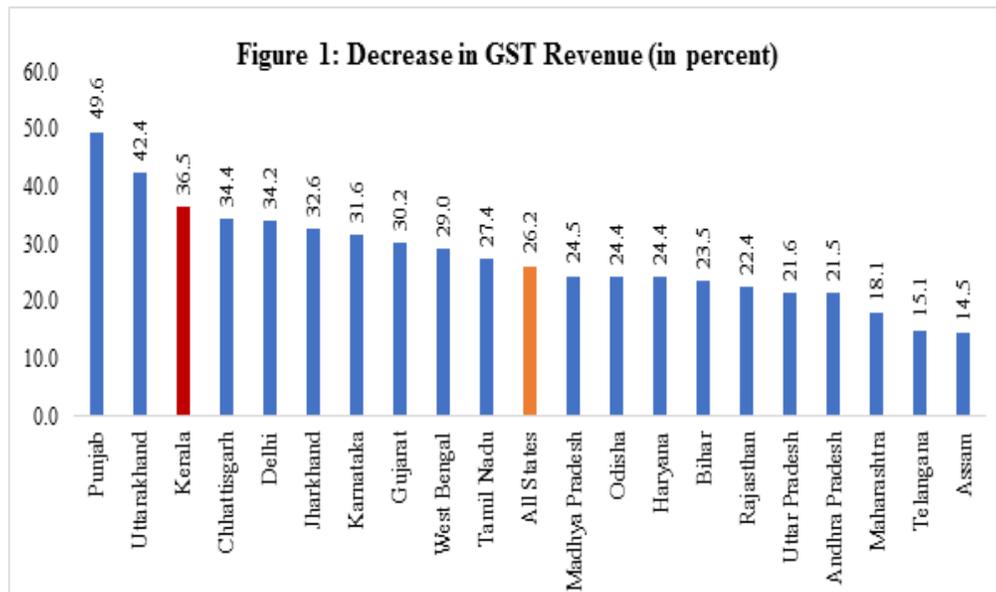
Two issues of concern under GST system

In this context, we can examine two important issues that need attention and urgent interventions on the part of the GST council to help the States from their

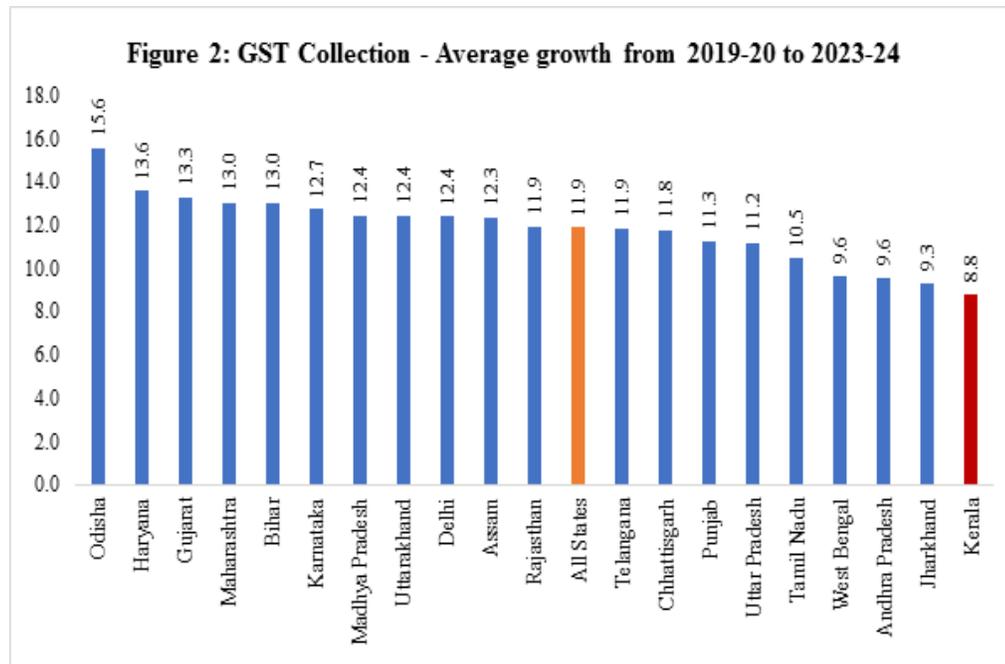
Table 2: The difference between expected and actual revenue (Net) in 2023-24 (in crore)

Name of State/UT	Expected	Actual	Difference	Difference as % of Expected
Andhra Pradesh	39574.8	31056.0	8518.8	21.53
Assam	17074.2	14598.3	2475.9	14.50
Bihar	36001.2	27528.0	8473.2	23.54
Chhattisgarh	20986.5	13765.0	7221.4	34.41
Delhi	47878.2	31507.3	16370.9	34.19
Gujarat	82315.3	57434.6	24880.7	30.23
Haryana	43446.6	32867.0	10579.6	24.35
Jharkhand	18286.5	12327.0	5959.6	32.59
Karnataka	103104.3	70546.1	32558.2	31.58
Kerala	47984.4	30472.8	17511.6	36.49
Madhya Pradesh	43727.9	33030.7	10697.2	24.46
Maharashtra	172594.6	141317.1	31277.5	18.12
Odisha	31519.2	23823.1	7696.1	24.42
Punjab	41282.0	20825.8	20456.1	49.55
Rajasthan	48946.4	37965.8	10980.7	22.43
Tamil Nadu	84968.2	61708.3	23259.8	27.37
Telangana	45951.5	39032.9	6918.6	15.06
Uttar Pradesh	95241.7	74698.1	20543.6	21.57
Uttarakhand	14152.3	8155.2	5997.1	42.38
West Bengal	57330.5	40682.9	16647.6	29.04
All States	1133431.9	836682.0	296749.9	26.18

Source: Calculated based on the data availed from GST Portal



Source: Same as Table 2



Source: Based on the data availed from GST Portal

fiscal stress, such as; the timely distribution of huge unsettled amounts in IGST kitty and the feasibility of continuing compensation cess at least for some more years even after the repayment of borrowings which can help the States to deal with their fiscal stress.

1. Unsettled amount

It is a fact that almost half of the total GST collection comprises with IGST. This IGST collection mainly takes place on account of interstate domestic trade and international trade. Domestic trade implies the interstate transactions between States ((1) business-to-business (B2B), (2) business-to-consumer (B2C) where the invoice value is more than 2.5

lakh, (3) business-to-consumer (B2C) where the invoice value is less than or equal to 2.5 lakh) and the international trade implies the imports (business-to-business (B2B)) (Mukherjee, S, 2019). This IGST collected from the States and Union Territories is to be settled between the Centre and the destination State/UT where the consumption of the goods/services happens. Here arises another set of problems; How did this settlement happen and how efficient is the present settlement process? finally, if the system is efficient, why huge unsettled amount remain in the IGST account? (Joseph and Kumary, 2023).

The data presented in Table 3 shows that the IGST amount shared between Centre

and States is more or less similar and there is no such huge amount retained in the Centre's kitty. Also, the States receive half of the total GST revenue collected each year. In response to the claim of Tamil Nadu that their Rs.1523.95 crores remain in the central government kitty (The Hindu, June 13, 2024), the Union Finance Ministry clarified that the Central government does not retain any GST that is due to any State government and also no amount is pending to be given to any State due to Integrated Goods and Services Tax (IGST) (The Hindu, June 15, 2024). But can we take it as completely true? Table 4 is from the answer to the Lok Sabha unstarred question No. 2373 to be answered on 18th December 2023, the IGST amount retained by the centre till November 23, 2023-24 is Rs.3,09,309 crores, which is against the initial agreement that the amount available in the IGST account will be distributed between the centre and the states at an equal proportion.

One major reason responsible for the accrual of this huge amount in IGST kitty is the unutilized ITC by the taxpayers. The system works in such a way that buyers claiming Input Tax Credit (ITC) for IGST in their returns identify the beneficiary State. Once the ITC is utilized, the State's portion is settled. ITC may not be utilized for reasons, such as the supply of exempt or non-GST goods; the blocked ITC as per law; or a lapsed period. In these scenarios, the beneficiary State cannot be determined, leading to a surplus in the IGST head (The Hindu, June 15, 2024). Here comes the question of efficiency and the need for a robust technological system. IT system is the backbone of the GST system

in India and the efficiency of the system will ensure tax compliance and strengthen the tax administration (Table-3 & 4).

Due to the above-mentioned reasons, the IGST account remains with a huge unsettled amount, which aggravates the fiscal conditions of the States, especially those who are eligible for this settlement. At present, there is an enormous delay in settling the IGST amount due to the state concerned. The IGST settlement portion will be available to the states only after the dealers concerned file their monthly/quarterly returns. This has led to a huge unsettled amount in the IGST account. Neither it is available to the state nor the Centre. Whatever IGST is paid in the IGST account in the name of a state is settled only part by part on the submission of returns of the dealer concerned. This creates a heavy financial burden on the states. To address this issue, there is a need to provide for the transfer of SGST and CGST portion of the IGST settlement amount instantaneously to the respective accounts of the Centre and States when the Taxpayer of the state concerned pays the IGST. Also, it would be beneficial to understand the state's overall revenue profile if the State-wise IGST settlement on the CGST account is presented.

2. GST compensation cess

The GST (Compensation to States) Act, 2017 was established to assure revenue protection to the States for the first five years of the introduction of the GST, on account of any shortfall in the State's revenue from an annual growth rate of 14 percent of the taxes subsumed under GST in 2015-16. For this temporary

Table 3: Net GST revenue collection and IGST settlement (in crore)

	2020-21	2021-22	2022-23	2023-24	2024-25 (upto Oct-24)
GST Revenue Collection (net)	1011694.9	1299806.5	1588069	1801078.9	1127072.4
CESS	84321.8	102713.0	123416.9	140671.6	85212.5
GST Revenue Collection (net) - CESS	927373.1	1197093.5	1464652.1	1660407.4	1041859.9
IGST Settlement (States)	217884	295497.8	358893.1	403027.9	260861.5
State's Revenue (SGST+IGST Settlement)	468494.1	606615.3	732897	836682	530884.6
Centre's Revenue* (CGST+ IGST Settlement)	463586	593345	723270	815520	
Unsettled Amount	-4706.9	-2866.9	8485.1	8205.3	
Share in GST Revenue Collection (net) - CESS (%)					
State	50.5	50.7	50.0	50.4	51.0
Centre	50.0	49.6	49.4	49.1	
Unsettled amount	-0.5	-0.2	0.6	0.5	

Source: Calculated based on the data availed from the GST portal and *Receipt Budget.

Table 4: Details of IGST retained in the Centre (Rs. Crore)

FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24 (till Nov.23)
265518	283491	265601	348966	424180	309309

Source: Answer to the Lok Sabha unstarred question No. 2373 to be answered on 18th December 2023.

arrangement to appease the dissatisfied States and pacify the political opposition, the Central government promised quarterly compensation till 30 June 2022, with the collection of a cess on luxury and demerit items, since 1 July 2017. The major issue with the Cess was that those States that collected Cess could not realize it by themselves. It was pooled and distributed according to the proportionate share of the revenue loss faced by the States.

The economic slowdown aggravated by COVID 19 adversely affected the GST collections and led to a shortfall in the Cess collection. Thus, the compensation payment to the States got delayed, which

was against the stipulated norms, that compensation must be given out every two months after being provisionally estimated. During the COVID period, due to the fall in revenue of both Centre and State governments, the Central government made necessary borrowings to compensate the States. This compensation promised and provided by the Central government helped the States to continue with the system of GST at least during the initial years by lessening the friction between the Centre and the States by providing some fiscal space to the governments (Table-5).

Table 5: Compensation cess collected from and shared with the states

	Cess revenue (net)	Compensation to States	Difference
2017-18	60167.1	49622.0	10545.1
2018-19	93563.3	84619.4	8943.9
2019-20	94889.2	165568.0	-70678.8
2020-21	84321.8	168399.7	-84077.9
2021-22	102713.0	68939.0	33774.0
2022-23	123416.9	17973.0	105443.9
Total	559071.3	555121.1	3950.2
2023-24	140671.6	0	140671.6
2024-25 (up to Oct-24)	85212.5	0	85212.5
Total Cess Revenue Collected (up to Oct-24)	784955.5	0	229834.3

*In the GST portal, net cess revenue is available only from 2020-21 onwards. We projected net cess revenue data for the previous years based on the average proportion of net revenue in gross revenue collection.

Source: Cess revenue data availed from the GST portal, Compensation to States - Annexure details-PIB, Accessed from; <https://static.pib.gov.in/WriteReadData/specificdocs/documents/2022/jul/doc202271971401.pdf>

Table 5 presents the details of the compensation cess collected from and shared with the States. The total cess revenue collected from the States till October 2024 was Rs.7.84 lakh crore and the compensation paid to the States till 2022-23 was Rs.5.55 lakh crore. This implies that even after the end of the GST compensation period, the GST compensation Cess collection was extended (till March 2026) against the original scheme, and the Rs.2.29 lakh crore collected additionally after the compensation period is being used for servicing the back-to-back loans taken during the COVID 19 period to compensate the revenue loss of the States.

The earlier section showed that most States are still suffering in collecting revenue at the proposed growth. The request raised by those States to extend the compensation period for another three years till 2024-25 wasn't accepted by the GST Council or the Central government. However, the government of India has been collecting the compensation cess and adjusting it to the loan amount that they have already taken for compensating the state's revenue loss during the COVID period. It is a fact that the GST compensation period cannot be continued forever, since it is more of a constitutional matter and has an effect on the fiscal space of the Central government to ensure a 14 percent growth for all the States over a longer period. But the feasibility of continuing the Cess even after the repayment of borrowing for the

compensation can be thought of. The possibility of transferring 50 percent of the cess collection to the states can be considered for the next fiscal.

Conclusion

The Goods and Services Tax (GST), implemented in India in 2017, is still a 'work in progress' concerning its fundamental structure and design. Though the current GST regime is an improvement on the earlier tax regime, it is still far from an ideal GST structure. The revenue performance of both the Centre and the States did not come up with the expectations due to various reasons that remain unresolved even after the seven and a half years of the implementation of the GST. The huge unsettled portion remaining in the IGST kitty should be cleared without further delay to the respective states. Also, it is important to consider the feasibility of continuing the GST compensation Cess even after the repayment of borrowing. Both these factors can relieve the States from their fiscal stress to a greater extent.



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Empowering infrastructure development: The transformative role of bond financing in building future resilience in Kerala

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Abstract

The study emphasizes that bond financing plays a crucial role in driving economic growth and infrastructure development in Kerala. By leveraging bonds, governments and organizations can secure funding for essential projects in key sectors like transportation, energy, and urban development. This strategic approach attracts diverse investors and accelerates critical infrastructure projects, stimulating local economies and enhancing residents' quality of life. Bond financing also offers a sustainable means of managing large-scale investments by spreading costs over time, thereby avoiding upfront financial strains. Bond markets offer advantages such as longer maturities, fixed interest rates, diverse capital sources, and weaker covenants compared to commercial lending, making them advantageous for funding infrastructure projects. The study highlights the successful case studies. Bond financing emerges as a catalyst for progress in Kerala, enabling efficient infrastructure project execution, economic growth, and sustainable investments. Its role in bridging financial gaps and accelerating development makes it an indispensable tool in fostering long-term prosperity and resilience in the region.

Keywords: *Bond financing, Economic growth, Infrastructure development, Urban development, Diverse investors, Bond markets*

1. Introduction

Infrastructure development plays a crucial role in stimulating economic growth and improving the quality of life within communities. In the context of Kerala, a state known for its rich cultural heritage and natural beauty, the need for robust infrastructure to support sustainable development is paramount. There are so

many ways to finance infrastructure. One innovative and increasingly popular mechanism for financing infrastructure projects is through bond finance. Bonds provide a platform to raise funds for vital infrastructure endeavours, diversify funding channels, and mitigate financial risks. As Kerala endeavours to meet its infrastructure requirements, particularly

in sectors like transportation, energy, and urban development, embracing bond financing offers a promising avenue to secure essential investments. By engaging with the bond market, Kerala can access a pool of capital from investors seeking long-term returns, thus driving the development of critical infrastructure assets.

By leveraging bond financing, Kerala can not only address its infrastructure needs in key sectors such as transportation, energy, and urban development but also unlock opportunities for sustainable economic expansion and social progress. When bond financing is used, it can draw in a wide variety of investors who want to support long-term infrastructure projects that benefit society and the environment, such as institutional funds and private investors. This strategic strategy supports the overall expansion and resilience of Kerala's infrastructure ecosystem by fostering partnerships and collaborations in addition to expediting infrastructure development.

2. Review of literature

(Yoshino et al., 2020)The thesis explores the role of capital markets in financing infrastructure in developing economies. It highlights the advantages of capital market financing over commercial lending, such as longer maturities, weaker covenants, fixed interest rates, and access to diverse capital sources. Governments in developing countries are increasingly leveraging capital markets for infrastructure financing, but challenges remain in fully realizing the potential of these markets.

(Hutchison et al., 2016) explores the use of

project bonds for financing infrastructure investment projects, emphasizing their importance in addressing global infrastructure needs exceeding US\$50 trillion. By analysing project bonds in Asian countries like Malaysia, China, Taiwan, and India, the study reveals investor interest and advocates for innovative financing instruments to support infrastructure development amidst economic challenges. The research highlights the role of project bonds in attracting private sector funding, satisfying institutional investment demand, and driving economic growth through infrastructure investment.

(Hyun et al., 2008)examines the use of revenue bonds for infrastructure financing in Asia, emphasizing the importance of private participation in infrastructure to relieve government fiscal pressures. The study advocates for effective risk-sharing mechanisms between public and private sectors to optimize private investments without moral hazard risks. It also stresses the role of local bond markets in supporting infrastructure financing and avoiding mismatches in funding.

3. Statement of the problem

The article "Empowering Infrastructure Development: The Transformative Role of Bond Financing in Building Future Resilience in Kerala " delves into the multifaceted landscape of infrastructure development in Kerala, emphasizing the critical need for sustainable growth and resilient infrastructure to meet the evolving demands of the region. Within this context, the exploration of bond financing emerges as a strategic

mechanism to bridge the funding gap and enable the realization of essential infrastructure projects, particularly in key sectors like transportation, energy, and urban development.

One of the central challenges highlighted in the article is the imperative to effectively finance and develop robust infrastructure that not only addresses immediate needs but also aligns with long-term sustainability objectives. As Kerala navigates the complexities of infrastructure development, the article underscores the importance of exploring innovative financing strategies, such as bond financing, to secure the necessary investments and propel transformative projects forward. By leveraging bond finance, Kerala has the opportunity to attract a diverse array of investors seeking to contribute to projects with lasting societal and environmental impacts, thus fostering sustainable economic growth and social progress.

4. Objectives

- To examine the impact of bond financing on infrastructure development in Kerala.
- To identify the challenges and opportunities associated with leveraging bond financing for infrastructure projects in Kerala

5. Methodology

The research is primarily qualitative and descriptive in nature. Secondary data from sources such as academic journals, government reports, industry publications, and reputable websites were collected to gather information on infrastructure

development, bond financing, and sustainable growth in Kerala.

6. Background on infrastructure in Kerala

Kerala, located in southwestern India, has set itself apart with significant achievements in development and social welfare, outperforming many other regions in the country. The state has made impressive strides across various infrastructure sectors, which have played a key role in its socio-economic growth and overall well-being. Regarding transportation infrastructure, Kerala has built a well-developed network of roads, railways, and airports, ensuring efficient connectivity within the state and with the rest of India. This robust infrastructure supports the flow of goods, services, and people, driving economic activities and improving accessibility.

Kerala boasts a strong healthcare infrastructure, with a comprehensive network of hospitals, clinics, and medical facilities that ensure high-quality healthcare services and support public health for its residents. In the education sector, Kerala's commitment to education is reflected in its impressive literacy rates and the abundance of educational institutions, such as schools, colleges, and universities. This dedication to education has been crucial in developing a skilled and knowledgeable workforce, significantly contributing to the state's human capital growth. Kerala's tourism infrastructure stands out with a well-established network of accommodations, transportation services, and a variety of tourist attractions. This robust infrastructure

underpins the state's flourishing tourism sector, drawing visitors from around the world and playing a crucial role in the state's economic growth.

However, Kerala continues to face challenges in infrastructure development, especially in urban areas, water management, and environmental sustainability. To address these issues, the state is focusing on sustainable infrastructure initiatives, strategic planning, and the adoption of innovative solutions aimed at strengthening the resilience and sustainability of its infrastructure. By tackling these challenges and building on its current strengths, Kerala aspires to further develop its infrastructure ecosystem, promoting sustainable development, enhancing the quality of life for its residents, and ensuring continued progress toward a resilient and prosperous future. To overcome these challenges, the Kerala government established the Kerala Infrastructure Investment Fund Board (KIIFB) in 1999. However, it wasn't until 2016 that KIIFB began its operations in earnest, following amendments to the Act that governs it. Despite facing considerable criticism, KIIFB remains active and continues to play a significant role in the field of infrastructure development in Kerala.

7. Exploring the benefits and challenges of bond financing in infrastructure development

Bond financing has become a crucial instrument in infrastructure development, providing governments and organizations with a way to obtain the significant capital needed for large-scale projects.

- Bonds provide long-term capital for large-scale projects, often with maturities of 10-30 years, line up well with the lifespan of infrastructure projects.
- Bonds offer fixed interest rates, which provide stability and certainty in debt service payments over time.
- Bonds are cost-effective financing option, as it offers lower interest rates compared to other forms of debt, especially for entities with strong credit ratings.
- Bonds attracts investors, like institutional investors like pension funds, providing significant liquidity.
- Bonds simplify flexibility, it can be tailored to specific needs, with options for different maturities, interest structures and repayment schedules.
- By tapping into the bond market, entities can diversify their sources of funding, and helps to reduce relying on traditional bank loans or equity financing.

However, despite its many advantages, bond financing also introduces a unique set of challenges

- The issuer's creditworthiness directly affects bond terms and interest rates. Poor credit ratings can lead to higher borrowing costs or difficulties in accessing bond markets.
- Issuing bonds often requires compliance with strict regulatory frameworks and disclosure requirements, which can be complex and time-consuming.

- Bonds are subject to market fluctuations, including changes in interest rates, which can affect the bond's price and the cost of future borrowing
- Issuing bonds increases the issuer's debt burden, which can strain financial resources and limit future borrowing capacity.
- If bonds are not structured carefully, issuers may face refinancing challenges at maturity, particularly if market conditions have worsened or their credit rating has declined.
- Bond finance offers a balanced approach to funding long-term projects but requires careful planning and management to mitigate associated risks.

Bond financing plays a vital tool in infrastructure development, offering governments and organizations access to substantial capital for large-scale projects. Bonds provide long-term funding with maturities that align well with the lifespan of infrastructure initiatives, offering stability with fixed interest rates and cost-effectiveness through lower rates for entities with strong credit ratings. They attract diverse investors, enhance financial flexibility, and reduce reliance on traditional funding sources. However, challenges such as creditworthiness impact, regulatory compliance, market fluctuations, debt burden, and refinancing risks underscore the importance of strategic planning and risk management in leveraging bond financing for sustainable infrastructure development. Despite these challenges, the benefits of

bond financing in driving economic growth, enhancing infrastructure, and fostering long-term prosperity make it an indispensable tool in the realm of infrastructure financing.

8. Transformative success stories in infrastructure development through bond financing

The successful execution of infrastructure projects in Kerala, facilitated by bond financing, underscores the state's dedication to sustainable development and economic advancement, highlighting inventive approaches that propel growth across critical sectors.

1. Delhi metro rail corporation (DMRC)

The bond financing initiative of the Delhi Metro project has been a remarkable achievement, characterized by its inventive funding approach that set a precedent for upcoming infrastructure ventures in India. By securing low-cost, long-term funding, the project reduced its financial burden, while the oversubscription of the bond issue reflected strong investor confidence in its viability, the DMRC was able to reduce financial burdens and attract investor in the viability of the metro system. The timely completion and operational efficiency of the Delhi Metro further underscored the success of leveraging bond financing for infrastructure development. The project's timely completion, operational efficiency, and significant contributions to Delhi's economic growth further underscore its success.

2. Amaravati bonds (Andhra Pradesh)

Amaravati was planned as the new capital city of Andhra Pradesh after the

bifurcation of the state. To fund the development of infrastructure in the new capital, the Andhra Pradesh Capital Region Development Authority (APCRDA) issued bonds. Amaravati bonds were issued to raise capital for infrastructure projects, and they were well-received by investors. Although the development of Amaravati faced political and logistical challenges, the successful issuance of bonds demonstrated the potential of bond finance for urban infrastructure projects in India.

3. Kochi metro rail project (Kerala)

The Kochi Metro, a rapid transit system serving Kochi in Kerala, is recognized as a cutting-edge and seamlessly integrated metro system within the nation. The project's financing comprised a blend of equity from the central and state governments, loans from global financial institutions, and bond offerings. Enhancing public transportation, alleviating traffic congestion, and fostering sustainable urban growth are key outcomes of the Kochi Metro. This urban infrastructure endeavour in Kerala has significantly elevated public transit in Kochi, mitigated traffic gridlock and environmental pollution, and established a sustainable commuting option for locals.

4. Mumbai-Pune expressway

The Mumbai-Pune Expressway serves as a crucial infrastructure venture that has bolstered the link between two significant cities in Maharashtra, leading to reduced travel durations, improved road safety, and heightened economic progress along the route. Although detailed instances of infrastructure projects in Kerala or India

exclusively funded through bond financing may not be extensively recorded, it is typical for such projects to rely on a combination of financial resources, encompassing bonds, loans, subsidies, and collaborations between the public and private sectors. Below are additional conceivable illustrations where bond financing could have contributed to the advancement of infrastructure in Kerala or India:

Bond financing can be used only for selected sectors like Highway Projects Renewable Energy Projects, Infrastructure projects related to water supply, sanitation systems, and wastewater treatment facilities in Kerala or India may have benefited from bond financing to support their development. Bonds could have been issued to secure funding for critical water infrastructure projects. Smart city projects focusing on technology-driven urban development and infrastructure enhancements in Kerala or India may have utilized bond financing to finance innovative solutions for sustainable urban growth. Bonds could have been employed to raise funds for smart infrastructure projects

9. Bond financing: Fuelling infrastructure transformation

Bond financing, with its ability to attract diverse sources of capital and provide long-term funding solutions, stands out as a catalyst for empowering infrastructure development in Kerala. By issuing bonds to investors, the state can raise substantial funds to support critical infrastructure projects ranging from transportation networks and healthcare facilities to renewable energy initiatives and smart

city developments. The integration of bond financing in infrastructure projects not only addresses funding gaps but also paves the way for sustainable futures in Kerala. Sustainable infrastructure emphasizes environmental responsibility, social inclusivity, and economic viability, aligning with Kerala's commitment to balanced development and environmental stewardship. Bond financing can support the implementation of sustainable infrastructure projects that prioritize resilience, innovation, and community well-being. By leveraging bond financing for infrastructure development, Kerala can drive economic growth, create employment opportunities, and enhance the resilience of its infrastructure systems. Investments in sustainable infrastructure not only boost economic productivity but also contribute to climate mitigation, resource efficiency, and enhanced quality of life for residents. Bond financing plays a crucial role in unlocking the potential of sustainable infrastructure to propel Kerala towards a prosperous and resilient future.

Bond financing has emerged as a powerful tool for driving economic growth and development, particularly in the realm of infrastructure. Bonds, which are essentially debt securities issued by governments, municipalities, or corporations, allow these entities to raise significant capital without immediately depleting their cash reserves. This infusion of capital can be strategically channelled into projects that foster long-term progress, such as building highways, bridges, schools, and hospitals. One of the primary advantages of bond financing is

its ability to mobilize large sums of money relatively quickly, enabling the timely initiation and completion of critical infrastructure projects. These projects, in turn, create jobs, stimulate local economies, and improve the quality of life for communities. The multiplier effect of such investments can be substantial, as improved infrastructure often attracts additional private investment, further fuelling economic growth.

Moreover, bond financing offers a sustainable approach to funding large-scale projects. By spreading the cost of infrastructure over time, bond issues allow governments and organizations to manage their finances more effectively, avoiding the pitfalls of large, upfront expenditures. Investors, on the other hand, are attracted to bonds for their relatively stable returns, making it a mutually beneficial arrangement. In the context of developing regions or countries, bond financing can be particularly transformative. It provides the necessary financial resources to overcome infrastructure deficits, paving the way for modernization and integration into the global economy. By enabling the construction of critical facilities and services, bond financing becomes a catalyst for social and economic progress, helping to lift communities out of poverty and into a more prosperous future.

In short, bond financing serves as a catalyst for progress by enabling the timely and efficient execution of infrastructure projects, stimulating economic growth, and providing a sustainable means of managing large-scale investments. Its role in bridging financial gaps and accelerating

development makes it an indispensable tool in the quest for long-term prosperity.

10. Findings

- Bond markets offer longer maturities, fixed interest rates, access to diverse capital sources compared to commercial lending, making them advantageous for funding infrastructure projects.
- Examples like the Delhi Metro Rail Corporation, Amaravati Bonds in Andhra Pradesh, Kochi Metro Rail Project in Kerala, and Kerala Infrastructure Investment Fund Board (KIIFB) demonstrate the successful utilization of bond financing for infrastructure development in India.
- Bond markets are influenced by economic conditions, regulatory changes, and liquidity risks, highlighting the importance of understanding market dynamics and risks associated with bond finance.
- Deepening regional integration of bond markets and implementing policy measures such as credit enhancement can facilitate the issuance of infrastructure bonds, fostering economic scale and development.
- While governments in developing countries are increasingly recognizing the potential of capital markets financing, there are unresolved issues, such as aligning project lenders with different risk profiles, that need to be addressed to fully leverage the benefits of bond financing.
- Bond financing has enabled Kerala to access larger pools of capital, facilitating the development of critical infrastructure projects that might have been otherwise delayed or underfunded.
- The issuance of green and social bonds has allowed Kerala to focus on sustainable infrastructure projects, such as renewable energy, public transportation, and waste management, aligning financial goals with environmental and social outcomes.
- The successful issuance and management of bonds by entities like KIIFB have boosted investor confidence in Kerala's infrastructure projects, leading to a more stable and reliable flow of funds.
- Bond financing has encouraged long-term planning in infrastructure development, as bonds typically have longer maturities. This allows for more comprehensive and strategic project execution, reducing the risks associated with short-term financing.
- The funds raised through bond financing have led to significant economic growth in Kerala by enabling the construction of essential infrastructure, which in turn has created jobs and stimulated local economies.
- The utilization of bond financing, although advantageous in various aspects, has presented challenges in managing debts and meeting repayment obligations. This

necessitates meticulous financial planning and monitoring to prevent fiscal strain.

- **Community Impact and Engagement:** Projects funded by bond financing have often prioritized community engagement and impact, ensuring that infrastructure developments meet the needs of the local population and contribute to overall social well-being.

11. Suggestions

- By structuring bond repayments in instalments that align with project milestones or revenue generation, organizations can better manage cash flow, mitigate financial strain, and allocate resources efficiently across different operational need.
- Providing a secure and long-term investment avenue with predictable returns, organizations can potentially attract more capital towards public projects.
- Bond financing can be effectively integrated into public-private partnerships (PPPs) to leverage additional private sector investment, thereby enhancing the scale and impact of infrastructure projects.
- Organizations can utilize interest rate swaps, options, or futures contracts to hedge against interest rate fluctuations.
- Diversifying bond portfolios across different sectors can help to spread risk and minimize exposure to market fluctuations.
- Regular monitoring of market conditions, economic indicators, and interest rate trends helps in anticipating risks
- Conducting stress tests and scenario analyses will help the organizations in assessing the possible effect of adverse market conditions on their bond portfolios.
- Invest in capacity building programs to equip local stakeholders with the knowledge and skills needed to navigate bond financing mechanisms effectively and manage infrastructure projects efficiently.
- Prioritize community engagement and stakeholder participation throughout the project lifecycle to ensure social inclusivity, and enhance the overall impact of infrastructure initiatives.

12. Conclusions

The scope of bond financing in infrastructure development offers a comprehensive framework for driving sustainable growth and meeting the evolving needs of regions like Kerala. By mobilizing capital, providing long-term funding solutions, diversifying funding sources, managing risks effectively, and fostering market development, bond financing emerges as a powerful tool for accelerating infrastructure projects and promoting economic resilience.

Furthermore, the emphasis on sustainable development principles, such as environmental and social considerations, aligns bond financing with global sustainability goals, ensuring that infrastructure projects in Kerala contribute to long-term positive impacts on communities and the environment. By embracing the full scope of bond financing, stakeholders can leverage innovative

financial mechanisms to support inclusive, resilient, and forward-thinking infrastructure development in Kerala and beyond.

Through strategic planning, collaboration among stakeholders, and a commitment to responsible investment practices, Kerala can harness the transformative potential of bond financing to build a sustainable future characterized by modern infrastructure, economic prosperity, and enhanced quality of life for its residents.

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Industry: Small and medium matters

Arun Paul and A M Indu

Abstract

The Economic Survey 2023-24 underscores the critical role of India's Small and Medium Enterprises (SME) sector in driving economic growth, employment generation, and exports. The report highlights a robust recovery in the industrial sector, with a 9% growth rate in FY-24, particularly led by manufacturing and construction. Significant government initiatives, such as the Production Linked Incentive (PLI) schemes and Credit Guarantee Fund Trust Scheme (CGFTS), have been instrumental in boosting investments, enhancing financial stability, and fostering growth, especially among MSMEs.

Despite the strong overall performance, certain sectors, including textiles, petrochemicals, and steel, face challenges like pricing pressures, capacity utilization, and competition from imports. The report emphasizes the need for continued policy support, technological innovation, and reforms across key sectors, including pharmaceuticals and electronics, to maintain industrial momentum. The survey offers an optimistic outlook for sustained industrial growth, highlighting the importance of addressing specific sectoral bottlenecks and improving R&D expenditure distribution to fuel long-term progress.

Keywords: Small and Medium Enterprises (SME), Production Linked Incentive (PLI) schemes, Credit Guarantee Fund Trust Scheme (CGFTS)

Report based on economic survey 2023-24 & union budget 2024-25 on Industry

The 2023-24 Economic Survey highlights the pivotal role played by the Small and Medium Enterprises (SME) sector in driving economic growth, employment generation, and exports. This report looks into the emphasize of Economic Survey 2023-24 on the

industrial sector's growth across key areas such as manufacturing, construction, and consumer-oriented industries. Small and Medium Enterprises (SMEs) and other key government initiatives including the Product Linked Incentive (PLI) schemes and the Credit Guarantee Fund Trust Scheme (CGFTS).

The following are key insights and developments from the survey:

- The industrial sector's performance in FY-24 with a 9% growth, particularly led by manufacturing and construction, signifies robust recovery and momentum (fig 1). The 25% increase in Industrial Gross Value Added (GVA) compared to pre-COVID levels underlines not just a rebound but a consolidation of gains, with the sector now constituting 30.9% of the total GVA.
- This surge is especially noteworthy in manufacturing and construction, nearly hitting double-digit growth rates. Mining, quarrying, and power & water supply have also contributed significantly, reflecting broad-based expansion across industrial activities. This recovery is crucial for sustaining overall economic growth and enhancing infrastructure development (Fig-1).
- In FY-24, consumer-oriented industries, including automobiles, wood products, furniture, and pharmaceuticals, demonstrated significant increases in their output shares. This trend highlights a growing demand for consumer goods, driving the sector's contribution to overall industrial growth.
- Similarly, production-oriented sectors such as machinery, chemicals, non-metallic minerals, and rubber and plastic products have also experienced notable share gains. These industries' expansion reflected a balanced growth

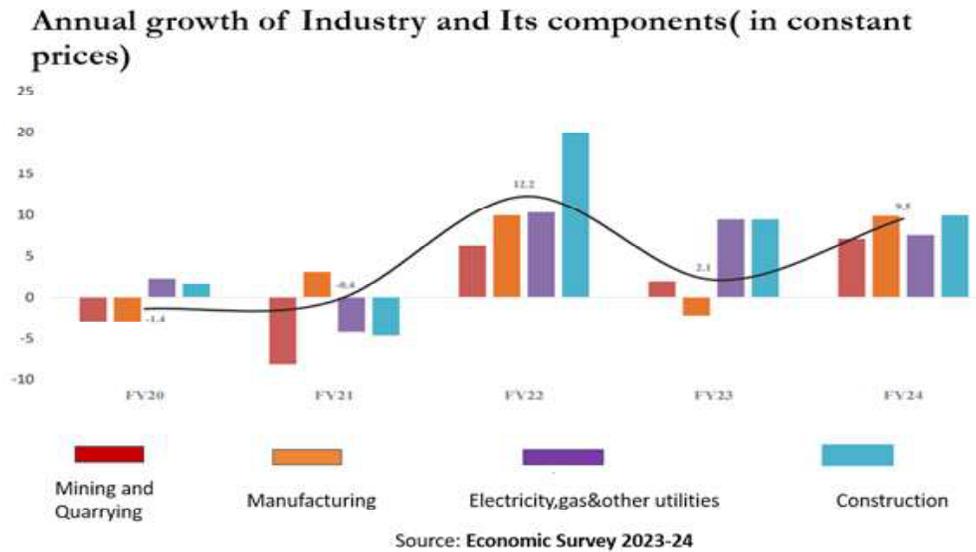
dynamic, contributing to both supply chain development and infrastructure needs. On the other hand, sectors such as petroleum products, textiles, beverages, and tobacco have gradually seen a decline in their output shares, signalling potential shifts in industrial focus or market demand.

Performance by key industrial intermediates

Key industrial intermediates refer to essential materials, chemicals, or components that are used in the production process of various industries. The Economic Survey 2023-24 highlights the performance of key industrial intermediates, which are essential for sustaining growth across various manufacturing sectors. According to the report, the performance of key industrial intermediates in FY23-24 reflected a mixed trend. While sectors like steel, construction materials, and chemicals saw growth aligned with infrastructure development, other sectors like textiles and petrochemicals faced challenges. Overall, the government's focus on industrial expansion, capital goods, and manufacturing resilience has underpinned the positive performance of many intermediates. Based on the report, the following key points have been noted:

- The Cement Industry has met domestic demand efficiently, with minimal imports but the concerns about the capacity utilization with installed capacity need to be addressed.
- In FY 2024 during Q2 and Q3, India

Fig: 1 - Annual growth of industry and its components (in constant prices)



transitioned to being a net importer in the steel sector due to the low prices of finished steel in the international market. This shift could lead to increased competition for domestic steel producers, resulting in price pressure that may compel them to reduce the prices of their products.

- To ensure the timely development of mining projects in Coal industry, it is essential to address the procedural complexities related to acquiring forestry and environmental clearances, as well as land acquisition and possession.

Performance by major consumer-oriented industries

Consumer-oriented industries are sectors that focus on producing goods

and services directly for end-users or consumers, rather than for businesses or other organizations. These industries prioritize the needs, preferences, and behaviors of consumers in their operations, product development, and marketing strategies. The following key points were identified from the analysis of the report:

- India's pharmaceutical market, the third largest in the world by volume, faces challenges that require focused attention on skill development, technological innovation, and the establishment of a strong supply chain to enhance efficiency and growth. These areas are critical to maintaining competitiveness and improving overall productivity in the sector.

- In the textile industry, fragmentation, reliance on imported machinery, and a shortage of skilled labour continue to result in higher transportation costs and delays. Addressing these inefficiencies is essential for enhancing the sector's performance and reducing its cost burden.
- For the electronics industry, while the Production Linked Incentive (PLI) scheme of 2023 has the potential to boost production and attract additional investments, there is a pressing need for a comprehensive policy approach. This includes reducing tariffs on intermediate inputs to facilitate smoother operations and ensure sustained growth in the sector.

Product linked incentive scheme (PLI) and its implications

- It aimed at boosting manufacturing and exports, have allocated Rs1.97 Lakh Crore for 14 key sectors.
- The PLI scheme for white goods (ACs and LEDs) had a total outlay of Rs6,238 Crore, achieving Rs3,181 Crore in investments and generating Rs13,320 Crore in sales by May 2024.
- The PLI schemes have significantly attracted investments, boosted production, sales, exports, and created jobs, especially in white goods.
- Fig 2 provides sector-wise Investment under PLI Scheme as of May 2024. It is observed that the highest investment is made in pharmaceuticals followed by high efficiency solar PV.

Report on MSMEs and the impact of key initiatives

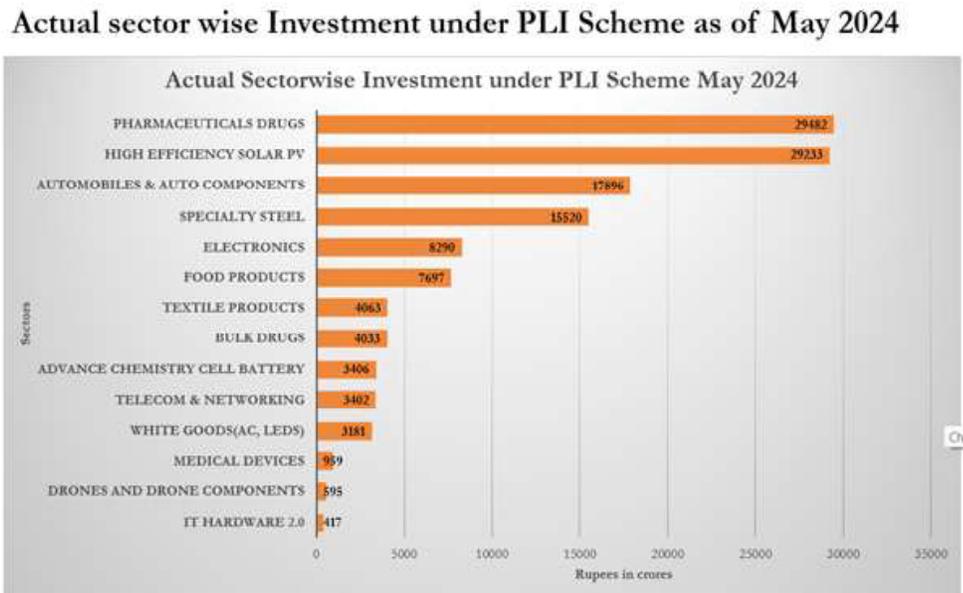
According to the survey report, the Credit Guarantee Fund Trust Scheme (CGFTS) has played a pivotal role in enhancing credit allocations for Micro, Small, and Medium Enterprises (MSMEs). Between FY 2020 and FY 2024, there has been a notable increase in loan disbursements to small and medium enterprises (SMEs), significantly bolstered by this scheme. The CGFTS has provided vital financial support, improving SMEs' access to capital.

Furthermore, the report highlights the importance of key initiatives such as the UDYAM Portal, Sambandh Portal, and Champions Portal in addressing critical challenges faced by MSMEs. These initiatives focus on issues such as formalization and inclusion, limited access to finance, market accessibility, technology adoption, digitalization, infrastructural challenges, and skill development.

Together, these efforts aim to tackle the bottlenecks that hinder the growth of SMEs, ultimately enhancing their competitiveness and fostering sustainable growth in the sector. Further discussion on the impact of these initiatives is warranted to fully understand their contributions to the MSME landscape.

As per the Union Budget 2024-25, the Credit Guarantee Scheme for MSMEs in the manufacturing sector shall facilitate the purchase of machinery and equipment without the need for collateral or third-party guarantees, offering significant support for capital investment. The public sector banks have introduced a new

Fig.2 Actual sector-wise investment under PLI scheme as of may 2024



assessment model for MSMEs, focusing on analysing credit scores and providing credit support through Special Mention Accounts during distress periods. This approach will enhance the financial stability of MSMEs and shall help to navigate its challenging times.

The scope of MUDRA loans has been increased to ₹20 lakh crores, thereby enhancing financial access for small businesses. Furthermore, the turnover threshold for the Trade Receivables Discounting System (TReDS) has been lowered to ₹250 crores, which improves liquidity for smaller enterprises. To further promote employment, initiatives have been launched to establish industrial parks and internship programs, offering more job opportunities and practical training for workers in critical sectors.

Report on central public sector enterprises, industrial credit, research and development

- Central Public Sector Enterprises (CPSEs) are currently on a positive trajectory, marked by an increase in the number of profitable firms and a notable rise in market capitalization.
- While industrial credit was revamped in FY 2022, its growth faced challenges in FY 2023 due to a decline in credit allocations to specific sectors, including mining and quarrying, as well as petroleum, coal products, and nuclear fuels.
- Additionally, a significant portion (70%) of industrial R&D expenditure is concentrated in a few sectors, leaving certain areas with limited

R&D initiatives. Furthermore, the minimal representation of public sector R&D units in relation to the public sector's role in core manufacturing warrants further discussion.

Conclusion

The Economic Survey Report 2023-24, emphasizing the industrial sector's growth, highlights significant advancements across key areas such as manufacturing, construction, and consumer-oriented industries. Small and Medium Enterprises (SMEs) remain central to this recovery, contributing substantially to economic growth, job creation, and exports. Key government initiatives, including the Product Linked Incentive (PLI) schemes and the Credit Guarantee Fund Trust Scheme (CGFTS), have enhanced capital availability, manufacturing output, and financial stability for industries, especially MSMEs.

Despite these gains, challenges persist in certain sectors, particularly textiles and petrochemicals, where performance has been hindered by external factors such as global pricing pressures and capacity utilization issues. Furthermore, pharmaceuticals and electronics industries highlight the need for technological upgrades and policy reforms to sustain competitiveness. The

report also identifies the scope for improvement in R&D spending and public sector enterprise performance to ensure balanced industrial development across all sectors.

In conclusion, the Economic Survey 2023-24 portrays a promising outlook for India's industrial sector, buoyed by targeted fiscal measures, enhanced credit access, and structural reforms. However, addressing sector-specific bottlenecks and fostering greater innovation and technological advancement will be critical for sustaining long-term growth.

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Infrastructure: Lifting potential growth

Shijo Thomas and Anuraj P K

Abstract

The article discusses India's infrastructure development efforts, highlighting key initiatives outlined in the Economic Survey 2023-24. The latest Union Budget allocates Rs.11,11,111 crore for capital expenditure on infrastructure, which represents 3.4% of India's Gross Domestic Product (GDP). This substantial investment is aimed at creating resilient infrastructure to achieve Viksit Bharat by 2047, fostering economic growth and improving living standards across the country. It focuses on the significant growth in sectors like road, rail, and air connectivity, driven by public investment and government reforms. Despite the progress, challenges still exist, such as uneven funding and reduced budgets.

Keywords: Infrastructure development, union budget, capital expenditure, Viksit Bharat

Introduction

The Chapter 12 titled **Infrastructure: Lifting Potential Growth** of "Economic Survey 2023-24" highlights the infrastructure development efforts in India and presents a comprehensive overview of India's infrastructure development, focusing on public investment's key role and the challenges ahead.

Capital expenditure by the Union and State Governments remains crucial for large-

scale infrastructure projects, and from FY21 to FY24, the Union Government's capital expenditure increased by 2.2 times, reflecting a substantial investment push. This investment was directed towards critical sectors, particularly roads and railways, with the aim of enhancing infrastructure and driving economic growth. Public investment has been further strengthened by key institutional reforms such as the National Infrastructure Pipeline (NIP) and the Project Monitoring Group, which were

introduced to address and resolve infrastructural bottlenecks more effectively.

Despite innovative financing mechanisms emerging in recent years, public expenditure continues to play a central role in funding large-scale infrastructure projects. The government has prioritized heavy investments in the railways and road sectors, viewing them as key drivers for long-term economic development. To complement these efforts, the National Monetization Pipeline (NMP) was introduced, focusing on asset monetization to attract private sector investment. This initiative has already shown results, with successful monetization transactions reported in FY22-24, showcasing the potential of private-public collaboration in infrastructure development (Figure-1).

Physical connectivity infrastructure

Investment in road transport has seen a substantial rise, growing from 0.4% of GDP in FY15 to 1% in FY24. This increased funding has been directed towards major infrastructure projects, such as the Bharatmala Pariyojana, which has played a pivotal role in expanding India's national highways. The pace of highway construction has tripled between FY14 and FY24, contributing to improvements in India's logistics network and enhancing its standing globally. This is reflected in the country's improved rank of 38th on the Logistics Performance Index in 2023. In addition to road construction, advancements in toll digitization and the establishment of multi-modal logistics parks have been key milestones in transforming India's road transport

infrastructure. These initiatives aim to streamline transportation, reduce costs, and enhance the efficiency of goods movement across the country, further supporting India's economic growth trajectory.

Indian Railways has witnessed a 77% increase in capital expenditure over the past five years. This surge in investment has been focused on expanding the network through the construction of new lines, gauge conversion, and track doubling. These efforts are aimed at enhancing the capacity and efficiency of the railway system to meet the growing transportation needs of the country. Significant transformations in the sector include the development of high-speed trains like the Vande Bharat Express, and dedicated freight corridors have been introduced to improve the transportation of goods. Electrification of the rail network has also progressed rapidly, with 96.4% of the network electrified by FY24, further boosting efficiency and sustainability in railway operations.

Water transport has made significant strides, with port capacity doubling since 2014, greatly enhancing the country's maritime competitiveness. The Sagarmala program has played a key role in modernizing port infrastructure. Additionally, focused development in island regions, such as the Andaman and Lakshadweep Islands, has highlighted eco-tourism and maritime activities.

Energy infrastructure

India's power sector saw peak demand rise

by 13% to 243 GW in FY24, driven by the expansion of the unified electricity grid. A significant portion of the sector's development has been fuelled by investments in renewable energy, with the country aiming to achieve 50% of its installed capacity from non-fossil fuels by 2030. To support this transition, initiatives like the Revamped Distribution Sector Scheme (RDSS) have been introduced to improve operational efficiency and ensure financial sustainability in power distribution. As of FY24, India has already installed 190.57 GW of renewable energy, marking substantial progress in reducing carbon emissions and promoting sustainable energy use.

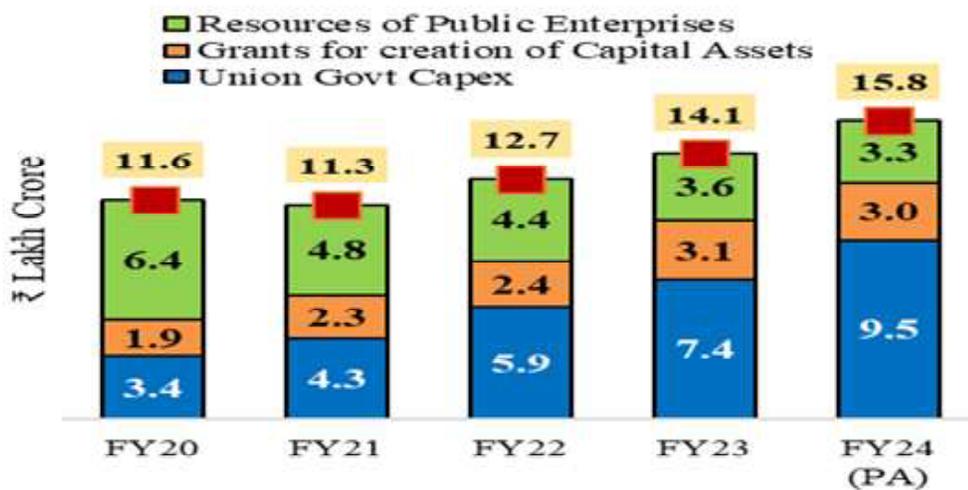
Programs such as PM-KUSUM and the Production Linked Incentive Scheme for solar PV modules are playing a crucial role

in promoting renewable energy adoption across the country. These efforts are part of a larger goal to install 500 GW of non-fossil fuel-based capacity by 2030.

Urban sector and challenges

While the Economic Survey 2023-24 highlights the expectation that over 40% of India's population will reside in urban areas by 2030 (pp 435), requiring cities to be transformed into economic growth centres, recent union budgets have not given adequate attention to this crucial urban transition. The Pradhan Mantri Awas Yojana - Urban (PMAY-U), saw only a marginal rise in allocation in the 2021-22 budget, constituting 1.512% of total expenditure. However, this share has since declined significantly, dropping to just 0.63% in the 2024-25 budget. Similarly, the

Figure 1. Union government's capital expenditure and its support for cpses and state governments



Source: Economic Survey 2023-24, pp - 407

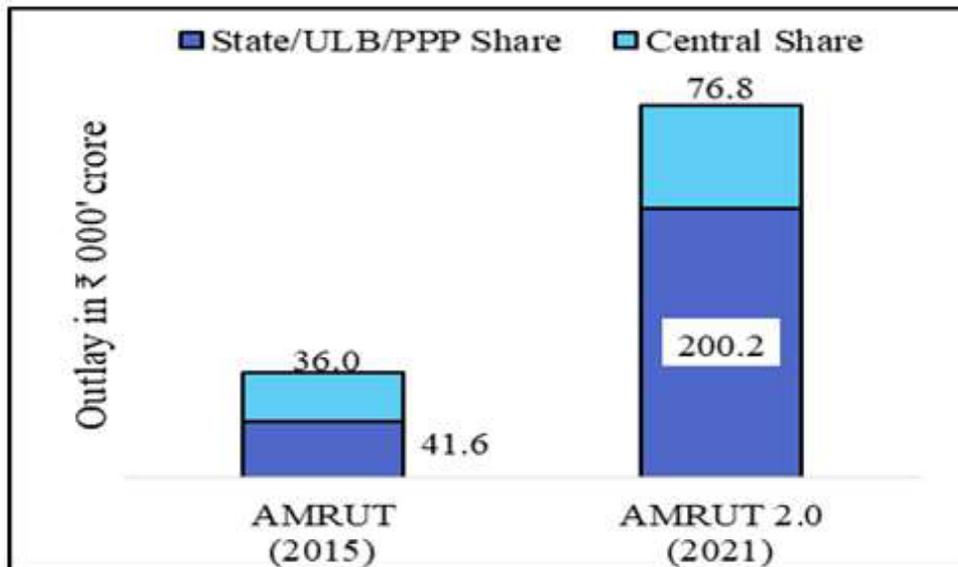
Pradhan Mantri Awas Yojana - Rural (PMAY-R) has witnessed inconsistent budget allocations between 2017-18 and 2024-25 (BE), reflecting a lack of sustained focus on housing and urban infrastructure development.

The Atal Mission for Rejuvenation and Urban Transformation (AMRUT), launched in June 2015 in 500 cities, initially focused on ensuring safe and reliable drinking water supply across urban areas. With the launch of AMRUT 2.0 in October 2021, the mission expanded its focus to making cities self-reliant and water-secure, while also aiming for universal coverage of sewerage and septage management in the same 500 cities. However, when we look at the expenditure on AMRUT as a share of the total budget expenditure, there was

an initial increase, but this has been followed by a consistent decline in recent years. This downward trend in funding raises concerns about the ability to meet the mission's ambitious goals, especially as cities grow and demand for water and sanitation infrastructure increases (Figur - 2&3)

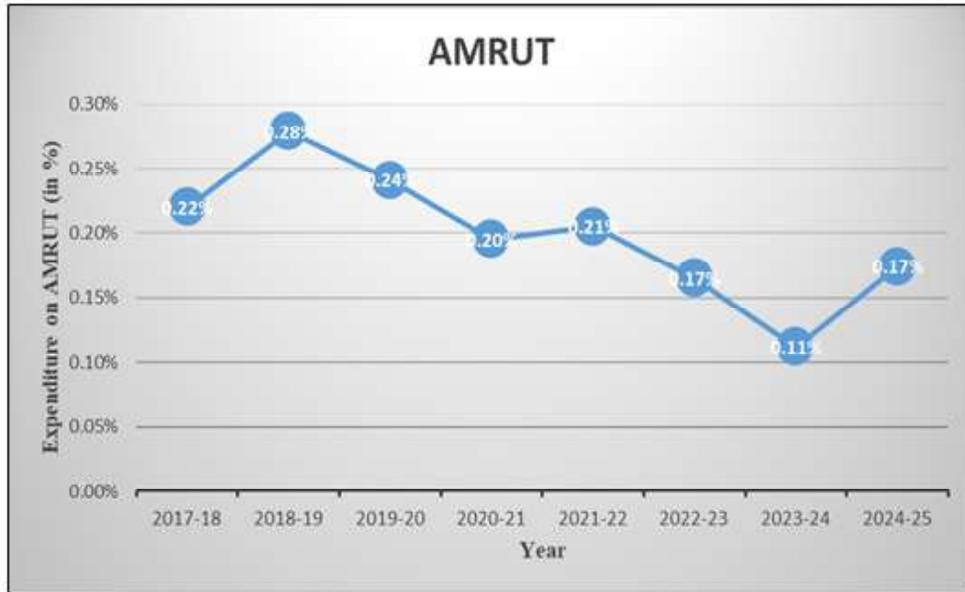
The Smart City Mission, launched in June 2015, aimed to promote cities that offer core infrastructure, a clean and sustainable environment, and an improved quality of life for citizens through the use of 'smart solutions.' However, the data shows a sharp decline in the allocation of funds for this mission when comparing the expenditure on smart cities to the total budget expenditure over the years. This drop in funding raises

Fig 2. Total outlay for AMRUT 1.0 and 2.0



Source: Economic Survey 2023-24, pp - 433

Fig 3. Expenditure on AMRUT / Total budget expenditure



Source: Author's computation, data from Ministry of Housing and Urban Affairs

Fig 4. Expenditure on smart city mission / Total budget expenditure



Source: Author's computation, data from Ministry of Housing and Urban Affairs

concerns and questions about the ability to achieve the mission's goals (Figure-4)

Challenges and opportunities

The challenges and opportunities in infrastructure development include land-related issues, skill demands, and the need for improving private participation. Climate and environmental sustainability are also crucial, alongside the lack of aggregation of financial flows into infrastructure projects. Additionally, there is a significant gap in obtaining a comprehensive overview of the physical progress of these projects, which hinders effective planning and execution. Addressing these challenges can unlock potential opportunities for sustainable growth in infrastructure.

Conclusion

To conclude, the consistent focus on enhancing road, rail, and air connectivity, as well as sanitation and digital infrastructure, has led to substantial growth in these sectors. While India's investment in infrastructure has primarily been funded by the public sector, there is a pressing need for greater private sector financing and resource mobilization. Additionally, establishing and maintaining a reliable statistical database for the infrastructure sector is essential for effective planning and

execution. The development of resilient, world-class infrastructure - spanning physical, social, financial, and digital domains, is fundamental to India's vision of achieving Viksit Bharat by 2047. The government's sustained focus on infrastructure, especially as a key priority within the 'Saptarishi' framework for the vision of Amrit Kaal, highlights its critical role in national progress. With a proposed investment of Rs. 11,11,111 crore, there is significant hope that the investment will create a strong multiplier effect on the economy.



(Shri. Shijo Thomas and Anuraj P K are Research scholars, Gulati Institute of Finance and Taxation, Thiruvananthapuram.)

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Monetary management and financial intermediation: Stability is the watchword

Joyal P Joseph

Abstract

India's banking and financial sectors saw strong performance in FY24, with bank credit growth, improved asset quality, and low non-performing assets. The stock market also surged, with the Nifty 50 index up 26.8%, and India ranking fifth globally in market capitalization to GDP ratio. The insurance and pension sectors overgrew, supported by regulatory measures. However, the rise in retail investors raises concerns about speculation and unrealistic expectations. Firms must prioritize consumer interests, transparency, and long-term goals to ensure stability. Avoiding over-financialization while supporting economic growth will be key to sustaining this momentum.

Key Words: Monetary policy, Financial Inclusion, Financialization, Capitalization.

Introduction

The Economic Survey 2023-24 suggested a resilient and strong performance of India's banking and financial sector amidst the geopolitical challenges, with the Central Bank maintaining steady policy rates to control inflation. The Russia-Ukraine conflict prompted monetary tightening, leading to increased lending and deposit rates, and significant growth in bank loans, particularly in personal loans and services. Capital markets thrived, with India ranking fifth globally in stock market capitalization to GDP ratio, supported by robust Digital Public Infrastructure (DPI) and the active

roles of banks and microfinance institutions (MFIs) in enhancing financial inclusion. The economic survey's analysis is split into two parts: monetary developments focusing on liquidity conditions, and financial intermediation examining the banking sector's performance, the government's management of distressed assets via the Insolvency and Bankruptcy Code (IBC), and efforts towards digital financial inclusion and data protection.

Monetary developments

Monetary and credit conditions aligned with the policy stance, supporting

domestic economic activity in FY24. The Monetary Policy Committee (MPC) maintained the policy repo rate at 6.5%, focusing on controlling inflation while promoting growth. Following a cumulative 250 basis point hike between May 2022 and February 2023, the MPC kept rates steady but remains ready to act if necessary. Key factors affecting monetary and credit conditions in FY24 included the withdrawal of Rs.2,000 banknotes, the HDFC and HDFC Bank merger, and the temporary imposition of incremental CRR (I-CRR). The return of Rs.2,000 notes to the banking system, with 97.87% returned by June 2024, and higher term deposit rates boosted aggregate deposits and broad money (M3). As a result, currency in circulation (CiC) growth slowed to 4.1% from 7.8% YoY, reflecting the impact of the banknote withdrawal.

During FY24, the RBI managed liquidity through two-way operations, conducting 17 Variable Rate Reverse Repo (VRRR) and seven Variable Rate Repo (VRR) auctions as primary measures, along with 49 fine-tuning operations. Banks also used the Marginal Standing Facility (MSF) amidst tight liquidity conditions, with the RBI allowing the reversal of liquidity facilities under the Standing Deposit Facility (SDF) and MSF even on weekends starting in December 2023. In response to rising surplus liquidity from the return of Rs.2,000 banknotes, the RBI introduced a temporary Incremental CRR (I-CRR) of 10% in August 2023, impounding Rs.1.1 lakh crore. The I-CRR was phased out by October 2023, easing

liquidity ahead of the festival season. Despite these measures, the banking system experienced a liquidity deficit by mid-September, which persisted throughout FY24.

Lending and deposit rates of scheduled commercial banks (SCBs) increased in FY24, reflecting the delayed effects of policy rate hikes from May 2022 to February 2023 and reduced surplus liquidity. Between May 2022 and May 2024, external benchmark-based lending rates rose by 250 basis points, while the one-year median marginal-cost-of-funds-based lending rate increased by 175 basis points. This demonstrates the effective transmission of policy rate hikes to lending and deposit rates.

Financial intermediation

Financial development and economic growth are closely connected, with financial intermediation serving as the key mechanism linking the two. Financial intermediaries mobilize savings, extend credit, manage assets, and facilitate transactions, which are crucial for technological innovation and economic progress, as noted by economist Joseph Schumpeter. Additionally, financial intermediation encourages foreign capital inflows and supports inclusive economic growth by improving the allocation of savings and ensuring access to finance for all sectors, including vulnerable groups and small businesses. For sustained financial development, key stability indicators like Capital to Risk (Weighted) Assets Ratio (CRAR) and liquidity levels must

be managed, along with strong regulatory policies and coordination among financial regulators.

Financial inclusion is essential for sustainable economic growth, poverty reduction, and reducing inequality, with the UN highlighting its importance in achieving the 2030 Sustainable Development Goals. India has made notable progress, increasing the percentage of adults with formal financial accounts from 35% in 2011 to 77% in 2021, which would have otherwise taken 47 years without targeted initiatives. Digitalization has significantly driven this financial inclusion, particularly through Digital Financial Inclusion (DFI), which seeks to provide affordable access to formal financial services for underserved populations. The India Stack-comprising identity, payment, and data governance layers-has been pivotal in this process, with Aadhaar simplifying KYC procedures and the Unified Payments Interface (UPI) dramatically increasing transaction values from Rs.0.07 lakh crore in FY17 to Rs.200 lakh crore in FY24, aided by the growth of smartphone usage.

The performance of microfinance institutions (MFIs) in FY23 was robust, with total assets reaching Rs.1.5 lakh crore, a 30% increase from the previous year, and demonstrating a return on assets (RoA) of 2.5% and a return on equity (RoE) of 12.2%. Indian MFIs also maintained a strong median capital adequacy ratio (CAR) of 26.5%, well above the 15% regulatory requirement.

Meanwhile, following a turbulent FY23, global stock markets rebounded in FY24, with India's Nifty 50 index rising by 26.8%, contrasting with an 8.2% decline in the previous year. In the pension sector, the launch of the National Pension Scheme (NPS) and Atal Pension Yojana (APY) contributed to an 18% increase in total subscribers, reaching 735.6 lakh by March 2024, with APY subscribers accounting for 80% of this total. Despite improvements in gender and age demographics, about 92% of APY accounts are for a monthly pension of Rs. 1,000, reflecting the low-income status of the target population, which often prioritizes immediate consumption over savings.

Way forward

India's financial industry has made significant progress over the years, with domestic credit to the private sector rising from 50.6% of GDP in 2010 to 54.7% in 2021, and a decline in gross and net non-performing assets (NPAs) among SCBs, alongside improvements in CRAR, RoA, and RoE. Despite geopolitical uncertainties, India's stock markets have remained stable, reflecting the industry's ongoing efforts to enhance financial inclusion and reduce intermediation costs, contributing to a resilient post-Covid recovery. Looking ahead, the financial sector is poised for growth, with ambitions for a prosperous and robust financial services landscape by 2047, emphasizing universal access, efficient capital markets, and support for micro, small, and medium enterprises (MSMEs).

As India transitions towards becoming a 'fintech nation' with a focus on innovations like AI and decentralized finance, it must prioritize customer-centric approaches, improve regulatory frameworks, and adapt to the evolving role of capital markets while being prepared for associated challenges.



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Climate change and India's water crisis: Legal frameworks and policy strategies for sustainable management and restoration

Vidya V Devan

Abstract

Water resource which is a sustainer of life and an economic good is facing issues like rise in temperature, flood, drought, diminishing of quality etc. Every living being, not just humans, has a fundamental right to exist in a pollution-free environment. Fresh air, pure water, and a clean environment which is the blessing of nature is now becoming a dream due to the adverse effects on nature owing to the different human activities. Numerous unplanned and shortsighted actions have resulted in the release of greenhouse gases, which remain in the Earth's atmosphere, causing climate change, including global warming and climate variations such as water scarcity. Significant challenges that jeopardize sustainability and hinder India's development include excessive groundwater extraction, water pollution, inefficient distribution, climate change, poor water management, and water-related conflicts. For an affluent and water-scarce nation like India, preserving water sustainability and, overall sustainability has proven to be extremely difficult due to limited and declining water resources as well as rising demand for water resources from various sectors. The need to preserve water sustainability is more crucial than ever before due to overexploitation and climate change. The study focuses on the challenges that India faces regarding water resource management and the legal measures and policy measures adopted for sustainable utilization and restoration. Since Water is a state subject as per Entry 17 of the State List of Seventh Schedule of the Indian Constitution, all the states have enacted their legislations for water conservation aimed at achieving sustainability.

Keywords: *India's water resource, Climate change, Legal measures for the protection, Policy measures, Awareness on water conservation.*

Introduction

The right to live in an environment devoid of pollution is a fundamental right of every human being. Fresh air, pure water, and a clean environment which is the blessing of

nature are now becoming a dream due to the adverse effects on nature owing to the different human activities. The flora and fauna which maintains the balance of the world entirely depend on water availability.

The emission of greenhouse gases, largely resulting from unplanned and inadequately foresighted human activities, has become a persistent issue in the global atmosphere. This has contributed to climate change, manifesting in phenomena such as global warming and climate variability, including challenges like water scarcity. Climate change has a greater impact on water resources. Climate change is paving the way for two extremes i.e. high rainfall in some areas and severe droughts in some areas.

India's water resources.

India possesses only 4% of the world's renewable water resources whereas India's population is 17.76 % of the world's population . The major source of water is rainfall. Receiving of rainwater is an average of 1,170 millimetres of rain per year, which equates to around 4,000 cubic kilometers (960 cu miles) of rain per year i.e 1,720 cubic meters (61,000 cu feet) of freshwater per person.

The surface water resources are rivers, lakes, ponds, and tanks. From 8 major river systems with more than 400 rivers and their tributaries India owns flow in river basins which is estimated to be 1,999.20 cubic kilometres. Out of which only roughly 690 cubics (37%) kilometers of accessible surface water is usable.

According to the Dynamic Ground Water Resources Assessment conducted by Central Ground Water Board (CGWB) and state governments in 2023, the total annual groundwater recharge in the country is assessed as 449.08 BCM. The extractable groundwater resource is

assessed as 407.21 BCM. The annual groundwater extraction (as in 2023) is 241.34 BCM. The major part of the ground water is used for irrigation sector, which accounts for 87% of the total annual groundwater extraction. The average stage of groundwater extraction for the country is about 59.26 %. Out of the total 6553 assessment units (Blocks/ Mandals/ Talukas) in the country, 736 units in various States/ UTs (11.23%) have been categorized as 'Over-exploited'. i.e groundwater extraction exceeds the annually replenishable groundwater recharge

India's water export

India is one of the largest water exporters in the world. On February 3, 2021, Union Minister of State in the Ministry of Commerce and Industry Hardeep Singh Puri testified in the Lok Sabha that India exported 3,850,431 liters of water between 2015-16 and 2020-21 (April-November).

According to 2021 data India exported three categories of water at a quantity of 2,378,227 litres of mineral water, 602,389 litres of aerated water, and 869,815 litres of natural and other water. China received the major share of water in 2019-20, i.e 1,000 litres of aerated water, 20,000 litres of natural water, and 63,580 litres of mineral water. Maldives (38,380 litres), United Arab Emirates (35,510 litres), Canada (33,620 litres), Singapore (33,460 litres), United States (31,730 litres), Qatar (25,900 litres), and Saudi Arabia (29,020 litres) were among the other top destinations for Indian water imports.

It is a contradictory fact that while India is a major exporter of water the Government is

not able to meet its drinking water requirement.

Challenges and issues faced by India's water resources.

India, with its vast population and reliance on agriculture, faces a significant threat from climate change's impact on its water resources. Being essential for human survival, water supply is also a vital component of many other industries, including manufacturing and agriculture. Economic progress depends critically on the preservation and wise use of this limited resource. India only possesses 4% of the world's water resources, although having 17% of the world's population, and many areas of the country already experience water scarcity.

1. Impacts of climate change on Indian monsoon

Climate change has a huge impact on the Characteristics of the monsoon, by which the entire rainfall patterns, intensity, and frequency have been altered. With the increasing global temperatures, these changes are augmenting. Monsoons, which is the primary source of water, are becoming increasingly unpredictable, leading to periods of both intense rainfall and prolonged droughts. The monsoon circulation has been declining since 1951, particularly in areas like the Indo-Gangetic plains and the Western Ghats. The instances of localized hefty rainfall have increased. In the present-day monsoon, dry spells between rainy days have also increased. This disrupts water storage and planning, making it difficult

to manage water resources efficiently.

2. Impact of global warming on water resources

Melting glaciers: Himalayan glaciers, crucial sources for major rivers like the Indus and Ganges, are melting at an alarming rate due to rising temperatures. This reduces long-term water availability and disrupts river flow patterns.

Sea level rise: Coastal areas face the threat of saltwater intrusion, contaminating freshwater sources and affecting agricultural land.

3. Increase in demand for water for industrial and agricultural activities.

The need for water is rising across India as a result of both demographic shifts and quick economic expansion. According to estimates by the Union Ministry of Water Resources, India's water needs, which were 1,100 Billion Cubic Meters (BCM) annually in 2017, will increase to 147 BCM by 2050. Uncertain rainfall patterns and water scarcity threaten agricultural productivity, impacting the food security and livelihoods of millions.

4. Water scarcity

The frequency and intensity of droughts are increasing, leading to water shortages in many regions, impacting agriculture, drinking water availability, and hydropower generation. Along with that the Over-extraction of groundwater for irrigation and domestic use is exceeding recharge rates, leading to depletion of aquifers and impacting long-term water security.

5. Decrease in water quality.

70 % of surface water resources are polluted. Climate change can exacerbate water pollution by increasing the intensity of storms, causing soil erosion, and promoting the growth of harmful algae. More intense and frequent storms carry pollutants like fertilizers, pesticides, and sewage from land into rivers, lakes, and oceans, contaminating them. This further reduces water quality and its usability. The droughts increase dust storms, further adding sediment and contaminants to water bodies.

6. Unequal distribution of water resources.

It is very contrast that some areas in India have surplus water which is even being exported while some regions face severe water scarcity. The challenge lies in efficient management and equitable distribution, often hampered by infrastructure limitations and governance issues. Unsustainable practices like excessive groundwater extraction in certain regions exacerbate water scarcity and contribute to the export-scarcity paradox. Climate change can disproportionately impact water-scarce regions, pushing them closer to crisis while potentially increasing water stress in areas with higher baseline availability.

7. Effects of alteration in traditional water resources.

Altered water regimes disrupt aquatic ecosystems, affecting biodiversity and impacting fisheries and tourism. Reduced water availability can limit hydropower generation, impacting energy security and forcing reliance on alternative sources.

Legal measures for the protection of water resources.

Since water is a fundamental resource for the subsistence of life on earth Sustainable development and efficient management of this scarce resource is very significant in this era. India has established a robust legislative framework to safeguard its water bodies to combat the challenges.

Provisions under the constitution of India.

Water is a state subject. Entry 17 of State List - Water, that is to say, water supplies, irrigation and canals, drainage and embankments, water storage and water power subject to the provisions of Entry 56 of List I.

Entry 56 of List I - Regulation and development of inter-State rivers and river valleys to the extent to which such regulation and development under the control of the Union is declared by Parliament by law to be expedient in the public interest.

The Indian Constitution, while making water a state subject, empowers the Center in specific situations. This dual framework allows states to manage water within their boundaries while enabling the Center to intervene in inter-state water disputes and environmental protection.

National legislations

As per the power granted under Article 252 of the Constitution of India, the parliament enacted **the Water (Prevention and Control of Pollution) Act, 1974**, which was last amended in 2003. The objective of the Act was to provide for the prevention and control of water pollution, and for the maintaining or restoring of wholesomeness

of water in the country. The Act empowers the Central and State Pollution Control Boards to monitor water quality, set standards, and take action against polluters. The act provides provisions for the control of discharges into various water bodies from a wide range of industries and pollutants, The Act created institutions for monitoring and enforcement. Provisions for inspections, penalties, and closures for non-compliance, offering potential deterrents against pollution were also included.

Despite its existence, water pollution remains a significant problem in India, raising questions about the act's effectiveness in achieving its goals. Inadequate resources, and capacity, often hinders effective enforcement of regulations and penalties. Concerns exist about the adequacy and stringency of current effluent standards in light of evolving environmental needs and technological advancements.

The environment (Protection) Act, 1986

The Act grants broad powers to tackle environmental issues, including water pollution. The Act focuses on preventing, controlling, and abating environmental pollution, which inevitably contributes to water preservation by tackling various sources of contamination. Schedule I of the EPA Act Lists various industries and their permissible limits for effluent discharge, acting as a regulatory tool for water pollution control.

Hazardous Waste (Management, Handling and Transboundary Movement) Rules, 2008 Implemented under EPA, regulates hazardous waste disposal, indirectly

protecting water resources from contamination.

Although the Environmental Protection Act, introduced in 1986, plays a vital role in environmental conservation, its implementation and enforcement remain challenging. Inadequate monitoring, limited manpower, and insufficient penalties create loopholes for offenders. The Act's centralization raises concerns about potential arbitrariness and limited state autonomy in decision-making. The Act needs to be strengthened to effectively address climate change mitigation and adaptation strategies. Integrating sustainable development principles within the Act could enhance its effectiveness in achieving long-term environmental goals.

National commission for integrated water resources development (NCIWRD) (1999)

They reviewed the country's institutional and legislative structure for the water sector and found that many of the important issues that have emerged in the area of water resource development need legal backing. It underlined the necessity of creating an all-encompassing National Water Code—that is, an integrated body of water laws rather than a single, complete statute.

The national water policy of 2012

The NWP 2012 aimed to address India's growing water challenges through a comprehensive framework. The policy rightly acknowledges the growing demand, mismanagement, and pollution issues impacting water security. It emphasizes river basin-level planning, considering all water sources and users within a holistic

framework. Rainwater harvesting, water conservation, and demand management are prioritized over solely supply-side solutions. The policy strives for fair allocation between states, sectors, and users, including environmental needs. It encourages stakeholder involvement in planning and decision-making.

Despite strong principles, the policy suffers from weak implementation due to insufficient funding, complex institutional structures, and lack of political will. While advocating equity, the policy doesn't explicitly prioritize basic needs like drinking water over other uses, leading to potential conflicts. Though advocating alternatives, the policy continues to emphasize large dams, raising concerns about their sustainability and social impacts. The policy lacks clear mechanisms for cost recovery and incentives for water conservation, hindering efficient resource management. Climate change adaptation strategies should be further strengthened for effective outcomes.

State legislations

Several major state legislations have been enacted across India to address water preservation and management. While the specifics may vary from state to state, here are some key legislative measures implemented to conserve water resources:

Water resource preservation in Kerala is governed by various state legislations, policies, and initiatives aimed at sustainable water management and conservation.

Kerala irrigation and water conservation Act, 2003 (Act No. 31 of 2003).

The Act provides for the consolidation of the

laws pertaining to the construction of irrigation works, conservation and distribution of water for irrigation, and the imposition of water cess on lands benefited by irrigation works in the State of Kerala. It secures the involvement of farmer participation in water utilization systems. The prime importance is given to adopt measures for water conservation, adequate maintenance of the irrigation system, efficient and economical utilisation of water to optimise agricultural production. The act also includes provisions for the establishment of the Kerala Dam Safety Authority for the surveillance and inspection of dams.

Kerala groundwater (control and regulation Act, 2002

This legislation regulates the extraction and use of groundwater in the state. It aims to prevent over-exploitation of groundwater resources and ensure their sustainable management. The Act requires permits for the installation of wells and boreholes and empowers authorities to monitor and regulate groundwater extraction activities.

In Karnataka: The Karnataka groundwater (regulation and control of development) Act, 2011, aims to regulate groundwater extraction and prevent overexploitation. It mandates permits for well drilling and imposes fees based on water usage.

Tamil Nadu: The Tamil Nadu groundwater (regulation and control of development) Act, 2002, is similar to Karnataka's law but goes a step further by establishing groundwater protection zones and restricting industrial activities in these areas.

Himachal Pradesh: The Himachal Pradesh private forests (acquisition and vesting) Act, 1972, recognizes the vital role of forests in watershed management and soil conservation, indirectly contributing to water security.

Uttar Pradesh ground water (management and regulation) Act, 2019: This legislation focuses on the management and regulation of groundwater resources in Uttar Pradesh. It aims to prevent over-exploitation, promote sustainable use, and regulate the extraction of groundwater through permits and licenses.

Punjab preservation of subsoil water Act, 2009: Enacted by the state of Punjab, this law aims to regulate the use of groundwater for agricultural purposes. It prohibits the sowing of paddy before a specified date to conserve groundwater levels and encourages the adoption of alternative crops that require less water.

Haryana water conservation and management Act, 2009: This legislation emphasizes the conservation and efficient management of water resources in Haryana. It provides for the establishment of water user associations and mandates the preparation of water management plans at the local level to promote sustainable water use practices.

Rajasthan water (prevention and control of pollution) Act, 1974: Rajasthan has its own legislation to prevent and control water pollution, complementing the federal Water

(Prevention and Control of Pollution) Act, 1974. This law empowers the state pollution control board to regulate industrial and municipal discharges into water bodies and take measures to prevent pollution.

Delhi water board Act, 1998: The Delhi Water Board Act established the Delhi Jal Board (DJB) as the primary agency responsible for water supply and sewage disposal in the National Capital Territory of Delhi. The DJB plays a crucial role in water management, conservation, and distribution within the territory.

Uttarakhand water management Act, 2010: Uttarakhand enacted this legislation to address water management issues in the state. It aims to promote efficient water use, prevent pollution, and regulate activities impacting water resources, such as hydropower projects and tourism.

Jammu and Kashmir water resources (regulation and management) Act, 2010: This law governs the regulation and management of water resources in the Union Territory of Jammu and Kashmir. It provides for the sustainable utilization of water resources, protection of water quality, and equitable distribution of water among various users.

Policy initiatives adopted by India for the preservation of water resources.

1. Lifestyle for environment

It is a futuristic approach undertaken by the government for sustainable

development and protection of the environment. The protection of natural resources can be achieved only by the efforts of the people. This project aims to create awareness among the people for the imminent measures each one has to adopt. This movement aims at adopting habits and practices that minimize water wastage, promote water conservation, and contribute to the sustainable use of water resources. Some lifestyle changes individuals can make to preserve water are

Reduce water usage - Be mindful of water consumption in daily activities such as bathing, dishwashing, and laundry. Take shorter showers, turn off the tap while brushing teeth or shaving, and run full loads in the dishwasher and washing machine to maximize water efficiency.

Fix leaks - Regularly check for leaks in faucets, toilets, and pipes, and promptly repair any leaks to prevent water wastage. Even small leaks can add up to significant water loss over time.

Collect and reuse water - Collect rainwater from rooftops using rain barrels or other containers and use it for watering plants, cleaning, or other non-potable purposes. Reuse greywater from activities like dishwashing or laundry for irrigation in gardens or flushing toilets (where regulations permit).

Choose water-efficient appliances - When purchasing appliances such as toilets, faucets, showerheads, and washing machines, opt for models that are certified as water-efficient by

organizations like the Environmental Protection Agency (EPA) in the United States or the Bureau of Energy Efficiency (BEE) in India.

Support water conservation policies - Advocate for water conservation measures and policies at the local, national, and international levels. Support initiatives aimed at protecting water resources, promoting water efficiency, and ensuring equitable access to clean water for all.

Adopt native plants in your garden or landscaping. Native plants are adapted to local climate conditions and require less water, reducing the need for irrigation.

2. Atal Mission for Rejuvenation and Urban Transformation (AMRUT): This scheme promotes rainwater harvesting and other water conservation measures in urban areas.

3. Pradhan Mantri Krishi Sinchayee Yojana (PMKSY): This flagship program focuses on improving irrigation efficiency through micro-irrigation techniques and watershed development.

4. Atal bhujal yojana: This initiative tackles groundwater depletion by incentivizing water conservation practices and promoting community-led aquifer management.

5. Model building bye-laws: These guidelines encourage rainwater harvesting, greywater reuse, and water-efficient fixtures in new constructions.

6. National River Linking Project:

While facing implementation challenges, this ambitious project aims to transfer surplus water from basins with abundance to water-scarce regions.

Role Of Judiciary in Preservation of Water.

M.C. Mehta v. Kamal Nath & Ors. In this landmark case, the Supreme Court of India addressed pollution of the Yamuna River. The court issued directives to control industrial pollution and ensure the safe disposal of effluents into the river. The judgment emphasized the right to clean and safe water for citizens and highlighted the responsibility of industries and governments to protect water resources.

M C Metha v. Union of India This case focused on pollution of the Ganges River and resulted in the Supreme Court's directives to address various sources of pollution, including industrial effluents and untreated sewage. The court emphasized the importance of maintaining the purity of the Ganges, considering its cultural and religious significance, and issued orders for the construction of sewage treatment plants and the regulation of polluting industries along the river.

International agreements:

United Nations Sustainable Development Goals (SDGs): Clear water and sanitation are the 6th Goal of sustainable development goals which is to be achieved by 2030. This goal includes targets related to water conservation, water quality improvement, water-use

efficiency, and the protection and restoration of water-related ecosystems.

United Nations Framework Convention on Climate Change (UNFCCC):

While not exclusively focused on water, the UNFCCC addresses climate change, which has significant impacts on water resources, including changes in precipitation patterns, melting glaciers, and increased frequency of extreme weather events affecting water availability and quality. By result of adopting and implementing various plans for water preservation inland waters and half of all freshwater ecosystems are now healthy, productive, and protected. This is necessary to reach Net Zero.

The Convention on the Protection and Use of Transboundary Watercourses and International Lakes (Water Convention):

This United Nations Economic Commission for Europe (UNECE) convention addresses the management and protection of transboundary water resources. It promotes cooperation among riparian countries to prevent and resolve disputes over shared water bodies.

Suggestions and conclusion

Preserving water resources in India by reducing the impacts of climate change requires a comprehensive approach that addresses various challenges, including water scarcity, pollution, and inefficient use. Here are some suggestions for water preservation in India:

Promote Water Conservation Awareness: nationwide campaigns can raise awareness about the importance of

water conservation and the need for individual and community action. Educate the public about simple water-saving practices like fixing leaks, using water-efficient appliances, and practicing rainwater harvesting.

Invest in Infrastructure: Upgrade and expand water supply and distribution infrastructure to reduce losses from leaks and improve access to safe drinking water. Invest in wastewater treatment plants to reduce pollution and promote reuse of treated wastewater for non-potable purposes.

Implement Rainwater Harvesting: Encourage the widespread adoption of rainwater harvesting systems in urban and rural areas to capture and store rainwater for groundwater recharge and non-potable uses like irrigation and sanitation.

Promote Efficient Agricultural Practices: Provide incentives for farmers to adopt water-efficient irrigation techniques such as drip irrigation and laser leveling. Promote the cultivation of less water-intensive crops and encourage the use of organic farming practices that improve soil moisture retention.

Regulate Groundwater Extraction: Enforce strict regulations on groundwater extraction, including the licensing of borewells and the implementation of groundwater recharge schemes. Encourage community-based groundwater management initiatives to ensure sustainable use and prevent over-exploitation.

Strengthen Water Governance:

Improve water governance frameworks at the national, state, and local levels to ensure effective regulation, allocation, and management of water resources. Enhance coordination among government agencies, civil society organizations, and water user associations.

Invest in Research and Innovation:

Support research and innovation in water conservation technologies, water treatment methods, and sustainable water management practices. Promote the development and adoption of innovative solutions tailored to India's diverse climatic and geographical conditions.

Address Climate Change Impacts:

Integrate climate change considerations into water resource planning and management strategies. Invest in climate-resilient infrastructure and nature-based solutions such as afforestation, wetland restoration, and watershed management to enhance water security in the face of climate variability and extreme weather events.

Encourage Public-Private Partnerships:

Foster collaboration between government agencies, private sector entities, and civil society organizations to mobilize resources and expertise for water conservation initiatives. Explore public-private partnerships for the development and maintenance of water infrastructure and services.

Empower Local Communities:

Encourage the use of participatory approaches to water management, which provide local communities the authority to create local plans for water management, actively participate in decision-making processes, and take charge of water conservation initiatives.

India can address the challenges faced in water preservation and guarantee sustainable management of its valuable water resources for future generations by putting the above recommendations into practice and taking a comprehensive approach to water conservation.



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Kerala -Potentials for economic and social development

P K Suresh and Mary Joseph T

Abstract

As the mile stone to developed India, the concept of self-sustainability of Indian states have more relevance. The global scenario as especially post covid situation, generally countries promoting the localization of jobs for sustainable economy. In Indian scenario, the development as based on the agricultural and industrial growth. Due to competitive market, more value added and customised products, and its market potentials leads to the Industrial growth.

This paper focus on identifying development potentials in Kerala in the present scenario, as especially in Industry, agriculture and tourism areas. This paper discusses about the participation of various stake holders and agencies as Kudumbasree and various government agencies for the development of various sectors. All these efforts may lead to the path of economic growth of the state.

The paper suggests for further improvement opportunities and the probable ways for agriculture development, development with value added agriculture products, promotion of tourism and for development of Industry. Also provides certain inputs as to effectively manage the natural calamities for a stable economy.

Keywords: *Economy, MSME, Kudumbasree, Industry*

1. Introduction

The globalisation of economy and the liberalisation policy of India, has increased the direct foreign investments. India as considered to have good availability of labour force and with government policies as basic infrastructure development, the industrial scenario is improving. In Kerala

with the presence of various suitable environment also, certain challenges are facing in the path of industrial and economical growth.

The Kerala Economical review 2023, Volume 1 in January 2024 includes details on performance, policies and programmes of various departments and the issues to be

addressed. The structure of the economy and workforce culture in Kerala is perceptibly different from the rest of India.

The inputs of this paper as from 'The Economical review 2023, Volume 1' from various chapters as 3 Agriculture and Allied sectors as 3.1 Agriculture, 3.2 Cooperatives in Kerala 3.7 Environment, 3.8 Food Security and Public Distribution System, Chapter 4 as Manufacturing sector as 4.1 Kerala's Industrialisation 4.2 Manufacturing Sector, 4.3 Public Sector Undertakings, 4.4 Micro Small and Medium Enterprises (MSMEs), 4.5 Food Processing, and 5.3 tourism. Also inputs from certain research papers associated with Kerala tourism, and about Kudumbasree units. Based on the inputs, certain points for practical implementation of improvement programmes are suggested in this paper.

2. Kerala - Sectoral review of certain sectors

2.1. Agriculture and allied sectors

The agriculture sector influences on employment generation, food security, supply of raw materials and livelihood generation and imparts resilience to the rural economy. The agriculture sector continues to be the primary source of livelihood in the State. The diverse agro-climatic conditions prevailing in the State favour the cultivation of a variety of crops, including plantation crops, cash crops, spices and food crops. Poor annual growth rate in the sector has been one of the challenges in the last decade. The State is on the path of group activities in production, value addition, and services through collectives of farmers. The economic review as suggest as production and marketing

must be restructured, and interventions in marketing must use the strengths of the State's cooperative sector. A strong crop specific value chain needs to be developed to strengthen agriculture and farmers income. The economic review suggests as the importance of soil test based management practises in crop production and classification of soils based on its physical, chemical properties. The marketing of agricultural commodities is facilitated through a network of whole and retail markets functioning in rural and urban areas. The development of an organised market information system and market intelligence mechanism as well as an efficient supply chain for marketing of agricultural commodities especially the perishables are essential for strengthening the agricultural marketing scenario of the State. (Economic Review, 2023, page 77).

Kerala State Agricultural Mechanisation Mission constituted in the State in 2018, functions with the objective of ensuring proper coordination and monitoring of the activities of various services providers. Major Achievements of Department of Agriculture in 2022-23 was the introduction of farm plan-based approach as a strategy for the holistic development of individual farms to improve the income of the farmer and provide livelihood security on a long term perspective.

The Kerala Agro Business Company (KABCO) for marketing and value addition was established to function as an independent, professionally managed Special Purpose Vehicle to establish market linkage to farmers, facilitate transformation of agriculture to agri-business, promote

value addition and to perform other related functions.

2.2. Cooperatives in Kerala

Cooperatives have a long term vision for sustainable growth, social development and environmental responsibility through self-help and empowerment, reinvesting in their communities and showing concern for the well-being of people. With 98% coverage in rural India, cooperatives are the mainstay of rural economy ensuring sustainable livelihoods and income for people in diverse sectors including agriculture, dairy, forestry, fisheries, credit and banking. Cooperatives in Kerala play a critical role in mobilising people and pooling their resources to meet the common needs of members and thereby the larger society. Through its wide reach, cooperatives have played a vital role in the economic development, particularly for the development of the weaker and marginalised people in rural areas. The State has an extensive network of co-operatives engaged in various activities, including agricultural credit, the public distribution system, distribution of agricultural commodities, health, education including professional education, housing, agro processing, development of scheduled caste and scheduled tribe, women's development and fisheries. The cooperative movement has to establish itself as an organisational form of the future, to attract and involve youth in large numbers. The cooperative sector should infuse more technology and funds for new enterprises, including start-ups. (Economic Review , 2023, page 99).

2.3. Environment climate change

The climate change as major threat to the environment, has a direct impact on the wellbeing of people around the world. The report 'Global forest sector outlook 2050' warns that threats to climate, biodiversity and healthy environment are mainly caused by the excessive use of non-renewable material. The World Bank Report, 'Nature's frontiers: achieving sustainability, efficiency, and prosperity with natural capital' indicates, where and how nations can utilise natural resources more efficiently to achieve prosperity without damaging the environment or exceeding the limits of natural resources. Climate change poses a serious threat to Kerala's environment and has become an agenda for development planning in recent years. Haritha Keralam mission was launched in December 2016 with the objective of ensuring hygiene, water abundance, water security, and production of safe food. Leadership is to be provided to ensure people's participation and social inclusion for creating 'Haritha Keralam'. It has three sub-missions, namely, (i) Sanitation and waste management, (ii) Water conservation and (iii) Agricultural development. The Mission is also involved in the preparation of a water budget, which is based on a thorough analysis of available water resources.

Energy management: Energy efficiency programs like Angan Jyothi, Chaithanyam, and Urjjayan significantly contributed to reducing carbon emissions. The establishment of clean energy tech, innovation and business

incubation centre played a pivotal role in implementing the energy conservation. About 83 tourist destinations are being converted into green tourism destinations. Other major initiatives as Net Zero Carbon Efforts Under the Nava Keralam Karma Padhathi. The Haritha Keralam Mission is spearheading the "Net Zero Carbon Keralam" campaign, aimed at making Kerala carbon-neutral by 2050. This initiative focuses on reducing greenhouse gas emissions and achieving a carbon balance.

Tourist centres and their access routes need to adhere to the green code of conduct, as selected tourist destinations in Kerala into model green tourism destinations, focusing on environmental sustainability. It is through diverse and innovative projects, activities, and campaigns undertaken under these three sub-missions. Haritha Keralam Mission has been able to bring about positive and sustainable changes in agriculture and allied sectors, sanitation and waste management, and water conservation. It has been able to harness the activities of various agencies working in these sectors. (Economic Review, 2023, page 153)

2.4. Food security and public distribution system

The Public Distribution System in Kerala has one of the most effective and best run public distribution systems in India and has marked pioneering achievements in implementing the Universal Rationing System. The Department of Food and Civil Supplies discharges the important responsibilities of ensuring the availability

of essential commodities through the network of PDS outlets, enforcing market discipline, promoting consumer awareness, and protecting their interests. (Economic Review, 2023, page 165)

2.5 Manufacturing sectors

The industrial and manufacturing sector helps in promoting domestic production, enhancing exports, creating employment and generating income, as all of which are significant for all round economic development. The industrial sector is significant for the Indian economy, both in terms of its contribution to gross value added and employment generation. Over the years, Kerala has achieved substantial progress with respect to modernising and diversifying its industrial sector. This has resulted in the development of a vibrant industrial ecosystem in the State. The manufacturing sector in Kerala is relatively small in size.

The State strongly believes in having sound policy backing for efforts to develop industries in the State. Among others, the policy has initiatives and incentives for fostering entrepreneurship, developing enabling infrastructure, developing high tech industries, building futuristic employment skillsets for employment, nurturing business environment, creating sectoral ecosystem and enhancing 'Kerala' brand equity. Kerala Industrial Infrastructure Development (KINFRA) which has come up with a number of innovative schemes to facilitate industrial investment and ensure Ease of Doing Business.

Like elsewhere around the world,

industries in India, especially manufacturing in particular are looked upon with great interest due to their potential to create jobs, generate income, make available goods for consumption and drive economic growth. Several factors including policy changes (like opening up to competition), changes in global supply chains, and advances in technology have facilitated India to develop greater engagements with international markets.

Digital transformation and use of latest technology are important to gain a competitive edge in the highly competitive manufacturing sector. The manufacturing sector in India is constantly moving towards technology upgradation, automation and process driven manufacturing; which is expected to enhance efficiency and amplify production from the manufacturing sector.

PSUs in Kerala play the role of facilitators for the promotion of entrepreneurship, especially high technology entrepreneurship. Board for Public Sector Transformation (BPT) is functioning under the Industries Department, as a responsible agency for undertaking reform initiatives in State PSUs. Major responsibilities of the agency include performance planning and monitoring of PSUs, enterprise reconstruction, capacity building, and governance advisory support to State PSUs, industrial Promotion and Investment Facilitation.

Centre for Management Development (CMD) is an autonomous institution sponsored by the Government of Kerala

and attached to the Department of Industries and Commerce, as a professional registered society with the objective of providing professional management support to public enterprises in the State. It provides support through consultancy, project management, Monitoring & Evaluation, Human Resource Management, Training, Education & Research and Public Private partnership (PPPs). Facilitation of industrial investment especially from the private sector, adoption of new technologies, application of research, continuous upskilling, use of strength in human resource and encouragement to innovation, are significant components of Kerala's strategy for industrial progress. (Economic Review, 2023, page 179)

2.6 Micro, small & medium enterprises (MSMEs)

MSME are an essential force that drives entrepreneurial expansion through their innovative business practices. In India, MSME's are playing a critical role in providing large-scale employment opportunities. The Government of Kerala recognises the immense potential of this sector and has assigned it a high priority. MSME's also contributing significantly to the industrialisation of rural and backward areas, thereby reducing regional imbalances and ensuring a more equitable distribution of national income and wealth.

There is a need to nurture and support innovative business ideas and shape them into enterprises and create a favourable ecosystem for MSMEs as with support from entrepreneurial development and incubation centres. The State as given for

the development of Common Facility Centres for specific industries, regions and clusters to involve steps for scaling up of enterprises and enhanced use of new technologies. It is enabled by knowledge and information flow, as to greater support for a culture of entrepreneurship, development of new models of financing and close linkage with the education research (Economic Review, 2023 page 195).

2.7. Food processing

The food processing sector plays a crucial role in establishing strong linkages between the industry and the agriculture sector. It facilitates collaboration and integration, benefitting both sectors and boosting the overall agricultural value chain. A well-developed food processing sector with higher-level of processing helps in the reduction of wastage, improves value addition, promotes crop diversification, ensures better return to the farmers, promotes employment, as well as increases export earnings. This sector is also capable of addressing critical issues of food security, food inflation and providing wholesome, nutritious food to the masses. An abundant supply of raw materials, an increase in demand for food products and incentives offered by the Government of India have impacted food processing sector positively. The Food Processing Sector has also emerged as an important segment of the Indian economy in terms of its contribution to GDP, employment and investment. Food products industry employs largest number of persons as compared to other industries while generating the second highest output level as in other industries.

Major challenges in food processing sector as supply chain infra gap, lack of primary processing, lack of storage and distribution facilities, supply chain institutional gap, procurement dependence on market, inadequate link between production and processing, seasonality of operations and low capacity utilisation. Also inadequate focus on quality and safety standards, lack of product development and innovation, lack of access to credit and financing, inadequate storage and transport facilities.

The majority of businesses in this sector are small and micro units that lack the financial resources as needed to expand or invest in essential infrastructure. To overcome these challenges action required, including targeted incentives, infrastructure development, and investment in processing capacity. This will necessitate significant investment in various components of the supply chain, such as grading and packing centres, controlled atmosphere facilities, reefer vans, cold storage for perishable cargo at ports/ airports/ railway stations, testing laboratories, and other supporting infrastructure and services such as research and development, imparting skill training, and marketing support. There is a huge potential for exporting processed food items, as well as a significant demand for them in the domestic market. To realise this potential, it is important to connect agricultural production with the market by bringing together farmers, processors, and retailers. This can be achieved

through proper marketing strategies, the adoption of the latest technologies, and ensuring a steady flow of raw materials from farmers at stable prices that meet specific quality standards. By implementing these measures, we can expect to see better development of the agriculture sector and an increase in farmers' incomes. (Economic Review, 2023, page 205)

2.8 Tourism

Tourism creates employment and connects a society to the rest of the world and also promote ecologically sustainable growth of local communities, traditional industries, and interconnections with other spheres of development. Tourism in India has significant potential with the rich cultural and historical heritage, variety in ecology terrains and large employment generator besides being a large source of foreign exchange for the country. The impact of growth of tourism in Indian economy as spreading benefits across the country and providing employment and entrepreneurial opportunities to youth, women, marginalised sections of the society. Kerala is an internationally recognised tourist destination and one of India's most beautiful states with beaches, backwaters, hill stations, forests and wildlife.

Kerala Tourism is trying to attract the attention of national, international as well as the domestic markets with different strategies and currently exploiting the potential of Information

Communication Technology in Marketing Tourism. The marketing activities of Kerala Tourism include international and national promotional campaigns, branding, partnerships and collaterals, and sponsorship for marketing events.

Responsible Tourism (RT) as major aims as making tourism a tool for the development of village and local communities, eradicating poverty and giving emphasis to women empowerment. The mission aspires to provide an additional income and a better livelihood to farmers, traditional artisans, and marginalised people along with creating a social and environmental equilibrium. Kerala Tourism should improve tourist centres, bring new facilities and products, ensure better livelihood and income for local people and maintain the natural and cultural heritage of Kerala, to bring the State to a world-class-level tourist destination. Tourism and hospitality industries need to embrace a customer-centric product management approach, sustainable tourism practices, technological integration, adaptability and resilience to changing trends. Comprehensive education system to be developed to address the gap in tourism skill development. State should prepare master Plan to practice economic, sociocultural and environmental sustainability in tourism. Efforts to be taken to create environment for investment in tourism by the private sector. Kerala should focus on improved infrastructure, including better

connectivity between destinations, transportation, and accommodation options in less visited areas. (Economic Review, 2023, page 271)

Kerala state is well known especially for its ecotourism projects and vast spread backwaters. The culture and traditions here is unique, along with varied demography, which made Kerala one of the most selected tourism destinations in the world. Beautiful beaches, sanctuaries and forests, hill stations, art forms, festivals and rituals, resorts, the inland waterbodies all as memorable holiday experience.

Tourism is the backbone of the economy of the state since 1980s and has recently widened access through implication of responsible and eco- tourism projects. The rich heritage, rich natural topology, backwaters, mountains and terrains, food and dressing style, art and culture, basic amenities, statistical indices as promotes tourism in the state. Sustainable tourism practices to be promoted and initiated in the state as that covers all aspects of tourism along with concern and protection of nature and environment. This initiates activities to preserve the environment and lead to environmentally conscious behaviour. It covers concern for economic, socio cultural and environmental issues as improving tourist's experiences with concern for environment. Sustainable tourism is based on the concept that the community living around the destination are best suited to protect it. Local people can run the businesses in the premises and they are responsible for

promoting awareness and conservation to protect the environment through planning, development and management.

Sustainable tourism advocates, providing opportunities for local hosts to start businesses and work as guides and cleaning staffs in various tourist locations. It brings economic viability to our nation and state without harming environment by minimizing the pollution of air, water, land and the less generation of waste by tourism enterprises and visitors. Sustainable tourism model delivers quality tourism and delight in visitors. It provides satisfying, safe and mind fulfilling experience for all visitors without discrimination on the basis of language, race, gender, disability or in other ways. (George Sebastian) (2021)

Home stay as an innovative approach to manage sustainable tourism objectives as essentially a potential tool and the increased level of process control can result in providing environment friendly, sustainable model of development with consistency and improvements. The home stays add authentic socio-cultural richness to the tourists' experience as the environment friendly practices are vital for a homestay organization in Kerala. Economic growth with protection of the environment is a challenge, which compelled to achieve development with focusing on the sustainable tourism. In Kerala, tourists mainly come to enjoy the exotic beaches, breathtaking hill stations, enchanting waterfalls, lagoons, houseboats, traditional festivals and feasts. The study found as need of

training and development of a system in sustainable tourism. The development of a Sustainable tourism, through homestay system can be a valuable teambuilding exercise for any community. It can lead to improved education and awareness of staff towards sustainable tourism goals in the state. There is a positive relationship between sustainable tourism practices variables and homestay types. (Sushil Kumar Mishra & Sreekanth T. Nair) (2019)

Tourism development of Kerala describes the context and framework, as assessing destination attractiveness of the state. As an emerging tourism destination in a developing country, the strength as the importance of certain destination attraction elements like climate, backwaters, cuisine, and rest and relaxation environments, and local culture. Destination based promotional activities can be further reinforced as destination attractiveness gaps observed include beaches, art forms, and heritage attractions. These points need further emphasis on area specific development efforts as to enhance the tourists experience with these attractions.

The destination attractiveness assessment should done for domestic tourists visiting Kerala as this would help in identifying areas where can gain more customers with less spending. Tourism in Kerala has been thriving for some time, and the rate of change in terms of visitation and the amount spent is higher than any other state in India.

The contrasting industrial backwardness turned out to be a perfect setting for promoting Kerala as an unspoiled destination with exotic characteristics. It gives employment to a lot of people and at the same time is an important reflection of the state.(Manoj Edward and Babu P. George) (2008)

2.9. Economic participation of women through kudumbashree

Kudumbasree as a community organisation of Neighbourhood Groups (NHGs) of women. As setup in 1998, functioning under the Local Self Government Department, as the State Poverty Eradication Mission. Starting initially with thrift and loan activities, the NHGs focused on empowering women through income generation activities and micro-credit, besides engaging in a range of other activities such as health, nutrition, agriculture, and social development. Kudumbashree has played an important role with regard to financial inclusion of poor women. It has enhanced the financial status of less privileged women through its thrift and credit programmes. (Economic Review, 2023)

'Kudumbasree' promotong the self -help group model of empowerment through woman entrepreneurship in Kerala. It aims to create human resources within the productive sector and to sustain for the further development process. Multi-dimensional approach lead the government to form a female community intended poverty reduction project in the state, that resulted to the birth of

"Kudumbashree". The mission has set as self-help groups (SHG) model of women empowerment to encourage the wide range of female entrepreneurial activities (Dr. Ashutosh Kumar & Jasheena. C.J)

Kudumbasree empowers women to strengthen the economic backward people in village areas. The peculiar situation in Kerala is that the farmers increasingly move away from crop production and other agricultural activities for better paid jobs in the non-agricultural sectors. Kudumbasree aims at improving the productivity of women farmer groups. As Majority of these women are landless, the land is taken on lease for cultivation. The decline in farming hampers the food security of the state which is otherwise largely dependent on the neighbouring states for food produce. The promotion of agriculture by using self-helped groups is successful and with contribution from government it can make even better. (Amrit Kiran et.al.) (2018).

3. Recommendations

Kerala has to adopt the vision for self sustainability, with using our resources by better planning and optimised usage of resources.

The financial status of Kerala is in alarming stage as the gap in revenue generation and expenses are increasing. For economic development, the simple formula is as to increase the revenue with the optimised use of resources and to control all outflows of money. The reports from media mentions that lakhs of migrant workers are engaged in the

construction and in other service activities in Kerala and they are sending crores in every month to outside the states . Same time human resources in Kerala is under utilised. Some of the social factors are preventing Keralites from engaging certain hard core jobs.

3.1. Agriculture development with value added products, and supply chain improvement.

As mentioned in literature on Economic survey 2024 on Agriculture, strong crop specific value chain needs to be developed to strengthen agriculture and to improve farmers income. With the network of wholesale and retail markets functioning in rural and urban areas, the state has an extensive network of co-operatives engaged in various activities, including agricultural credit, the public distribution system, and distribution of agricultural commodities.

Regarding MSME, the State as given for the development of Common Facility Centers for specific industries, regions and clusters. The enhanced use of new technologies as enabled by knowledge and information flow, greater support for a culture of entrepreneurship, development of new models of financing, and close linkage with the education research etc as steps for scaling up of enterprises.

The challenges in food processing sector as includes as supply chain infra gap, lack of primary processing, storage and distribution facilities, supply chain institutional gap, procurement dependence on market, and inadequate link between production and processing,

seasonality of operations and low capacity utilization. Also the factors as inadequate focus on quality and safety standards, lack of product development and innovation, lack of access to credit and financing, and inadequate storage and transport facilities.

Women empowerment as aims to create human resources within the productive sector and to sustain for the further development process.

Kudumbasree empowers women to strengthen the economic backward people in village areas as aims at improving the productivity of women farmer groups. Potential area is in agriculture development, as Kerala has plenty of fertile land which is at present not effectively utilised. This is due to high labour costs, non-availability of labour, as the issues in procurement of crops and marketing.

Group farming is an option for maximising the usage of land resources as, study have to be conducted for effective use of fertile land as by identifying proper crops for cultivation in each areas. Certain states as achieving high agriculture production as Eg. Andhra Pradesh practicing three crops per year, especially in water available areas.

Cooperative movements may be successful in group farming as by creating the common platform or groups of land owners, interested parties on agriculture and procurement agencies. Mechanization can be adopted for farming, cropping, processing of agriculture products. The value added products as example from rice, coconut etc. can be developed. The procurement of crops and processing can

be done through the agencies as eg. Kudumbasree units. The marketing of food products can be done through state public distribution systems and association with canteens and other public food distribution centres. The seasonal products can be processed through the units and the marketing can also be done through the online platforms as potential for global markets. If it is successfully implemented, the human resources will be engaged and the revenue to their families will be improved. Presently Kerala procuring food grains and vegetables from other states. Government as in local body level can provide collection and storage centres with freezing storages facility to support farmers and the procurement agencies.. Also government and agencies can support the groups with periodical training on effective food processing, quality standards maintaining and the adoption of advanced technologies. Government of Sikkim has successfully implemented cooperative system in collection, processing and distribution of agriculture products as support to farmers.

Other potential area for implementation as promoting the genuine organic farming and promoting the products. If this can attain the trust in market, more income can be generated as value added products. Now the society have more awareness and attitude towards the organic farming and its products.

3.2 Tourism:

As you are aware, the tourism industry promising potential in the State with its

world renowned brand, diverse products and presence of local entrepreneurs. Through Responsible Tourism (RT,) as making tourism as a tool for the development of village and local communities, can eradicate poverty and can emphasis to women empowerment. Scope for improved tourist centres, facilities and products, infrastructure, including better connectivity between destinations, transportation, and accommodation options in less visited areas, can ensure better livelihood and income for local people including farmers, traditional artisans, and marginalised people.

Through Sustainable tourism as with innovative approach of home stay, local people can run the businesses in the premises as it brings economic viability to our nation and state without harming environment. Improved education and awareness of staff towards sustainable tourism goals is a valuable teambuilding exercise. Through destination attractiveness assessment as for domestic tourists can gain more customers with less spending.

Hence the important suggestions are the following, the tourism sector to be encouraged by local groups as Kudumbasree units, as at present mainly corporates are engaged in this sector. The local hosts can start the businesses and work as guides and sustainable tourism through homestay system can be a valuable team building to the community.

The kudumbasree units can promote

tourism, as to target all class of people especially domestic tourists. It can be promoted through normal accommodation facilities including home stays and with Kerala's traditional food, as it should be affordable to people will all economy classes. Identification local tourist spots, pilgrim centres and arrangement for visiting the premises with economical transportation arrangements will be a good opportunity for attracting all economy class of people especially from other states. In Sabarimala season in Kerala, a good group of families are engaged in providing food and facilities in the route and this method can be adopted in year wise in all potential tourist spot areas. The promotional activities of these schemes and opportunities, to be done with good advertisement in country and in outside. These economic packages , may attract more tourists and it will lead to the economic development of society and the state.

3.3. Development of infrastructure, public sectors:

The performance of public sectors to be improved as with modernisation of technology and with updated management practices, The lean concepts implementation as eliminating all types of wastes , and to adopt the world class manufacturing practices, will lead to optimized use of all resources and lead to competitive advantage of their products and services. (S.M Sundara Raju (2001).

Public sector as Kerala state electricity board have the scope for using all small

hydal projects which have reduced impact on environment and the power distribution can be decentralised. Also the non conventional power sources as solar power etc, as at present improving stage, can be maximised. The distribution can be monitored in microlevel to control the distribution loss. For safety and to use the scope of maintenance cost reduction, the overhead lines can be changed to underground cables in stage by stage in all possible areas.

The public transportation system is in big crisis as facing lot of issues. The scientific planning of routes as routes to be optimised by using the data on occupancy in each route with time. By using green energy, the fuel costs and carbon emission can be reduced. The minibus concept can be engaged in low occupancy routes. The individual bus wise monitoring can be done to monitor the life of spares to assure the efficient usage. The flexible planning of routes based on the customer volume and requirements can be done in depot level.

The waste disposal is a challenge to the society as proper collection, disposal systems to be adopted. In other states especially in Indore in Madhya Pradesh and in countries like Singapore, the plastic waste are collected and burned in proper way and generating power. In Kerala, these plants can be established in district or local level and scientific collection, storage, processing system can be adopted and the heat generated through incineration can be converted to the produce as electricity. Public private partnership option can also be adopted.

Similarly, the biological waste can be converted to bio fertilizers in local wise which leads to the environment friendly fertilizers.

3.4. Calamities and social issues:

Kerala, as due to the land structure, facing big threat of land slides and floods. By using the survey data, the potential affecting people in land slides area can provide housing in safe areas, as even in the risk period they can relocate to reduce the calamities. Similarly the local bodies with the participation of people in ward wise can do a survey especially before the monsoon season, as to identify the potential risks as tree falls, areas of potential flood and landslides, as to alert the people and to take preventive measures.

Also the data on the members in each family to be updated with support from local body members as each family the aged persons, disabled persons, differently abled persons details to be make available to the local people. As in case of any emergency, special attention can be given to the concerned. Kerala had the past experience as in 2018 flood situation, in certain areas as no body aware of the occupants details in neighbour houses.

The data to be collected from each family for improving the social welfare as for their physical and mental health improvements. The physical facility as house, good toilets, availability good water, waste disposal systems ,etc as

to give more attention. Similarly, the members details as of any persons with health issues, dialysis persons, persons with mental depression, liquor and drug addicted people etc to be collected. The local bodies with the support of community, lot of support can be provided for their survival. Presently the suicide incidents are reporting in higher level especially due to the above mentioned social issues. Some action plan with the support of community can be implemented.

4. Conclusion :

In this paper certain potentials for economic and social development are mentioned, based on the inputs from Kerala economic review and other certain research papers. The strength of Kerala includes the good natural resources including rivers and fertile lands, beautiful state with beaches, backwaters, hill stations, forests and wildlife, administrative systems as well established public distribution system, strong women empowerment groups as including Kudumbasree units, and cooperative movements etc. Responsible Tourism (RT) is an opportunity for the development of village and local communities. At present the economic situation in Kerala is alarming, as steps to be taken for revenue generation in the state and to give opportunity for the creative engagement of human resources. The potential opportunities as includes as to improve the agriculture production with group farming, development of more food processing units as to

produce value added products, and to identify the marketing opportunities with the involvement of supply chain systems. Also there are tourism development opportunities as in all local tourism spots, pilgrim centres etc, with the adoption of responsible tourism concept, as potential for growth with active involvement of women empowerment groups including Kudumbasree units. The potential for efficiency improvement of public sectors, and for clean Kerala concept, the processing of the wastes in local level, as opportunities for conversion of waste to value added products are mentioned. A scientific approach for efficiently manage the natural calamities, with the use of past data and experience also briefly discussed. The above mentioned points are certain indications as it may lead to overall economic and social development of the state. Considering the present economic and social situation in Kerala certain actions are essential for the implementation of these aspects suitable for the overall development of the state.



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From pause and neutral, what lies ahead for India's monetary policy?

Aswathy Rachel Varughese

Abstract

India's external sector has demonstrated remarkable resilience amidst global challenges, with a surge in services exports, stable capital inflows and solid currency management. Despite a declining merchandise trade deficit, the country faces challenges such as the twin balance sheet deficit and potential inflationary pressures. India's strategic approach to the "China+1" policy and its reliance on remittances as a stable source of finance are crucial for maintaining its economic momentum. Consistent growth of the trade share of GDP in recent years is indicative of India's increasing competitiveness in the international market and its future prospects.

Keywords: *Deglobalization, merchandise imports, service exports, remittances, China+1 strategy*

Introduction

The Reserve Bank of India (RBI), continued to keep key policy rates unchanged at 6.5 percent in its December 2024 Bimonthly policy meeting on account of lingering inflationary pressure in the economy, especially from the food inflation category. The monetary policy stance was also unchanged at neutral to allow the MPC flexibility on the future path of policy action. Notably, in this policy, RBI resorted to reducing CRR by 50 basis points in two equal tranches of 25 bps each to 4 percent of Net Demand and Time Liabilities (NDTL) with effect from the fortnight

beginning 14 December 2024 and 28 December 2024, respectively. The main rationale behind this policy was to rebalance growth and inflation trade-off. This implies that the reduction in the Cash Reserve Ratio (CRR) partially offsets the wide fluctuations in government cash balances.

India's growth trajectory

With continuous economic and non-economic uncertainties putting the ultimate test on the global and domestic economies, growth prospects are bleak across the globe. Global trade dynamics

are changing with increasing volumes focused within geopolitical blocs. Financial markets have experienced turbulence due to the rising US dollar and increasing bond yields, resulting in significant capital outflows from emerging markets and volatility in equity markets. Looking ahead, the outlook is clouded by growing protectionism, which could undermine global growth and drive inflation higher.

India's growth story is also influenced by these global events and changing macroeconomic landscapes. As per the First Advance Estimates of the Financial Year 2025, the Gross Domestic Product (GDP) is estimated to grow at 6.4 y.o.y percent vis-à-vis 8.2 percent growth in FY2023-24 (MOSPI, 2025.). This slowdown is primarily due to the expected slower growth rate in investment demand at 6.4 percent, compared to 9 percent in FY2024. Besides, import growth is projected to contract by 1.3 percent, as opposed to a 10.9 percent increase in FY24, reflecting the global economic weakness.

Meanwhile, the Gross Value Added (GVA) growth for the current fiscal year is estimated to moderate at 6.4 percent versus 7.2 percent last year. The slowdown is visible across the sector and manufacturing is estimated to grow at 5.3 percent (down from 9.9 percent in FY24), mining at 2.9 percent (down from 7.1 percent in FY24), and the electricity sector at 6.8 percent (down from 7.5 percent in FY2024). Growth in the construction sector is also expected to slow to 8.6 from 9.9 percent in FY2024.

As per the first advance estimates, within the services sector, the trade, transport, and hotel industries are projected to grow at a slower pace of 5.8 percent, down from 6.4 percent in FY2024, reflecting reduced demand in the tourism and hospitality industry. The financial services sector is expected to record slightly slower growth at 7.3 percent in FY2025, compared to 8.4 percent in FY2024. On the contrary, growth in public administration is anticipated to increase to 9.1 percent, up from 7.8 percent in FY2024, in line with the expectation of a steady rise in government spending in the second half of the fiscal year. Agriculture growth is also expected to be robust at 3.8 percent in FY25, up from 1.4 percent in FY24, supported by higher rabi sowing.

While acknowledging the slowdown in growth during Q2FY2025, the RBI anticipates resilient growth in H2 FY2025 and FY2026, while emphasizing the need for caution (Figure1). Growth projections have been adjusted downward to account for the Q2 slowdown. For FY2025, the RBI expects growth at 6.6 percent, which is a downward revision of 60 basis points. Quarterly projections have also been revised downward, with the largest revision of 60 basis points occurring in Q3 FY2025. In Q4 FY2025, the RBI forecasts GDP growth at 7.2 percent, compared to the previous estimate of 7.4 percent, and for Q1 FY26, GDP growth is now estimated at 6.9 percent, a reduction of 40 basis points. Our GDP estimate stands at 6.6-6.8 percent, with expected impetus from the agriculture sector and

government capital expenditure (RBI, Minutes of December Monetary Policy Meeting, 2024). (Figure -1)

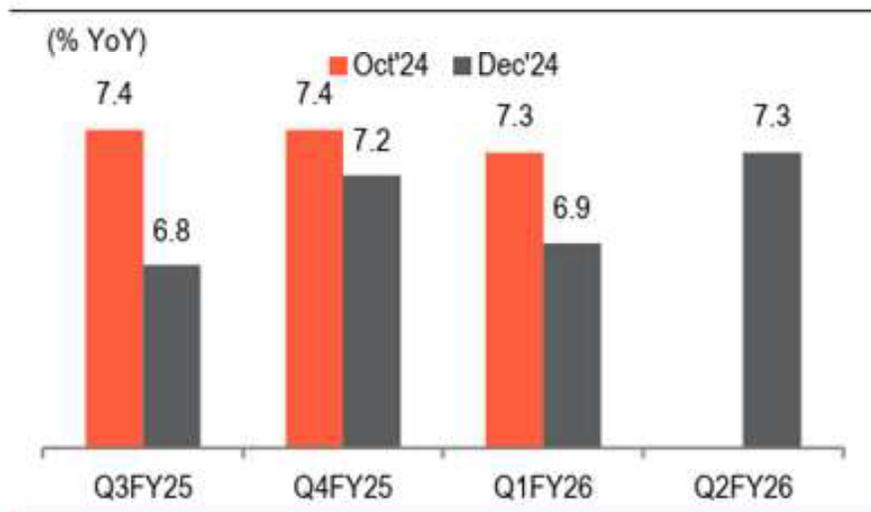
Inflationary pressures

The Consumer Price Index (CPI) in December exhibited a degree of softening from 5.5 percent to 5.2 percent, primarily driven by a favorable statistical base and a reduction in food inflation. The substantial decline in vegetable inflation contributed significantly to this easing. In addition to that, food inflation demonstrated a broad-based respite, attributable to seasonal factors. Core inflation remained largely contained below 4 percent, with most demand-driven sub-components experiencing a loss of momentum. Meanwhile, the fuel and light category continued to remain in deflation territory. However, within the

miscellaneous category, inflation in personal care items remained high at 9.7 percent. Looking ahead, the risks of food inflation are anticipated to be on the downside, as supply conditions have improved due to favorable weather and the arrival of the fresh winter harvest.

RBI has revised its inflation projections for FY2025 upward to 4.8 percent, from the earlier anticipated 4.5 percent (Figure 2). Inflation for Q3 is now estimated to be significantly higher at 5.7 percent, compared to the 4.8 percent projected in the October 2024 policy. For Q4 FY2025 and Q1 FY2026, inflation projections have been adjusted upward by 30 basis points to 4.5 percent and 4.6 percent, respectively. Inflation is expected to moderate to 4 percent only by Q2 FY2026. A favorable rabi season, along with the arrival of the

Figure 1: Growth projections by RBI



Source: RBI, monetary policy statement, December 2024

kharif harvest, is anticipated to alleviate price pressures in the near term. In addition to that, global prices of edible oils and vegetables have begun to soften as the seasonal impact diminishes. This development is also favorable for the inflation outlook. The central bank estimated that inflation will average between 4.7 and 4.8 percent in FY2025, assuming the absence of any new external or domestic shocks (Figure -2).

CRR reduction

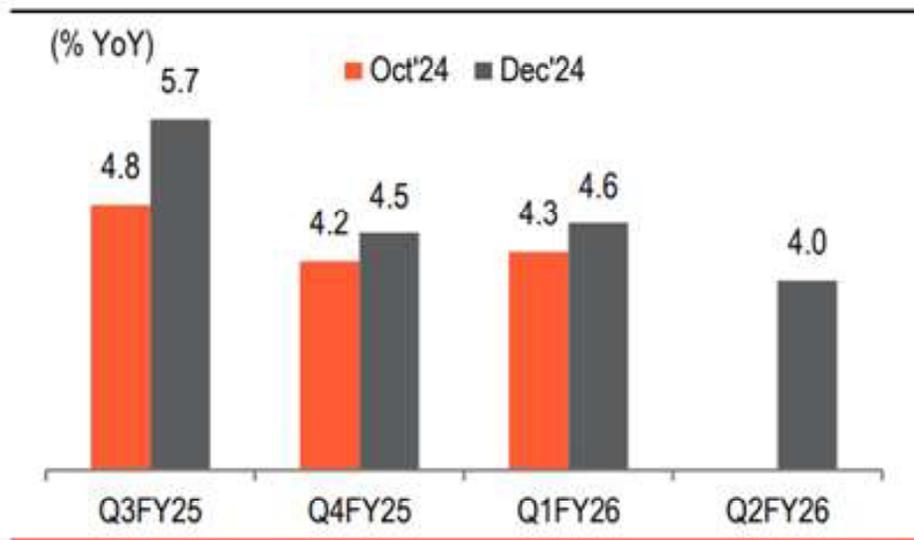
To alleviate the anticipated shortfall in system liquidity in the coming months, the Cash Reserve Ratio has been reduced from 4.5 to 4 percent of the NDTL. This adjustment will be implemented in two equal fortnightly tranches of 25 basis points each, commenced since December. It should be noted that the RBI had

previously increased the CRR to 4.5 percent in May 2022. This decision is expected to infuse approximately ₹1.16 lakh crores into the banking system, thereby mitigating the pressures on banks arising from advance tax payments.

Challenges from changing geopolitical landscapes

Challenges from the new global economic and financial settings created by geopolitical conflicts, geoeconomic fragmentation, and financial market volatility thwarted the disinflation efforts of the central banks of the Emerging Market Economies (EMEs). A central component of the United States President Donald Trump's economic agenda is the implementation of tariffs, which he perceives as a mechanism to safeguard US jobs, enhance tax revenue, and stimulate

Figure 2: Inflation estimates



Source: RBI, monetary policy statement, December 2024

economic growth. He has threatened to impose tariffs on China, Canada, and Mexico, commencing from his first day in office. Furthermore, Trump has proposed a 100 percent tariff on the BRICS nations should they endeavor to establish a currency that rivals the US dollar. These protectionism policies may drive inflation especially among the EMEs. Looser fiscal measures are anticipated to stimulate demand, thereby increasing consumer spending and business activity. On the supply side, tariffs and immigration restrictions could limit trade and reduce the availability of low-cost labor, resulting in negative supply shocks that may exacerbate price pressures. The combination of rising demand and shrinking supply is likely to reignite inflation, posing challenges for price stability across economies.

Conclusion

The latest policy delineates a departure from previous approaches, as the RBI placed greater emphasis on maintaining the balance between growth and inflation. In particular, enduring price stability was identified as a necessary precondition for sustainable growth. Additionally, the importance of the timing of appropriate policy actions was stressed, with an emphasis on being mindful of future

trajectories and avoiding reactive measures. A rebound in GDP growth is anticipated in the second half of FY2025. Concurrently, inflation has begun to moderate, with prices of essential commodities, particularly vegetables, returning to normal levels. As a result, a rate cut in February 2025 appears to be the most likely scenario, with an expected total reduction of 50-75 basis points in the current cycle.



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Harnessing port-led development: Strategic insights for vizhinjam seaport from global success stories

Geetha Rani V and Akhil M P

Abstract

Port-led development plays a pivotal role in boosting regional economies, facilitating trade, and fostering industrial growth. This article focuses on the Vizhinjam International Seaport, a strategic maritime infrastructure in Kerala, India, and explores its potential to transform the regional economy. By drawing lessons from globally successful countries such as China, Singapore and Colombo, the study identifies key strategies that can guide Vizhinjam's development into a thriving maritime hub. The study emphasizes critical success factors, including multi-modal transportation, logistics, supply chain networks, policy frameworks, and integration with hinterland development. The findings highlight actionable insights for policymakers and stakeholders to harness Vizhinjam's full potential and position it as a catalyst for India's maritime economy.

Keywords: *Port-led development, Vizhinjam Seaport, Transshipment hub, Economic growth, Trade connectivity*

1. Introduction

Ports are critical nodes in global trade networks, serving as gateways for the movement of goods, people, and services (Gu & Liu, 2023; Verschuur et al., 2021). Beyond their traditional role in logistics and transportation, modern ports have evolved into engines of economic growth and industrial development, driving regional prosperity and fostering international trade competitiveness (Lonza & Marolda, 2016; Mishrif et al., 2024; Munim & Schramm, 2018; Song, 2024). The concept of port-led development leverages the strategic

importance of ports to stimulate industrialization, infrastructure expansion, and socio-economic transformation (Hanson & Nicholls, 2020; Robinson, 2002; Verschuur et al., 2022).

Vizhinjam International Seaport, located along the southern coastline of Kerala, India, holds immense potential to become a key player in India's maritime economy. Its strategic position on the international shipping route, proximity to major trade hubs, and natural deep-water capabilities make it a promising candidate for global transshipment activities.

This paper explores the lessons learned from globally successful ports from countries such as China, Singapore and Colombo, offering strategic insights for the sustainable development of Vizhinjam Seaport. By analysing best practices and examining the challenges faced by leading ports, the study aims to provide a comprehensive framework for maximizing the seaport's potential and integrating it into India's broader blue economy ambitions.

As data from the United Nations Conference on Trade & Development (UNCTAD) shows, for international trade, India relies heavily on seaports. In 2022, Indian ports handled 19.7 million twenty-foot equivalent container units (TEUs), landing the country in the top 10 in container throughput worldwide. However,

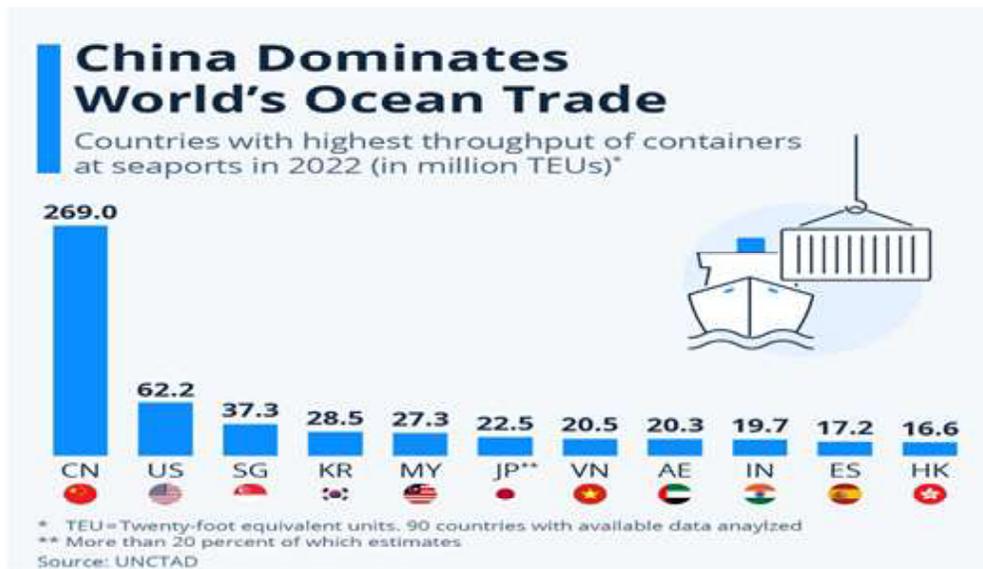
China remains at the top of the list with 269 million TEUs, owed largely to its thriving business of exporting electronics, fashion and other consumer goods. The rest of the list of countries and regions with the highest container throughput is also dominated by regions and countries in Asia. The only entrants in the top 11 not located on the Asian continent are the United States (62 million TEUs), the United Arab Emirates (20 million TEUs) and Spain (17 million TEUs) (Fig 1).

2. Lessons from major players

2.1 China's port development

China has capitalized on its strategic geographical location and role as one of the world's leading manufacturing regions over the last 40 years. China owns more than half

Figure 1 - Shows the countries with the highest throughput of containers.



of the world's top 50 ports. The rapid development of China's ports was vital to the country's impressive economic progress. The transport industry is a critical component of China's growth story because it serves as the backbone for growth drivers. During the period of rapid growth, China expanded its transportation system and infrastructure at unprecedented pace and size.

Between 1990 and 2021, China built more than 120,000 kilometers of railways, 130,000 kilometers of expressways, 3 million kilometers of highways, and 125,000 kilometers of navigable inland canal transportation. Gateway ports were critical to China's economic transition, which began with the expansion of coastal regions. 14 coastal communities began accepting foreign direct investment in 1984, with

gateway ports serving as the fulcrum of coastal economies (Fig 2). As a result, these cities experienced substantial economic development (Fig 3).

The sharp increase in both GDP per capita and China's share of world GDP from the mid-2000s onward suggests a period of rapid economic development and integration into the global economy. Furthermore, China's investments in coastal regions extended beyond the three major port groups-the Yangtze River Delta in the center, the Pearl River Delta in the south, and the Bohai Rim in the north-to the interior hinterland. As per the latest report by world Shipping council, China was indeed home to seven of the world's ten busiest ports, with major ports like Shanghai, Ningbo-Zhoushan, Shenzhen,

Figure 2 - Investment levels in China's port sector

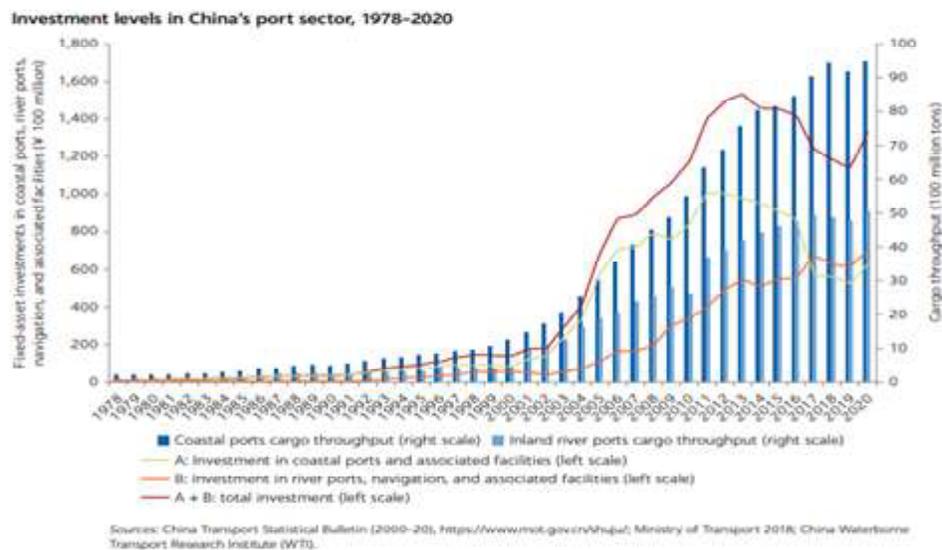
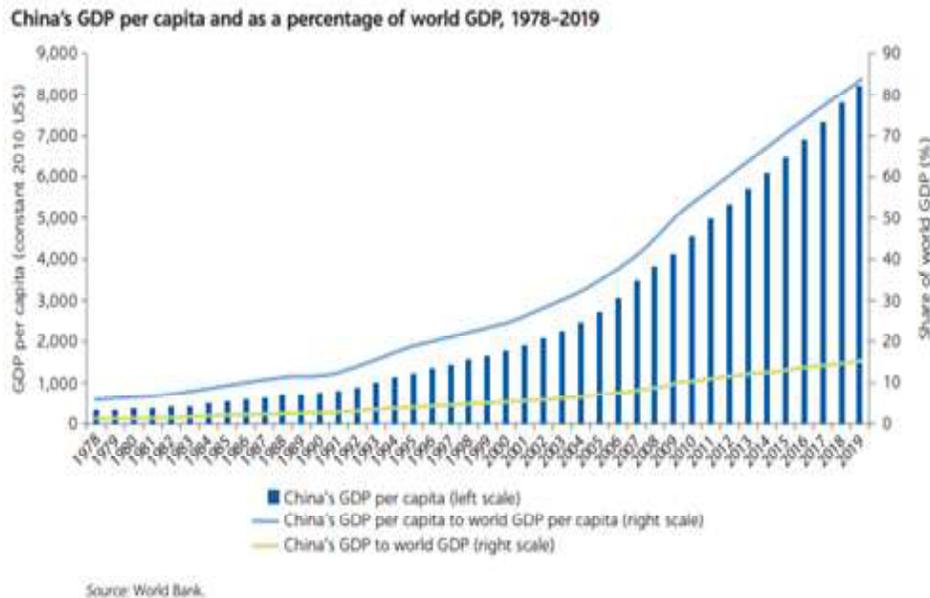


Figure 3 - China's GDP per capita (as a percentage of world GDP)

Guangzhou, Qingdao, Tianjin, and Hong Kong being included in this list. Along with other smaller ports on the coast and inland ports, the port system was critical to overall national economic growth and the spread of prosperity. (Bernard Aritua, 2022). Transferable lessons from China's experiences in accelerating economic advantages through strategic transportation infrastructure development.

- Holistic port development should take into account in the macroeconomic backdrop, which includes logistics, trade, and transportation. Connectivity between ports and their neighbouring cities and regions through multimodal transportation networks is very significant. Efficient port growth necessitates striking the appropriate

balance between central coordination and local initiative.

- Long-term port competitiveness is dependent on effective multimodal linkage with the hinterland. This process has resulted in the development of huge logistics and manufacturing clusters in the hinterland, with dependable and reasonably priced intermodal services to ports. A multimodal strategy should thus be included in planning for port-hinterland connectivity.
- Human capital development and innovation have the potential to significantly increase port productivity and efficiency. Rapid technological advancements in port operations have made port workers a more valuable

resource, necessitating ongoing investment in their training and professional development.

- Innovation in information technology has become another driver of efficiency at Chinese ports. New technology is resulting in significant efficiency benefits by coordinating the operations of numerous participants in port supply chains and allowing each worker to accomplish more.

2.2 Singapore's port development

Singapore's transformation into a global maritime hub offers valuable insights for Vizhinjam. Singapore invested heavily in port infrastructure, implemented efficient regulatory policies, and focused on transshipment. Singapore is known as "the premier global hub port". "The most technologically advanced and efficient shipbuilding and ship repair facilities in Southeast Asia", "Asia's largest

transshipment center", and "one of the world's largest bunkering ports", are all labels of the Port of Singapore. After being overtaken by Shanghai Port in 2005, the Singapore Port has steadily maintained its second position as the busiest port in the world, accounting for one-fifth of global freight trade. Due to its composite operations strategies, Singapore Port and its transshipment business have grown in importance to Singapore's economic and social development, contributing not only to about 7% of Singapore's GDP but also creating around 170,000 jobs.

As of 2023, Singapore's Gross Domestic Product (GDP) was distributed across various sectors as follows (Table-1).

The maritime sector which is a part of transportation & storage contributes approximately 7% of Singapore's GDP, making it a key pillar of the country's economy and establishing Singapore as a

Table 1 Gross domestic product across sectors

Sector	Percentage of Nominal GDP
Wholesale Trade	22.3%
Manufacturing	18.6%
Finance and Insurance	13.8%
Other Services Industries	10.0%
Information & Communications	6.6%
Transportation & Storage	6.4%
Professional Services	6.2%
Construction	4.4%
Administrative & Support Services	2.5%

Source: Economic Survey of Singapore 2023

major global maritime hub; this includes services like shipping, bunkering, and related maritime services. (Fig 4).

Singapore's expenditure on transport represents approximately 3-7% of its GDP; with the transportation and storage sector contributing around 17.9% to the overall GDP, highlighting the significant role of transport including the ports in the nation's economy. GDP from Transport in Singapore increased to 8.9K SGD Million in the third quarter of 2024 from 8.28K SGD Million in the third quarter of 2023.

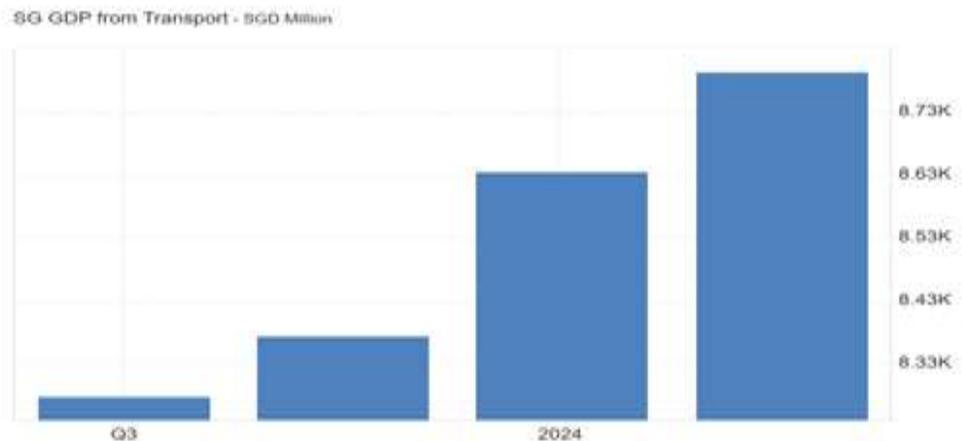
2.3 Colombo port- supremacy in Indian ocean transshipment market

A study was carried out by Container News to evaluate Colombo Port- Supremacy in Indian Ocean Transshipment Market. For the reason that of its advantageous location

along the main shipping route that connects the Middle East to East Asia, the analysis shows that Colombo Port continues to be the key transshipment hub in the Indian Ocean. For their cargo movements, a number of important international ports, including Chittagong, Yangon, Kolkata, Visakhapatnam, Chennai, Cochin, Mumbai, Karachi, and Fujairah, depend on Colombo as a major transshipment hub. However, important performance metrics including transshipment volumes and the Port Connectivity Index raise worries about a possible drop in transshipment volumes at Colombo Port, which has been linked to the development of Indian ports (Fig 5).

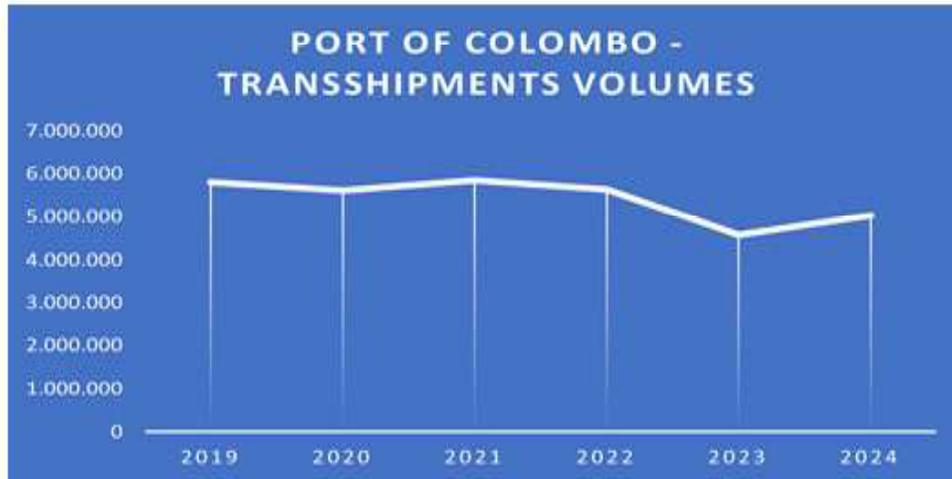
According to the data, Colombo saw consistent volume inflows, with a minor decline in 2022-2023 again rebounding in 2024.

Figure 4 : Singapore GDP from transport



Source: tradingeconomics.com | Statistics Singapore

Source: Tradingeconomics.com

Figure 5: Transshipment volume of Columbo port

Source: <https://container-news.com/>

Similar trends may be observed in the Port Connectivity Index, which increased in 2019, stabilized, and then declined in 2022-2023. There is a clear similarity between these two falls. Transshipment volumes and connectivity have both started to rise again by 2024. The Sri Lanka Ports Authority (SLPA) emphasizes that the current reduction in cargo handling is not specific to Colombo but has also impacted other ports abroad, attributing it to seasonal fluctuations as well as more general global economic and social issues (Fig 6).

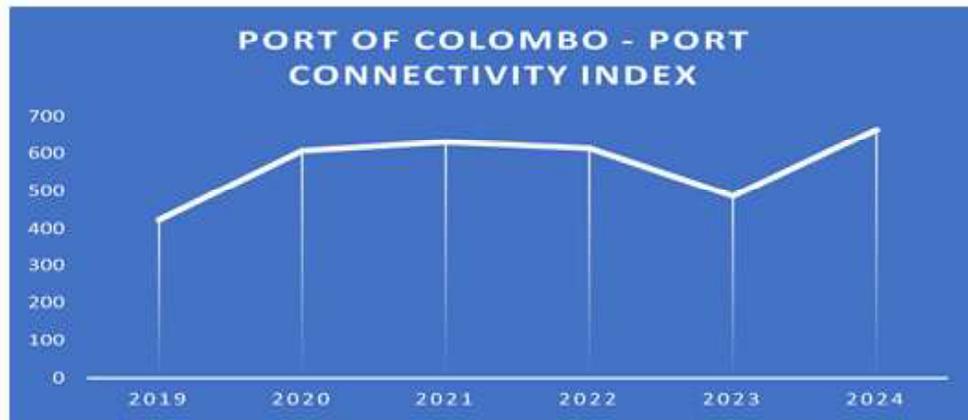
According to SLPA, changes in transshipment volumes should be considered in the broader framework of how global supply and demand dynamics impact ports all over the world.

3. Potential of Vizhinjam International Port

The port was authorized by the shipping ministry in April 2024 to function as India's

first transshipment port, in line with the country's ambition to become a major hub for global manufacturing, according to the Vizhinjam Port Authority. Adani Ports and SEZ (APSEZ), India's largest port operator, emphasizes that the port has cutting-edge infrastructure that can handle Megamax container ships and sophisticated technology for rapid vessel turnaround. With ambitions to grow to 6.2 million TEUs in subsequent phases, Vizhinjam was initially expected to handle one million TEUs per annum in Phase I of the project.

Remarkably, the Vizhinjam Seaport managed to accommodate 23 ships berthing in October 2024 alone, processing over 50,000 TEUs of container cargo. This brought the cumulative cargo throughput to 1.08 lakh TEUs as of November 2024. With the completion of the yard and the addition of a second berth, the port's monthly handling capacity is projected to

Figure 6: Port connectivity index of Colombo

Source: <https://container-news.com/>

increase to 0.5 lakh to 1 lakh TEUs starting next month. Furthermore, the port aims to achieve a significant total volume of 5 lakh TEUs in the current fiscal year, far surpassing the initial target of 60,000 TEUs. The exchequer has generated ₹7.4 crore in tax revenue during the trial run period by facilitating the berthing of 46 ships and handling over 1 lakh TEUs.

In the world of shipping, location is key. No port exemplifies this better than Vizhinjam, India's first deep-water container transshipment hub. It is only 10 nautical miles away from the east-west international route, close to two of the world's busiest shipping lanes - the Straits of Hormuz and Malacca - and has a natural draft of 20 m, sufficient to accommodate ultra-large container ships and mega crude carriers.

Reliance on foreign ports like Singapore, Colombo, and Jebel Ali will largely cease as Vizhinjam reaches its full capacity. Vizhinjam could reverse this trend by

enhancing the efficiency of other Indian ports and bringing back to Indian shores, as 85% of trans-shipment cargo that now passes through ports abroad. It is estimated that logistics accounts for 13-14% of India's GDP. A trans-shipment port within its shores will reduce India's logistics cost by about 4-6% (K M Chanrashekar,2024).

Vizhinjam Port's can develop into the Indian Ocean's primary transshipment hub. Vizhinjam's location at a key chokepoint allowed it to gain access to secondary routes, especially those coming from the quickly expanding Southeastern Asia region, as well as other important chokepoints like the Strait of Malacca, Bab el-Mandeb, and the Strait of Hormuz. Due to delays brought on by cargo congestion and work disruptions at Colombo Port, international shipping lines are becoming more interested in using the recently opened Vizhinjam Transshipment Terminal.

Around 75 per cent of India's container

traffic is gateway containers, which operate directly from the port of origin to the port of destination, while 25 per cent are transhipped enroute to the destination. Currently, nearly 75 per cent of India's transhipped cargo is handled by transshipment hub ports such as Colombo (and now, also, Hambantota), Singapore, Salalah (Oman), Jebel Ali (DP World's flagship port in Dubai), and Tanjung Pelepas and Port Klang (Malaysia). The Ports of Colombo, Singapore, and Klang handle more than 85 per cent of this cargo, with 45 per cent of this cargo handled at Colombo Port, according to Ministry data.

The dependence on foreign ports is a disadvantage for the economy. Indian ports lose up to \$200-220 Mn of potential revenues each year on transshipment handling of cargo either originating or destined for India. Transshipment adds to the cost incurred by the Indian industry. The transshipment cost also leads to higher logistics cost to the shipper, where the additional freight and handling cost get loaded to the overall cost. A good transshipment port in India would not only facilitate the movement of its own originating and destined traffic but also play a pivotal role in handling traffic along the major routes connecting India, such as traffic between the US/Europe and the Indian subcontinent, US/Europe and the Far East, and Africa and the Far East.

Out of this, Vizhinjam in Kerala have made headway in the direction of becoming transshipment hubs. It has adequate natural draft, which is crucial to getting large vessels and mother ships.

4. How vizhinjam international seaport contribute to economic growth?

With the capacity to accommodate megaships with a capacity of over 24,000 twenty-foot equivalent units (TEU) and more, the Vizhinjam International Deepwater Multipurpose Seaport is set to grow into one of India's biggest ports. Larger ships have been becoming more common in the world's maritime industry as of 2023, which has made ports that can handle them necessary. Vizhinjam has a competitive advantage due to its advantageous location close to the international shipping route and its 20-meter-deep draft.

Improving port infrastructure, incorporating advanced supply chain and logistics technologies, and creating effective multimodal transportation networks are all part of the development agenda. The port is expected to create significant economic advantages, including direct employment and indirect employment.

Additionally, the port's growth is in line with India's Sagarmala project, which promotes prosperity led by ports. Positive spillovers to the trade, manufacturing, and service sectors demonstrate that the economic influence goes beyond the maritime industry. In order to revolutionize the marine industry, the 20-year Sagarmala-2015 also aims to modernize ports and improve connectivity throughout the nation. Port modernization, port connectivity, port-led industrialization, coastal community development, and coastal shipping/inland water

transportation are the five pillars of "port-led development" that Sagarmala-2015 envisions. With nearly 600 kilometers of coastline, Kerala has to concentrate again on the growth and completion of Vizhinjam Seaport and related industries.

Spices, coir, rubber, seafood, tea, and coffee are the goods that Kerala exports in large quantities. The state can obtain direct access to global markets with the growth of Vizhinjam Seaport, which will drastically cut export transit times and logistics expenses.

In order to secure public investment in ports, hinterland development is essential. In order to create jobs and promote economic growth, attention may be directed toward port-connected industrial, marine clusters, smart industrial port cities, and industrial corridors. Plans for cross-sectoral programs and initiatives should be coordinated with departments and marketing organizations in the fields of industry, tourism, power, roads, and fishing, among others.

5. Port-led initiatives at Vizhinjam port vicinity

A. Develop multimodal transportation networks (road, rail, and air) to connect the port with key industrial hubs and metropolitan centers.

- i. Improve Road networks, including highways and feeder roads, to facilitate cargo transportation.
- ii. Rail Linkages: Expand the rail network to connect the port to national and international commerce routes.

- iii. Enhance air cargo facilities at Trivandrum International Airport.

B. Port-Related Industrial and SEZ Development

- i. Create Special Economic Zones (SEZs) to attract global manufacturing corporations in industries like as electronics, textiles, shipbuilding, and renewable energy.
- ii. Industrial Clusters: Establish clusters for high-value manufacturing, such as automobile components, shipbuilding, engineering, and food processing.
- iii. Shipbuilding and Marine Engineering: Encourage shipbuilding, port machinery manufacturing, and marine equipment production.

C. Logistics Hub and Warehousing.

- i. Set up logistics parks near ports for warehousing, cold storage, distribution hubs, and multimodal freight terminals.
- ii. Integrated Freight Handling: Create efficient logistical facilities for handling dry and perishable products.

D. Sustainable Energy Infrastructure.

- i. Green Port Technologies: Use energy-efficient and renewable energy sources like solar and wind to power port operations and nearby industrial areas.
- ii. Promote renewable energy manufacturing, including solar panels, wind turbines, and battery storage devices.
- iii. The United Nations (UN) and International Maritime Organization

(IMO) advocate methanol as an alternative fuel to reduce the use of fossil fuels and address climate change. As a result, there is a growing preference for ships powered by methanol. If Kerala can deliver methanol as an alternative fuel, Vizhinjam harbor might become a methanol bunkering hub. Kerala's high urban and agricultural trash may easily produce enough methanol to meet the demands of Vizhinjam's seaport. Vizhinjam seaport's methanol bunkering hub can boost India's international competitiveness.

E. Tourism and Coastal Development.

- i. Use Vizhinjam's coastline location to promote eco-tourism, resorts, and cruise tourism.
- ii. Cultural and Heritage Tourism: Promote Kerala's cultural heritage and boost tourism activities in the port region.

F. Enhancing Skills and Human Capital

- i. Vocational Training: Establish training facilities for port operations, logistics management, and specific industrial skills (e.g. shipbuilding, electronics).
- ii. Establish research and development centers for logistics, port technology, and green technologies.

Suggestive measures of union government towards development of vizhinjam port

The Union Government should provide significant support to the Vizhinjam Port project, both in terms of financial assistance and regulatory approvals after considering the strategic importance of this project to

the country as a whole. The assistance and support are required in the areas of:

" Viability Gap Funding (VGF): The Union Government has approved a VGF of ₹817.80 crore for the Vizhinjam Port project. This funding is part of the Scheme for Financial Support to Public Private Partnerships (PPP) in infrastructure projects. However, there has been a contentious issue regarding the repayment of this VGF. The Union Government has insisted that the Kerala government repay the VGF in Net Present Value (NPV) terms through premium sharing from the 15th year of port operations. This condition has been a point of contention between the state and the central government.

" Regulatory Approvals: The Shipping Ministry has approved Vizhinjam Port's operation as India's first transshipment port. This approval is crucial for the port's role in handling international cargo and enhancing India's position in global trade. The port is also expected to receive environmental clearance for its second and third phases of expansion by March 2025. This clearance is essential for the port's capacity expansion plans.

" Infrastructure Development: The Union Government needs to support infrastructure development around the port, including road and rail connectivity because a multimodal transport system is one of the key success factors in countries that are leading in port-led development. In addition, Kerala faces a significant

disadvantage of infrastructure cost disability. The cost is 3 times higher than the national average in terms of infrastructure development. These factors need to be taken care of by the Union government.

- " Strategic Importance: The Union Government must recognize the strategic importance of Vizhinjam Port in reducing India's reliance on foreign ports for transshipment. About 75% of India's transshipment cargo is currently processed at foreign ports like Colombo and Singapore. Vizhinjam Port aims to capture a portion of this market, thereby saving foreign exchange and boosting domestic economic growth.
- " Economic Impact: The port is expected to drive economic growth in Kerala and India by creating job opportunities, boosting tourism, and attracting foreign investments. The Union Government's support is aimed at maximizing these economic benefits and positioning Vizhinjam as a major hub in the global shipping and logistics sector.

6. Conclusion

Kerala's strategic location along international maritime routes offer immense potential for transforming the state into a prominent maritime hub. Adopting a port-led development strategy, with Vizhinjam Seaport at its core, can catalyze economic growth and position Kerala as a vital player in South Asia's trade and logistics landscape. Drawing inspiration from global port-centric models like those in China and Singapore, the focus should be on expanding and

modernizing port infrastructure to enhance trade connectivity and attract foreign investments.

The systematic development of ancillary industries, including shipbuilding, warehousing, and logistics services, can generate employment and foster regional economic activity. Furthermore, improving hinterland connectivity and integrating advanced technologies are essential steps to optimize port operations and supply chain efficiency.

By prioritizing Vizhinjam Seaport and aligning with national initiatives like Sagarmala, Kerala can unlock new opportunities in the maritime sector, strengthening its role in global trade networks and driving sustainable economic growth.

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GST updates

Meenu Mohan

GST council's recommendations for improved tax compliance measures and other rate adjustments: Clarifications on contentious issues, measures aimed at trade facilitation

The 55th GST Council meeting was held in Jaisalmer, Rajasthan on December 21st, 2024 under the chairmanship of the Union Finance & Corporate Affairs Minister Smt. Nirmala Sitharaman. The GST Council has inter-alia made the following recommendations relating to changes in GST rates on Goods and Services and other measures for facilitation of trade.

I. Recommendations of the 55th GST Council

GST Council recommends reduction in GST rate on Fortified Rice Kernel (FRK), classifiable under 1904, to 5%.

GST council also recommends to fully exempt GST on gene therapy.

GST Council recommends exemption of GST on contributions by general insurance companies from third-party motor vehicle premiums for Motor Vehicle Accident Fund.

GST Council recommends no GST on transaction of vouchers as they are neither supply of goods nor supply of services. The provisions related to vouchers is also being simplified.

GST Council clarifies that no GST is payable on 'penal charges' levied and collected by banks and NBFCs from borrowers for non-compliance with loan terms.

GST Council recommends reduction of payment of pre-deposit for filing an appeal before the Appellate Authority in respect of an order passed which involves only penalty amount.

Jaisalmer, Rajasthan, 21st December 2024

The 55th GST Council met under the Chairpersonship of Union Minister for Finance & Corporate Affairs Smt. Nirmala Sitharaman in Jaisalmer, Rajasthan, today.

The meeting was also attended by Union Minister of State for Finance Shri Pankaj Chaudhary, Chief Ministers of Goa, Haryana, Jammu and Kashmir, Meghalaya and Odisha; Deputy Chief Ministers of Arunachal Pradesh, Bihar, Madhya Pradesh, and Telangana; besides Finance Ministers of States & UTs (with legislature) and senior officers of the Ministry of Finance & States/ UTs.

The GST Council *inter-alia* made the following recommendations relating to changes in GST tax rates, provide relief to individuals, measures for facilitation of trade and measures for streamlining compliances in GST.

A. Changes in GST rates of goods

Goods

1. To reduce the GST rate on Fortified Rice Kernel (FRK), classifiable under 1904, to 5%.
2. To exempt GST on gene therapy.
3. To extend IGST exemption to systems, sub-systems, equipment, parts, sub-parts, tools, test equipment, software meant assembly/manufacture of LRSAM system under Notification 19/2019- Customs.
4. To reduce the rate of Compensation Cess to 0.1% on supplies to merchant exporters at par with GST rate on such supplies.
5. To exempt from IGST imports of all equipment and consumable samples by Inspection Team of the International Atomic Energy Agency (IAEA) subject to specified conditions.
6. To extend the concessional 5% GST rate on food inputs of food preparations under HSN 19 or 21 that are supplied for food preparations intended for free distribution to economically weaker sections under a government program subject to the existing conditions.

Services

1. To bring supply of the sponsorship services provided by the body corporates under Forward Charge Mechanism.
2. To exempt GST on the contributions made by general insurance companies from the third-party motor vehicle premiums collected by them to the Motor Vehicle Accident Fund, constituted under section 164B of the Motor Vehicles Act, 1988. This fund is constituted for providing compensation/ cashless treatment to the victims of road accidents including hit and run cases.
3. To omit the definition of declared tariff and suitably amend the definition of specified premises (from the services rate and exemption notifications) to link it with actual value of supply of any unit of accommodation provided by the hotel and to make the rate of GST applicable on restaurant services in such hotels, for a given financial year, dependent upon the 'value of supply' of units of accommodation made in the preceding financial year, i.e. 18% with ITC if the 'value of supply' exceeded Rs. 7,500 for any unit of accommodation in the preceding financial year, and 5% without ITC otherwise. Further, to give an option to pay tax on restaurant service in hotels at the rate of 18% with ITC, if the hotel so chooses, by giving a declaration to that effect on or before

the beginning of the financial year or on obtaining registration. The above changes to be made effective from 01.04.2025 to avoid any transition difficulties.

4. To exclude taxpayers registered under composition levy scheme from the entry at Sr. No. 5AB introduced vide Notification No. 09/2024-CTR dated 08.10.2024 vide which renting of any commercial/immovable property (other than residential dwelling) by unregistered person to registered person was brought under reverse charge mechanism. Further, to regularize the period from the date when the notification No. 09/2024-CTR dated 08.10.2024, became effective i.e. from 10.10.2024 till the date of issuance of the proposed notification on "as is where is" basis.

Other changes relating to goods and services

1. To increase the GST rate from 12% to 18 % on sale of all old and used vehicles, including EVs other than those specified at 18% -Sale of old and used petrol vehicles of engine capacity of 1200 cc or more & of length of 4000 mm or more; diesel vehicles of engine capacity of 1500 cc or more & of length of 4000 mm and SUVs. [Note: *GST is applicable only on the Value that represents Margin of the Supplier, that is, the difference between the Purchase price and Selling price (depreciated value if depreciation is claimed) and not on the value of the vehicle. Also,*

it is not applicable in case of unregistered persons.]

2. To clarify that Autoclaved Aerated Concrete (ACC) blocks containing more than 50% fly ash content will fall under HS 6815 and attract 12% GST.
3. To clarify that pepper whether fresh green or dried pepper and raisins when supplied by an agriculturist is not liable to GST.
4. To amend the definition of 'pre-packaged and labelled' to cover all commodities that are intended for retail sale and containing not more than 25 kg or 25 litre, which are 'pre-packed' as defined under the Legal Metrology Act, or a label affixed thereto is required to bear the declarations under the provisions of the Act and rules.
5. To clarify that ready to eat popcorn which is mixed with salt and spices are classifiable under HS 2106 90 99 and attracts 5% GST if supplied as other than pre-packaged and labelled and 12% GST if supplied as pre-packaged and labelled. However, when popcorn is mixed with sugar thereby changing its character to sugar confectionary (eg caramel popcorn), it would be classifiable under HS 1704 90 90 and attract 18% GST. It has been decided to regularise the issues for the past on "as is where is" basis. (Note: *There is no new imposition of any tax in this regard and is merely a clarification as certain field units were demanding*

different tax rates on the same. Therefore, it is a clarification being recommended by the GST Council to settle the disputes arising out of interpretation.)

6. To clarify that the Explanation in Sl. No. 52B in notification No. 1/2017- Compensation Cess (Rate) dated 28.6.2017 regarding ground clearance is applicable with effect from 26.07.2023.
7. To clarify that RBI regulated Payment Aggregators are eligible for the exemption under entry at Sl. No. 34 of notification No. 12/2017-CT(R) dated 28.06.2017 since they fall within the ambit of 'acquiring bank' as defined in the said entry. To also clarify that this exemption does not cover payment gateway (PG) and other fintech services which do not involve settlement of funds.
8. To clarify that no GST is payable on the 'penal charges' levied and collected by banks and NBFCs from borrowers for non-compliance with loan terms.

B. Measures for facilitation of trade

1. Amendment in Schedule III of CGST Act, 2017

- To insert clause (aa) in paragraph 8 of Schedule III of the CGST Act, 2017 w.e.f. 01.07.2017, to explicitly provide that supply of goods warehoused in a Special Economic Zone (SEZ) or Free Trade Warehousing Zone (FTWZ) to any

person before clearance of such goods for exports or to the Domestic Tariff Area, shall be treated neither as supply of goods nor as supply of services.

- This brings transactions relating to supply of goods warehoused in SEZ/ FTWZ at par with the existing provision in GST for transactions in Customs bonded warehouse.

2. Issues pertaining to taxability of vouchers

In a significant move to address long-standing concerns regarding the taxability of vouchers under GST, the GST Council made the following recommendations:

- i. To omit sections 12(4) and 13(4) from CGST Act, 2017 and rule 32(6) from CGST Rules, 2017 to resolve ambiguities in the treatment of vouchers.
- ii. To issue clarification on the following issues:
 - a. Transactions in vouchers shall be treated neither as a supply of goods nor as a supply of services.
 - b. Distribution of vouchers on principal-to-principal basis shall not be subject to GST. However, where vouchers are distributed on principal-to-agent basis, the commission/fee or any other amount charged by the agent for such distribution is taxable under GST.
 - c. Additional services such as advertisement, co-branding,

marketing and promotion, customization and technology support, customer support etc. related to vouchers would be leviable to GST on the amount paid for these services.

- d. Unredeemed vouchers (breakage) would not be considered as supply under GST and no GST is payable on income booked in the accounts in respect of breakage.

3. Issuance of clarifications through the circulars to remove ambiguity and legal disputes in certain issues.

- To issue circulars to provide clarity in the following issues due to varied interpretations by the field formations:
 - i. Clarification regarding requirement of reversal of Input Tax Credit by electronic commerce operators in respect of supplies made under section 9(5) of CGST Act, 2017: The GST Council recommended that no proportional reversal of ITC under section 17 (1) or section 17 (2) of CGST Act, 2017 is required to be made by the ECO in respect of supplies for which they are required to pay tax under section 9(5) of CGST Act, 2017.
 - ii. Clarification on availability of Input Tax Credit as per section 16(2)(b) of CGST Act, 2017 in respect of goods which have been delivered by the supplier at his (supplier's) place of business : The GST Council recommended to clarify that in an

Ex-Works contract, where goods are delivered by the supplier to the recipient or a transporter at the supplier's place of business, and the property in goods transfers to the recipient at that point, the goods are considered to be "received" by the recipient under section 16(2)(b) of CGST Act, 2017 and the recipient may claim Input Tax Credit (ITC) on such goods, subject to the conditions outlined in Sections 16 and 17 of the CGST Act, 2017.

- iii. Clarification regarding applicability of late fee for delay in furnishing of FORM GSTR-9C and providing waiver of late fee on delayed furnishing of FORM GSTR-9C for the period from 2017-18 to 2022-23:
 - a. The GST Council recommended to clarify through a circular that the late fee under Section 47(2) of the CGST Act, 2017 is leviable for the delay in filing the complete annual return under Section 44 of the CGST Act, 2017, which includes both FORM GSTR-9 (Annual Return) and FORM GSTR-9C (Reconciliation Statement), where applicable.
 - b. For the annual returns pertaining to the period 2017-18 to 2022-23, the GST Council also recommended to issue notification under section 128 of CGST Act, 2017 for waiver of the amount of late fee for delayed filing of FORM GSTR-9C, which is in excess of the amount of late

fee payable till the date of filing of FORM GSTR-9 for the said financial years, provided the said FORM GSTR-9C is filed on or before 31st March 2025.

C. Measures for streamlining compliances in GST

1. Insertion of new provision for track and trace mechanism

- To insert an enabling provision in CGST Act, 2017 through Section 148A so as to empower the Government to enforce the Track and Trace Mechanism for specified evasion prone commodities.
- The system shall be based on a Unique Identification Marking which shall be affixed on the said goods or the packages thereof. This will provide a legal framework for developing such a system and will help in implementation of mechanism for tracing specified commodities throughout the supply chain.

2. Clarification regarding recording of correct details of name of the State of the un-registered recipient as well as correct declaration of place of supply in respect of supply of 'Online Services'

- To clarify that in respect of supply of 'Online Services' such as supply of online money gaming, OIDAR services, etc. to unregistered recipients, the supplier is required to mandatorily record the name of the State of the unregistered

recipient on the tax invoice and such name of State of recipient shall be deemed to be the address on record of the recipient for the purpose of section 12(2)(b) of IGST Act, 2017 read with proviso to rule 46 (f) of CGST Rules, 2017

D. Other measures pertaining to law & procedure

1. Amendment in section 17(5) (d) of CGST Act, 2017

- To align the provisions of section 17(5)(d) of CGST Act, 2017 with the intent of the said section, the Council has recommended amending section 17(5)(d) of CGST Act, 2017, to replace the phrase "plant or machinery" with "plant and machinery", retrospectively, with effect from 01.07.2017, so that the said phrase may be interpreted as per the Explanation at the end of section 17 of CGST Act, 2017.

2. Amendment in section 107 and section 112 of CGST Act, 2017 to provide for payment of pre-deposit for filing an appeal in respect of an order passed which involves only penalty amount.

- To amend the proviso to section 107(6) of CGST Act, 2017 providing for payment of pre-deposit at 10% instead of 25 % for filing appeals before Appellate Authority in cases involving only demand of penalty without involving the demand of tax.

- To insert a new proviso to section 112(8) of CGST Act, 2017 providing for payment of pre-deposit at 10% for filing appeals before Appellate Tribunal in cases involving only demand of penalty without involving the demand of tax.

3. Amendment in section 2(69) of CGST Act, 2017 to insert an Explanation regarding definitions of Local Fund and Municipal Fund:

- To amend clause (c) of section 2(69) of CGST Act, 2017 and to insert an Explanation under the same to provide for definitions of the terms 'Local Fund' and 'Municipal Fund' used in the said clause.

4. Amendment in provisions pertaining to Input Services Distributor (ISD) mechanism under CGST Act, 2017 and CGST Rules, 2017

- To amend Section 2(61) and Section 20(1) of the CGST Act, 2017 to explicitly include inter-state RCM transactions under the ISD mechanism by including reference to supplies subject to tax under section 5(3) and 5(4) of IGST Act, 2017 in the said provisions.
- Consequentially, to amend section 20(2) of CGST Act, 2017 and rule 39(1A) of the CGST Rules, 2017.
- These, amendments in CGST Act, 2017 are to be made effective from 01.04.2025.

5. Provision for grant of Temporary Identification Number by Tax

Officers to persons, not liable to be registered otherwise

- To insert new rule 16A in CGST Rules, 2017 to provide for a separate provision for generation of temporary identification number for persons, who are not liable to be registered under CGST Act, 2017 but are required to make any payment as per rule 87(4) of CGST Rules, 2017.
- To amend Rule 87 (4) of CGST Rules, 2017 incorporating a reference to the new Rule and consequential modification of FORM GST REG-12.

6. Amendment in the field 'category of registered person' for taxpayers who opted for composition levy through FORM CMP-02

- To amend sub-rule (1) of rule 19 of CGST Rules, 2017 to include reference to FORM GST CMP-02 in the said rule to allow the taxpayers to modify their "category of registered person" in Table 5 of FORM GST CMP-02 through FORM GST REG-14.

7. Amendment in CGST Act, 2017 and CGST Rules, 2017 in respect of functionality of Invoice Management System (IMS)

- The GST Council recommended inter-alia-
 - To amend section 38 of CGST Act, 2017 and rule 60 of CGST Rules, 2017 to provide a legal framework

in respect of generation of FORM GSTR-2B based on the action taken by the taxpayers on the Invoice Management System (IMS).

- ii. To amend section 34(2) of CGST Act, 2017, to specifically provide for requirement of reversal of input tax credit as is attributable to a credit note, by the recipient, to enable the reduction of output tax liability of the supplier.
- iii. To insert a new rule 67B in CGST Rules, 2017, to prescribe the manner in which the output tax liability of the supplier shall be adjusted against the credit note issued by him.
- iv. To amend section 39 (1) of CGST Act, 2017 and rule 61 of CGST Rules, 2017 to provide that FORM GSTR-3B of a tax period shall be allowed to be filed only after FORM GSTR-2B of the said tax period is made available on the portal.

E. Other measures:

The GST Council approved the recommendation of the committee of officers suggesting measures for the various issues raised by the States in **respect of issues pertaining to IGST settlement** and asked the committee to conclude the desired changes by March, 2025.

- The GST Council took note of the procedural rules proposed for the internal functioning of the GSTAT, which would be notified after examination by the Law

Committee. This would help in operationalization of the GSTAT.

- The Council also decided to extend the time frame for the Group of Ministers on the restructuring of the GST Compensation till 30th June, 2025.
- On the request of State of Andhra Pradesh the Council recommended that a Group of Ministers be constituted to examine the legal and structural issues, and recommend a uniform policy on imposition of levy in case of a natural disaster/calamity in the State.

The issue of whether charges collected by municipalities for granting FSI including additional FSI, chargeable to GST on reverse charge basis was brought up in the Council. The matter was deferred for further examination on the behest of the Central Government on the ground that this amount relates to Municipalities or local authority.

Note: *The recommendations of the GST Council have been presented in this release containing major item of decisions in simple language for information of the stakeholders. The same would be given effect through the relevant circulars/ notifications/ law amendments which alone shall have the force of law.*

2. GST Revenue Collection from October to December 2024

According to the detailed advisory provided on the GST portal, the gross

monthly GST collection for October 2024 is Rs.1,87,346 crores, compared to Rs.1,73,240 crores the previous month. It represents an 8.9% year-on-year growth rate, up from 6.5% the previous month and the second largest collection in the year. The monthly GST collections for November 2024 indicate an 8.5% year-on-year growth. As per the report in the GST Network, the gross monthly GST collection stands at Rs. 1,76,857 crores in the month of December 2024. This shows only 7.3 per cent year-on-year growth in the month of December 2024.

When compared to the GST collection in October 2023, in which the total GST collection stood at Rs 1.72 lakh crore. Now in October 2024, it shows a yearly jump of 8.9 percent. Similar trend has been shown in the case of GST collection in the month of November 2024 in which the previous year collection was Rs 1,67,929 Crore in November of 2023. The gross goods and services tax (GST) collections for December 2024 stood at Rs. 1,76,857 crore, marking a 7.3% year-on-year

growth compared to Rs. 1,66,882 crore in December 2023.

In case of state GST Collection for the month of October, the previous months' trends already continue in which the state of Maharashtra is in the leading position. States like Karnataka, Gujarat, Tamil Nadu, Haryana, and Uttar Pradesh are occupying the next positions in GST Collection in October 2024. States like Ladakh, Kerala, and Puducherry are showing around 30% growth in the GST collection when compared with the previous year month. Similar trends are also evident in the case of November 2024. Maharashtra is in the leading position and Lakshadweep, Sikkim, and Puducherry, which showed a 20-30% growth rate compared to November 2023. Gujarat, Chandigarh, Haryana, Tripura, Meghalaya, and West Bengal are also having a 15-17% growth when compared to the previous year. In the case of December 2024, the same position is maintained by the state of Maharashtra which is followed by Karnataka, Gujarat, Tamil Nadu, and Uttar Pradesh (Table-1&2) (Chart-1&2).

Table 1: GST Collection in October to December 2024 (Rs. in Crores) in India

Month	CGST	SGST	IGST	CESS (excluding Imported goods)
October 24	31,300	38,717	85,969	12,055
November 24	31,815	39,809	78,436	12,950
December 24	29,930	36,845	75,588	12,003

Chart 1: Comparison of GST Revenue in October-December 2024 (Rs. in Crores) in India

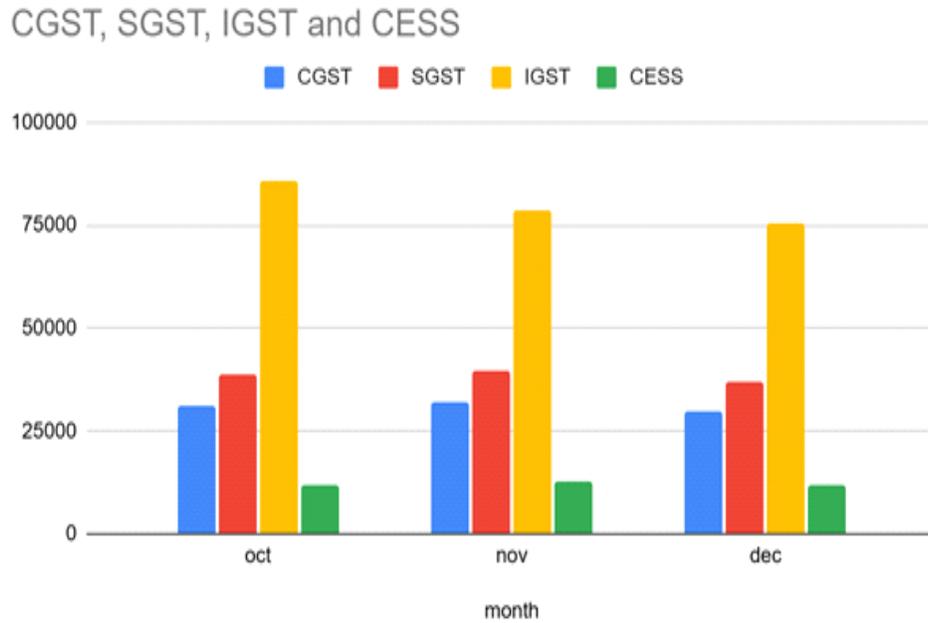
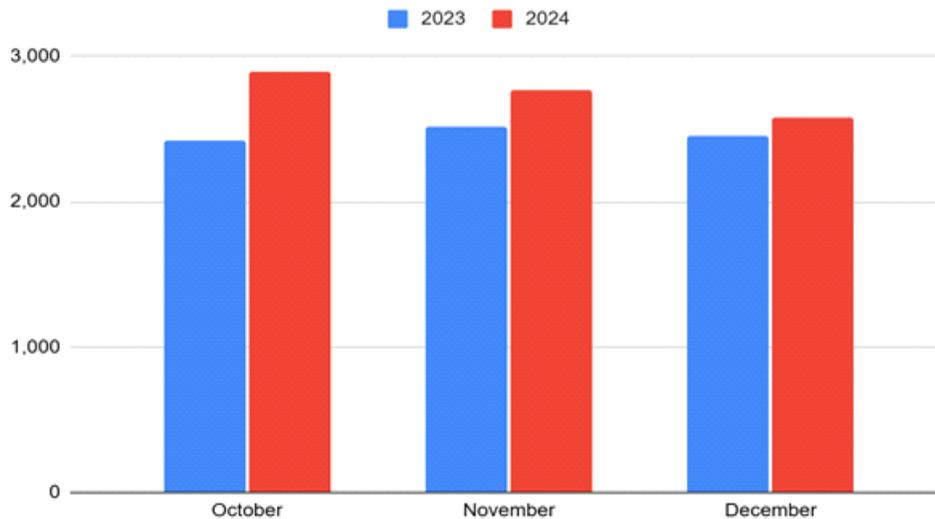


Table - 2 GST collection in Kerala during October-December 2024 (Rs. in Crores) in comparison with previous year months

Months	2023	2024	Growth Rate
October	2,418	2,896	19.77
November	2,515	2,763	9.86
December	2,458	2,575	4.76
Total	7,391	8,234	11.41

Chart 2: GST Revenue of Kerala During October-December 2024 (Rs. in Crores) in comparison with previous year months



3. Other Important Updates

- Union Minister of State for Finance Shri Pankaj Chaudhary inaugurated the state-of-the-art Goods and Services Tax (GST) office building in Nangal Raya, Delhi. Representing a significant milestone in the government's commitment to improve tax administration and enhance public service, this new facility will serve as the official complex for various CGST Delhi formations.
- On 1st December 2024, The Government officially released the GST collection report for November 2024 on the GST Portal.

- DRC-03A is newly introduced on the GST portal for taxpayers to adjust the amount paid through FORM GST DRC-03 against the order of demand.

4. Notifications and Circulars in the month of October to December 2024

In case of reverse charge supplies, self-invoice is required to be issued within 30 days from the date of receipt of goods/services.

Rule 47A is inserted in the CGST Rules to provide that in case of reverse charge supplies, self-invoice is required to be issued within 30 days from the date of receipt of goods/services. Rules 89(4A), 89(4B) and 96(10) have been omitted.

The said rules restricted refunds in relation to exports where benefit/exemption was availed on inward supplies under specified notifications. Procedure and conditions for closure of proceedings under section 128A in respect of demands issued under Section 73, the following rule shall be inserted with effect from the 1st day of November, 2024. Any person who is eligible for waiver of interest, or penalty, or both, in respect of orders mentioned in clauses (b) and (c) of sub-section (1) of section 128A, may file an application electronically in FORM GST SPL 02 on the common portal within a period of three months from the date notified under sub-section (1) of section 128A. An application must be filed on Form GST DRC-03, which must also include details of the tax payment made towards the tax demanded. The application must be filed within three months from the specified date. Where the notice or order relates both to the period covered under the amnesty scheme (FY 2017-18 to FY 2019-20) and other period(s), the application can be filed only after making payment of the full amount of tax demanded in the relevant notice or order. The balance of interest and penalties for the other period(s) must be paid within three months from the date of issue of the final order. If the amount is not paid within the prescribed period, the waiver granted under the scheme will become void. Where the proper officer is satisfied that the applicant is eligible under the amnesty scheme, an order accepting the application and concluding the proceedings will be issued. If the taxpayer

is not eligible for the scheme, a notice giving reasons for the rejection will be issued. The taxpayer may file a reply to the notice issued by the proper officer. The final order must be issued by the proper officer within three months from the date of filing the application. However, where a notice is issued to the taxpayer, the final order must be issued within three months from the date of receipt of the taxpayer's reply, or within four months from the date of issuance of the notice where the taxpayer does not reply. If the order is not passed within the prescribed time limit, the application will be deemed to be approved and the proceedings deemed to be concluded.

Source: Notification No 20/2024 Central Tax dated 08-10- 2024

Process for Waiving Penalty and Interest on Tax Demands under Section 73

The Central Board of Indirect Taxes and Customs (CBIC) is specifying the procedure and prerequisites for the exemption of interest, penalty, or both, concerning tax demands u/s 73 of the Central Goods and Services Tax (CGST) Act. For the Fiscal years 2017-18, 2018-19, and 2019-20 the same exemption has been applied to the registered assesseees. For the mentioned financial years, the taxpayers can now claim the exemptions on interest or penalty or both towards the tax demands raised u/s 73 of the CGST Act. The due date to make the needed tax payments is March 31, 2025, for the registered individuals who have been issued a notice, statement, or order u/s

128A. For the assessee whose matter engages a notice furnished u/s 74 and needs redetermination of tax via the proper officer, the duration of exemption shall extend to 6 months from the date of the redetermination order furnished u/s 73.

Source: Notification No. 21/2024-Central Tax dated 08-10-2024

Special procedure for rectification of orders concerning the wrong availment of Input Tax Credit (ITC)

This is applicable to the taxpayers, who have been issued an order under Sections 73, 74, 107, or 108 of the CGST Act confirming the demand for wrongly availed ITC due to a contravention of Section 16(4). They can only apply for rectification if the ITC is now available for claim under Sections 16(5) or 16(6) or no appeal has been filed against the order. The taxpayer needs to submit the following details electronically, including the GSTIN, Legal Name, and Trade Name of the taxpayer. The tax officer who issued the original order will review the application. They must make a decision within three months from the date of receipt of the rectification application. If the application is approved, issue a rectified order.

Source: Notification No. 22/2024-Central Tax dated 08-10-2024

Waiver of late fee for late filing of NIL FORM GSTR-7

From 1 November 2024, late fee on delayed filing of NIL GSTR-7 (TDS return) is waived. Also, for the period

June 2021 onwards, the quantum of late fee is revised. Further this notification reduced the reducing late fees to ₹25 per day for delays since June 2021, capped at ₹1,000 per month. The waiver extends to Nil TDS returns, encouraging compliance and easing financial burdens on taxpayers.

Source: Notification No. 23/2024-Central Tax dated 08-10-2024

Amended Notification No. 5/2017-Central Tax dated 19.06.2017

In exercise of the powers conferred by sub-section (2) of section 23 of the Central Goods and Services Tax Act, 2017 (12 of 2017), the Central Government, on the recommendations of the Council, hereby makes the following amendments in the notification of the Government of India, Ministry of Finance (Department of Revenue) No. 5/2017- Central Tax, published in the Gazette of India, Extraordinary, Part II, section 3, sub-section (i) vide number G.S.R. 607(E), dated the 19th June, 2017. In the said notification, after the opening paragraph, the following proviso shall be inserted, namely:- "Provided that nothing contained in this notification shall apply to any person engaged in the supply of metal scrap, falling under Chapters 72 to 81 in the first schedule to the Customs Tariff Act, 1975 (51 of 1975)". This notification shall come into force with effect from the 10th day of October, 2024.

Source: Notification No. 24/2024-Central Tax dated 09-10-2024

Notification for the exclusion of suppliers of metal scrap

CBIC brings about a major change with regard to metal scrap suppliers. Suppliers who furnish metal scrap covered under Chapters 72 to 81 of the Customs Tariff Act, 1975, are exempt from the previous notification's conditions under this new notification. The action follows the GST Council's recommendations and is part of the larger GST framework revisions. The goal is to simplify the taxes of the metal scrap industry in accordance with recent rulings by the GST Council, which also established provisions for the industry's Reverse Charge Mechanism (RCM) and Tax Deducted at Source (TDS).

Source: Notification No. 25/2024-Central Tax dated 09-10-2024

Extension of due date for filing of return in FORM GSTR-3B for the month of October, 2024 for the persons registered in the state of Maharashtra and Jharkhand.

The CBIC, on the recommendations of the Council, extends the due date for furnishing the return in FORM GSTR-3B for the month of October, 2024 till the twenty-first day of November, 2024, for the registered persons whose principal place of business is in the state of Maharashtra and Jharkhand and are required to furnish return under sub-section (1) of section 39 read with clause (i) of sub-rule (1) of rule 61 of the Central Goods and Services Tax Rules, 2017.

Source: Notification No. 26/2024-Central Tax dated 18-11-2024

Updated the Jurisdiction and powers of the Principal Commissioners of Central Tax across India

Revised the Table V of the earlier Notification No. 02 of 2017 of Central Tax dated 19th June 2017. The updated Table provides information regarding the Jurisdiction and powers of the Principal Commissioners of Central Tax across India. This clearly mentions their authority to issue orders or decisions on notices issued by the officers of Directorate General of Goods and Services Tax Intelligence under Sections 67, 73, 74, 76, 122, 125, 127, 129 and 130 of Central Goods and Services Tax Act 2017. These changes will be applicable to places including Ahmedabad South, Bengaluru East, Bhopal, Bhubaneswar, Chandigarh, Chennai South and others.

Source: Notification No. 27/2024-Central Tax dated 25-11-2024

Appointment of common adjudicating authority for Show cause notices issued by DGGI

CBIC appoints the Common Adjudicating Authority to adjudicate show cause notices issued by DGGI to the notice mentioned in the said notification under sections 73, 74, 122, 125 and 127 of Central Goods and Services Tax Act 2017. Joint Commissioner or Additional Commissioner, Central Goods and Services Tax and Central Excise Thane Commissionerate [holding the charge of Adjudication of DGGI cases] will be in charge of such authority as per the notification.

Source: Notification No. 28/2024-Central Tax dated 27-11-2024

Extend the due date for furnishing FORM GSTR-3B for the month of October, 2024 for registered persons whose principal place of business is in the State of Manipur

By exercising the powers conferred under Section 39(6) of the Central Goods and Services Tax Act, 2017, the Commissioner, on the recommendations of the Council, extends the due date for furnishing the return in FORM GSTR-3B for the month of October, 2024 till the thirtieth day of November, 2024, for the registered persons whose principal place of business is in the State of Manipur and are required to furnish return under sub-section (1) of section 39 read with clause (i) of sub-rule (1) of rule 61 of the Central Goods and Services Tax Rules, 2017. This will come into effect from the 20th day of November, 2024.

Source: Notification No. 29/2024-Central Tax dated 27-11-2024

Extend the due date for furnishing FORM GSTR-3B for the month of October, 2024 for registered persons whose principal place of business is in the district of Murshidabad in the state of West Bengal

The Commissioner, on the recommendations of the Council, extends the due date for furnishing the return in FORM GSTR-3B for the month of October, 2024 till the eleventh day of December, 2024, for the registered persons whose principal place of business is in the district of Murshidabad in the state of West Bengal and are

required to furnish return under sub-section (1) of section 39 read with clause (i) of sub-rule (1) of rule 61 of the Central Goods and Services Tax Rules, 2017. This will come into effect from the 20th day of November, 2024.

Source: Notification No. 30/2024-Central Tax dated 10-12-2024

Further appointment of common adjudicating authority for Show cause notices issued by officers of DGGI

Through the notification on 13th December 2024, the CBIC appoints further more Common Adjudicating Authority to adjudicate show cause notices issued by DGGI to the notice mentioned in the said notification under sections 73, 74, 122, 125 and 127 of Central Goods and Services Tax Act 2017. Joint Commissioner or Additional Commissioner, Central Goods and Services Tax and Central Excise Thane Commissionerate [holding the charge of Adjudication of DGGI cases] will be in charge of such authority as per the notification.

Source: Notification No. 31/2024-Central Tax dated 13-12-2024

Clarifications regarding applicability of GST on certain services

These clarifications are based on the recommendations made during the 54th GST Council meeting held on September 9, 2024. Affiliation services provided by universities to colleges are not exempt under Notification No. 12/2017-CT(R) dated June 28, 2017, and will attract an 18% GST rate. Affiliation

services provided to schools by educational boards or councils are taxable. However, affiliation services provided to government schools (i.e., those controlled by the Central Government, State Government, or a local authority) are exempt from GST from October 10, 2024, as per Notification No. 08/2024-Central Tax (Rate). GST paid on affiliation services from July 1, 2017, to June 17, 2021, has been regularized on an "as is where is" basis. This period covers the time before Circular No. 151/07/2021 clarified the taxability of these services. DGCA-approved flying training courses conducted by FTOs fall under the exemption provided to educational institutions under Sl. No. 66 of Notification No. 12/2017-Central Tax (Rate), and are thus exempt from GST. The 5% GST rate on passenger transport by helicopter on a seat-share basis is effective from October 10, 2024. For the period from July 1, 2017, to October 9, 2024, any GST paid is regularized on an "as is where is" basis. The incidental services that GTAs offer as part of the transportation of products must be considered a composite supply. Unless these services are charged separately and are not included in transportation, they will not be subject to a separate GST rate. With effect from October 10, 2024, services imported by a foreign airline from a connected party or another firm outside of India are exempt from GST if they are made without consideration. Regularization of GST paid between July 1, 2017, and October 9, 2024, is done "as is where is." Preferential Location

Charges (PLC) forms part of the composite supply of construction services and attracts the same GST rate as the construction service itself. Support Services by Electricity Transmission and Distribution Utilities are exempt from GST, effective from October 10, 2024. GST paid from July 1, 2017, to October 9, 2024, is regularized on an "as is where is" basis. GST at 18% applies to transactions involving theatrical rights between film distributors and exhibitors. GST paid between July 1, 2017, and September 30, 2021, is regularized on an "as is where is" basis.

Source: Circular No.234/28/2024-GST dated the 11th October 2024

Clarification regarding GST rates & classification (goods) based on the recommendations of the GST Council in its 54th meeting

This Circular is giving clarification on GST rate on three aspects such as Extruded/Expanded Savory Food Products, Roof Mounted Package Unit(RMPU) Air Conditioning Machine For Railways and Car and Motorcycle seats. This circular makes it clear that: (i) the GST rate of 12% will be applied prospectively starting on 10.10.2024 to extruded or expanded products, savory or salted (apart from unfried or uncooked snack pellets, by whatever name, manufactured through the process of extrusion) falling under HSN 1905 90 30; the GST rate of 18% will be applied for previous periods; (ii) Railway air conditioning machines classified as Roof Mounted Package Units

(RMPU) fall under Heading 8415; (iii) two-wheeler seats fall under Heading 8714 and are subject to a 28% GST rate, while four-wheeler seats fall under Heading 9401 and are subject to a 28% GST rate as of 10.10.2024. For previous periods, seats for four-wheelers would be subject to an 18% GST rate.

Source: Circular No.235/28/2024-GST dated the 11th October 2024

Clarification regarding the scope of "as is / as is, where is basis" mentioned in the GST Circulars issued on the basis of recommendation of the GST Council in its meetings

The Central Government has clarified the meaning of the terms "as is" and "as is where is basis" that have been used in a number of circulars to regularize previous practices in cases where the industry had legitimate concerns because of competing entries with different GST rates or differing interpretations. It has been made clear that when there are two competing rates and some suppliers have paid GST at the lower of the two rates, or at nil when one of the competing rates was nil under a notification, and other suppliers have paid at a higher rate, the lower rate payment will be considered fully paid tax for the regularized period, and there won't be any reimbursement if the higher rate tax was paid. However, if a particular supplier had not paid any GST on the transaction and the interpretational dispute was between two non-zero rates, the regularization benefit would not be given.

Source: Circular No.236/28/2024-GST dated the 11th October 2024

Corrigendum to Circular No. 237/31/2024-GST dated 15th October, 2024

Corrigendum to Circular No. 237/31/2024-GST dated 15th October, 2024 issued vide F. No. CBIC-20001/6/2024-GST clarifies that the said restriction on refund under section 150 of the Finance (No. 2) Act, 2024 will not apply to the refund of an amount paid as pre-deposit by the taxpayer as per sub-section (6) of section 107 or sub-section (8) of section 112 of the CGST Act, at the time of filing of an appeal, where such appeals are decided in favor of the said taxpayer.

Source: Corrigendum to Circular No. 237/31/2024-GST dated the 25th October, 2024

Clarifying the issues regarding implementation of provisions of sub-section (5) and sub-section (6) in section 16 of CGST Act, 2017

In the exercise of the power granted by section 168 (1) of the CGST Act, the Board hereby explains the following matters to provide consistency in the application of the legislation across the field formations: Where no demand notice/statement has been issued under section 73 or section 74 of the CGST Act; the proper office shall take cognizance of the sub-section (5) or sub-section (6) of section 16 of CGST Act, inserted retrospectively with effect from 01.07.2017 and take further appropriate action. Where demand notice/ statement under section 73 or section 74 of CGST Act has been issued but no order under section 73 or section 74 of CGST Act has been issued by the Adjudicating

Authority, the Adjudicating Authority shall take cognizance of sub-section (5) or sub-section (6) of section 16 of the CGST Act, inserted retrospectively with effect from 01.07.2017, and pass appropriate order under section 73 or section 74 of the CGST Act. Where order under section 73 or section 74 of the CGST Act has been issued and appeal has been filed under section 107 of the CGST Act with the Appellate Authority but no order under section 107 of the CGST Act has been issued by the Appellate Authority, the Appellate Authority shall take cognizance of sub-section (5) or sub-section (6) of section 16 of the CGST Act, inserted retrospectively with effect from 01.07.2017, and pass appropriate order under section 107 of the CGST Act. Where order under section 73 or section 74 of the CGST Act has been issued and Revisional Authority has initiated proceedings under section 108 of the CGST Act, but no order under section 108 of the CGST Act has been issued by the Revisional Authority, the Revisional Authority shall take cognizance of sub-section (5) or sub-section (6) of section 16 of the CGST Act, inserted retrospectively with effect from 01.07.2017, and pass appropriate order under section 108 of the CGST Act. Where order under section 73 or section 74 of the CGST Act has been issued but no appeal against the said order has been filed with the Appellate Authority, or where the order under section 107 or section 108 of the CGST Act has been issued by the Appellate Authority or the Revisional Authority but no appeal

against the said order has been filed with the Appellate Tribunal; the concerned taxpayer may apply for rectification of such order under the special procedure under section 148 of the CGST Act notified vide Notification No. 22/2024 - Central tax dated 08.10.2024, within a period of six months from the date of issuance of the said notification. The taxpayers can file an application for rectification electronically, after login to www.gst.gov.in, using their credentials.

Source: Circular No.237/28/2024-GST dated the 15th October, 2024

Clarification of various doubts related to Section 128A of the CGST Act, 2017

Based on the recommendations of the GST Council made in its 53rd meeting, Section 128A has been inserted in the Central Goods and Services Tax Act, 2017, to provide for waiver of interest or penalty or both, relating to demands under section 73 of the CGST Act pertaining to Financial Years 2017-18, 2018-19 and 2019-20, subject to certain conditions. Further, Rule 164 has been inserted in Central Goods and Services Tax Rules, 2017 for laying down the procedure and conditions for closure of proceedings under section 128A of CGST Act. The provisions of Section 128A are applicable in cases where notices/ statements have been issued under Section 73, for the FYs 2017-18, 2018-19 and 2019-20, in the following situations: (a) Where a notice issued under sub-section (1) of section 73 or a statement issued under sub-section (3) of section 73, but where no order under sub-section (9) of section 73 has been

issued; (b) Where an order has been issued under sub-section (9) of section 73, in respect of the notice/ statement issued under section 73, but where no order has been issued by the Appellate Authority/ Revisional Authority under sub-section (11) of section 107 or sub-section (1) of section 108; (c) Where an order has been issued by the Appellate Authority/ Revisional Authority under sub-section (11) of section 107 or sub-section (1) of section 108, in the cases where notice/ statement was issued under section 73 and where to order under sub-section (1) of section 113 has been passed by the Appellate Tribunal. With respect to a notice or statement referred to in clause (a) of sub-section (1) of Section 128A, i.e., a notice or statement that is yet to be adjudicated, the payment towards the tax demanded in the said notice shall be made by the taxpayer through FORM GST DRC-03. Such payment shall be made on or before the date notified under section 128A (1), i.e., on or before 31.03.2025. It is also clarified that while calculating the amount deductible on account of not being payable in accordance with sub-section (5) or sub-section (6) of Section 16, from the amount payable in terms of the notice or statement or order under section 73, as the case may be, taxpayer is required to ensure that such amount is deducted only where ITC has been denied solely on account of contravention of Section 16(4) of the CGST Act and not on any other grounds. The proper officer for processing the application for waiver of

interest or penalty or both under Section 128A, would be the proper officer to issue the order under section 73, in case the application is filed in FORM GST SPL-01, and would be the proper officer for recovery under Section 79, in case the application is filed in FORM GST SPL-02. The proper officer shall issue an order in FORM GST SPL-05, accepting the said application, if he is satisfied that the applicant is eligible for waiver of interest or penalty or both under Section 128A. However, if the proper officer, based on the application and the reply in FORM GST SPL-04 received from the taxpayer, is of the view that the applicant is not eligible for waiver of interest or penalty or both under Section 128A, he shall issue an order in FORM GST SPL-07, rejecting the said application. No appeal shall lie under section 107, against an order issued in FORM GST SPL-05 concluding the proceedings under section 128A. The order issued in FORM GST SPL-07, rejecting the application for waiver, shall be, however, appealable in accordance with sub-section (1) of section 107 within the time limit specified therein, by filing an application in FORM GST APL-01. In such cases, normally, no pre-deposit may be required to be paid by the taxpayer for filing the said appeal, as the said amount may already have been paid as a part of payment of tax dues involved in the demand notice/ statement / order before filing an application in FORM GST SPL-01 or FORM GST SPL-02.

Source: Circular No.238/28/2024-GST dated the 15th October, 2024

Amendment to Circular No. 31/05/2018-GST, dated 9th February, 2018 on 'Proper officer under sections 73 and 74

This Circular amended the Circular No. 31/05/2018-GST dated 9th February, 2018 (as amended by Circular No. 169/01/2022-GST dated 12th March, 2022) which is applicable to situations in respect of show cause notices issued by officers of DGGI, in which there may be cases where, (i) a show cause notice is issued to multiple notices, either having the same or different PANs; or (ii) multiple show cause notices are issued on the same issue to multiple notices having the same PAN. The Additional/Joint Commissioners of Central Tax of specified Commissionerates have been empowered with All India jurisdiction through amendment in the Notification No. 02/2027 dated 19th June, 2017 vide Notification No. 02/2022-Central Tax dated 11th March, 2022, as further amended vide Notification No. 27/2024-Central Tax dated 25th November, 2024. Such show cause notices may be adjudicated, irrespective of the amount involved in the show cause notice(s), by one of the Additional/Joint Commissioners of Central Tax empowered with All India jurisdiction vide the above mentioned notifications. Further the Circular mentions about the Central Tax Commissionerate whose Additional Commissioner or Joint Commissioner shall adjudicate Show Cause Notices issued by officers of Directorate General of GST Intelligence in its Table. It is further clarified that in cases where a show cause notice has been

issued to multiple notices, either having same or different PANs, and the said show cause notice is required to be adjudicated by a common adjudicating authority as per the highest amount of demand of tax in accordance with the criteria mentioned in para 7.1 above, then if any show cause notice(s) is issued subsequently on the same issue to some other notice(s) having PAN(s) different from the PANs of the notices included in the earlier show cause notice, the said later show cause notices is to be adjudicated, (i) by the jurisdictional adjudicating authority of the notice, if there is only one notice (GSTIN) involved in the said later show cause notice; or (ii) by the common adjudicating authority in accordance with the criteria mentioned in para 7.1 above as applicable independently based on the highest amount of tax demand in the said later show cause notice, if there are multiple notices (GSTINs) involved in the said later show cause notice having principal place of business under the jurisdiction of multiple Central Tax Commissionerates."

Source: Circular No.239/28/2024-GST dated the 4th December, 2024

Clarification in respect of input tax credit availed by electronic commerce operators where services specified under Section 9(5) of Central Goods and Services Tax Act, 2017 are supplied through their platform

This Circular gives clarity on the Input Tax Credit and tax payment responsibilities of ECOs under section

9(5). According to Circular No. 167/23/2021, which was issued on December 17, 2021, ECOs are exempt from reversing input tax credits (ITC) for supplies on which they pay section 9(5) tax due to restaurant services. Additionally, it has been made clear that the input tax credit cannot be used for payment of the entire tax liability under section 9(5); instead, the entire amount owed must be paid in cash. Through this notification it is now clear that this principle also applies to other services notified under section 9(5), apart from restaurant services. The ITC availed by ECOs cannot be used to pay tax liability under section 9(5). The entire tax liability under section 9(5) must be discharged using the electronic cash ledger. However, ITC can be used to pay taxes on the ECO's own services.

Source: Circular No. 240/37/2024-GST dated the 31st December, 2024

Clarification on availability of input tax credit as per clause (b) of sub-section (2) of section 16 of the Central Goods and Services Tax Act, 2017 in respect of goods which have been delivered by the supplier at his place of business under Ex-Works Contract

Conditions for claiming ITC under Section 16(2)(b)- the registered person can claim ITC only if he receives the goods or service. This is specified under Section 16(2)(b) of the Act. The Explanation to this clause deems goods to be received when the goods are delivered to the recipient or a person directed by the recipient, either by

transfer of title documents or otherwise. The CGST Act does not mandate physical receipt of goods at a specific location for ITC eligibility. This is unlike earlier excise laws where physical receipt at the factory was required.

When it can be deemed to receive goods under the EXW Contracts: When goods are handed over to the transporter at the supplier's (OEM's) factory gate, ownership passes to the dealer (receiver) under an EXW contract. The supplier may arrange transportation and insurance on the dealer's behalf. The dealer is liable for claims resulting from loss in transportation. It is now clear that products are deemed received for ITC purposes when they are handed over to the transporter at the supplier's factory gate, as specified in the contract.

Eligibility in case of Business use: ITC is only applicable for products used or intended to be used for the conduct or furtherance of business, according to Section 16(1) of the CGST Act of 2017. If goods are diverted for non-business reasons and then lost, stolen, destroyed, or disposed of as gifts/free samples, ITC on those commodities is denied.

Source: Circular No. 241/37/2024-GST dated the 31st December, 2024

Clarification on Place of supply of Online Services supplied by the suppliers of services to unregistered recipients

This clarification underlines the obligatory requirement for online service suppliers to indicate the correct place of

supply and state name of unregistered recipients on invoices in order to ensure GST compliance. It highlights that all online/digital service providers, including OIDAR service providers and electronic commerce operators, must follow the rules for recording and reporting recipient information. Noncompliance may result in penalties, and suppliers are encouraged to implement processes to ensure accurate invoicing and reporting.

The name of the State of the unregistered recipient must be recorded on the tax invoice, irrespective of the value of the supply. Recording the recipient's State name on the invoice is treated as the address on record. Under Section 12(2)(b)(i) of the IGST Act, the place of supply for these services is deemed to be the location of the recipient. Suppliers must implement mechanisms to collect and record the recipient's State name before making supplies. The recorded State name serves as the deemed address of the recipient for GST compliance. Failure to include mandatory particulars, such as the recipient's State name, on tax invoices can result in penal action under Section 122(3)(e) of the CGST Act. The supplier must report the recipient's State as the place of supply in FORM GSTR-1/1A for outward supplies.

Source: Circular No. 242/37/2024-GST dated the 31st December, 2024

Clarification on various issues pertaining to GST treatment of vouchers

A Notification issued to clarify how vouchers are treated and resolve long-standing questions about their taxability

under GST and consider it under three heads of issues.

Under which category the voucher falls:

With the use of vouchers, a supplier is obligated to accept them as payment in full or in part for goods or services. Under Section 2(75) of the CGST Act, vouchers are classified as "money" and are exempt from GST if the Reserve Bank of India (RBI) recognizes them as pre-paid instruments that are used to settle obligations. Vouchers that are not regarded as "money" can be deemed actionable claims, which are thus exempt from GST unless otherwise noted in Section 2(102A). Vouchers are not included in the definitions of products (Section 2(52)) and services (Section 2(102)) when they are categorized as money. These voucher transactions are not taxable under GST since they do not include the supply of goods or services. According to Section 2(1) of the CGST Act and Section 3 of the Transfer of Property Act, 1882, vouchers that are not categorized as money but instead serve as a promise for goods or services are deemed actionable claims. Schedule III classifies transactions in actionable claims (apart from some actionable claims, such as gambling or betting) as neither a supply of goods nor services. The supply of goods or services for which vouchers are redeemed may be subject to GST, even though the transactions in vouchers themselves are not taxable.

GST on Voucher Distribution by distributors/sub-distributors/ agents etc.:

Distributors/sub-distributors purchase vouchers from the issuer at a discounted

price and sell them to end customers, sub-distributors, or corporates. Distributor/dealer assumes ownership of the vouchers and operates independently. Pure trading of vouchers in this case is not taxable under GST. Distributors/sub-distributors/agents represent on behalf of the voucher issuer, without owning the vouchers. They assist with marketing, promotion, and other tasks related to the distribution of vouchers. Here, the revenue is obtained from the voucher issuer in the form of a commission or fee (or comparable compensation). The distributor, sub-distributor, or agent's commission or fee is considered by the voucher issuer as a service supply. GST has to be payable on this commission/fee amount as per the applicable GST rate for services in this matter. GST is also applicable to services such as advertising, co-branding, marketing, customization, and technology support provided to voucher issuers.

GST treatment of unredeemed vouchers (breakage):

In case of breakage, it cannot be redeemed, and as a result, the underlying products and/or services are not available. Since there is no explicit or implicit agreement between the issuer and the redeemer for payment in such circumstances, breakage amounts are not taken into account under GST. No GST is applicable on unredeemed vouchers as there is no underlying supply of goods or services.

Source: Circular No. 243/37/2024-GST dated the 31st December, 2024

5. Kerala SGST - Notifications and Circulars

For Implementing provisions of clause (iv) and (v) of rule 2 and rule 3 of the Kerala Goods and Services Tax (Third Amendment) Rules, 2023

In exercise of the powers conferred by clause (a) of sub-rule (2) of rule 1 of the Kerala Goods and Services Tax (Third Amendment) Rules, 2023 (hereinafter referred to as the said rules), the Government of Kerala fixed the 8th day of October, 2024, as the date on which the provisions of clause (iv) and (v) of rule 2 and rule 3 of the said rules shall come into force.

Source: S. R. O. No. 890/2024 Dated the 7th October, 2024

For Implementing provisions of rule 2 of the Kerala Goods and Services Tax (Second Amendment) Rules, 2024

In exercise of the powers conferred by sub-rule (2) of rule 1 read with rule 2 of the Kerala Goods and Services Tax (Second Amendment) Rules, 2024 (hereinafter referred to as the said rules), the Government of Kerala fixed the 8th day of October, 2024, as the date on which the provisions of rule 2 of the said rules shall come into force.

Source: S. R. O. No. 891/2024 dated the 7th October, 2024

Amendment in Notification G.O. (P) No. 72/2017/TAXES dated 30th June, 2017

As per the recommendations of the GST Council, the Government of Kerala amendments in the notification

issued under G.O. (P) No. 72/2017/TAXES dated 30th June, 2017 and published as S.R.O. No. 370/2017 in the Kerala Gazette Extraordinary No. 1360 dated 30th June, 2017.

In the said notification, in the Table, against serial number 8,-

- i. after item (iva) and the entries relating thereto in columns (3), (4) and (5), the following item and entries relating thereto in columns (3), (4) and (5) shall be inserted, namely: -

- ii. in column (3), in item (vii), after the brackets and figures "(iva)", the brackets and figures "(ivb)," shall be inserted.

2. This notification shall come into force on the 10th day of October, 2024.

Source: S. R. O. No. 909/2024 dated the 9th October, 2024

(3)	(3)	(5)
"(ivb) Transportation of passengers, with or without accompanied baggage, by air, in a helicopter on seat share basis.	2.5	Provided that credit of input tax charged on goods used in supplying the service has not been taken. [Please refer to clause (iv) of paragraph 4 relating to Explanation]."

Amendment in Notification No. 59/2017/TAXES dated 30th June, 2017

On the recommendations of the Council, The Government of Kerala makes amendments in the notification issued under G.O. (P) No.59/2017/TAXES dated 30th June, 2017.

In the said notification, after the first paragraph, the following proviso shall be inserted, namely: -

" Provided that nothing contained in this notification shall apply to any person engaged in the supply of metal scrap, falling under Chapters 72 to 81 in the first schedule to the Customs Tariff Act, 1975 (51 of 1975)."

2. This notification shall come into force on the 10th day of October, 2024.

Source: S. R. O. No. 913/2024 dated the 9th October, 2024

Amendment in Notification G.O. (P) No.62/2017/TAXES dated 30th June, 2017

On the recommendations of the Council, the Government of Kerala makes the amendments in the notification issued under G.O. (P) No.62/2017/TAXES dated 30th June, 2017.

In the said notification, -

(a) after Schedule I , in List 1, after serial number 232 and the entries relating thereto, the following serial number and entries shall be inserted, namely: -

- "(233) Trastuzumab Deruxtecan
- (234) Osimertinib
- (235) Durvalumab";

(b) in Schedule II, -

(i) after Sl. No 32B and the entries relating thereto, the following Sl. No and entries shall be inserted, namely: -

(c) in Schedule III, -

(i) against Sl. No 16, in column (3), for the words "un-fried or un-cooked snack pellets, by whatever name called, manufactured through process of extrusion", the words " un-fried or un-cooked snack pellets, by whatever name called, manufactured through process of extrusion, extruded or expanded products, savory or salted" shall be substituted;

"32C	1905 90 30	Extruded or expanded products, savory or salted (other than un-fried or un-cooked snack pellets, by whatever name called, manufactured through process of extrusion)";
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(ii) for Serial No 435A and the entries relating thereto, the following Serial No and entries shall be substituted, namely: -

"435A	9401 [other than 9401 10 00 or 9401 20 00]	Seats (other than those of heading 9402), whether or not convertible into beds and parts thereof other than seats of a kind used in aircraft or seats of a kind used for motor vehicles";
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(d) in Schedule IV -

(i) after Sl. No 210 and the entries relating thereto, the following Sl. No and entries shall be inserted, namely: -

"210A	9401 20 00	Seats of a kind used for motor vehicles"
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Source: S. R. O. No. 907/2024 dated the 9th October, 2024

Amendment in Notification G.O. (P) No.65/2017/TAXES. dated 30th June, 2017

The following amendment made in the said Notification:

In the Table, after S. No. 7 and the entries relating thereto, the following Serial No. and entries relating thereto in columns (2), (3), (4) and (5) shall be inserted, namely:-

1	2	3	4	5
8.	72, 73, 74, 75, 76, 77, 78, 79, 80 or 81	Metal scrap	Anyunregistered person	Any registered person".

Source: S. R. O. No. 908/2024 dated the 9th October, 2024

Amendment in Notification No. 74/2017/TAXES dated 30th June, 2017

In the said notification, in the Table, after serial number 5AA and the entries relating thereto, the following serial number and entries relating thereto in columns (2), (3) and (4) shall be inserted, namely: -

1	2	3	4
"5AB	Service by way of renting of any property other than residential dwelling.	Any unregistered person	Any registered person."

Source: S. R. O. No. 911/2024 dated the 9th October, 2024

Amendment in Notification G.O. (P) No. 156/2018/TAXES dated 28th September, 2018

In the said notification,

i. after the entry (c) and before the first proviso, the following entry shall be inserted, namely:-

"(d) Any registered person receiving supplies of metal scrap falling under Chapters 72 to 81 in the First Schedule to the Customs Tariff Act, 1975 (51 of 1975), from other registered person";

ii. for the existing third proviso, the following proviso shall be substituted, namely:-

"Provided also that nothing in this notification shall apply to the supply of goods or services or both, which takes place between one person to another person specified under clauses (a), (b), (c) and (d) of sub-section (1) of Section 51 of the said Act, except at (d) of this notification."

Source: S. R. O. No. 912/2024 dated the 9th October, 2024

Notification under section 128A to notify date under sub-section (1) of section 128A of Kerala State Goods and Services Tax Act, 2017

Amended the Following Table such as:

Sl. No.	Class of registered person	Date up to which payment for the tax payable as per the notice or statement or the order referred to in clause (a) or clause (b) or clause (c) of section 128A of the said Act, as the case may be, can be made for waiver of interest, or penalty, or both, under the said section.
(1)	(2)	(3)
1.	Registered persons to whom a notice or statement or order, referred to in clause (a) or clause (b) or clause (c) of section 128A of the said Act, has been issued.	31.03.2025
2.	Registered persons to whom a notice has been issued under sub-section (1) of section 74, in respect of the period referred to in sub-section (1) of section 128A of the said Act, and an order is passed or required to be passed by the proper officer in pursuance of the direction of the Appellate Authority, or Appellate Tribunal, or a court, in accordance with the provisions of sub-section (2) of section 75, for determination of the tax payable by such person, deeming as if the notice were issued under sub-section (1) of section 73 of the said Act.	Date ending on completion of six months from the date of issuance of the order by the proper officer redetermining tax under section 73 of the said Act.

Source: S. R. O. No. 995/2024 dated the 30th October, 2024

Special procedure for rectification of demand order issued for contravention of section 16(4) of Kerala State Goods and Services Tax Act, 2017

As per the recommendations of the GST Council, the Government of Kerala issued special procedure for rectification of order, to be followed by the class of registered persons (hereinafter referred to as the said person), against whom any order under section 73 or section 74 or section 107 or section 108 of the said Act has been issued confirming demand for wrong availment of input tax credit, on account of contravention of provisions of sub-section (4) of section 16 of the said Act, but where such input tax credit is now available as per the provisions of sub-section (5) or sub-section (6) of section 16 of the said Act, and where appeal against the said order has not been filed. It has to be filed electronically within a period of 6 months from the date of issuance of this notification. A proforma in Annexure A of this notification has to be filed along with the application. The proper officer for carrying out rectification of the said order shall be the authority who had issued such order, and the said authority shall take a decision on the said application and issue the rectified order, as far as possible, within a period of three months from the date of the said application. The rectification is required to be made only in respect of demand of such input tax credit which has been alleged to be wrongly availed in contravention of provisions of sub-section (4) of section 16 of the

said Act, but where such input tax credit is now available as per the provisions of sub-section (5) or sub-section (6) of the said section 16. If such rectification adversely affects the said person, the principles of natural justice shall be followed by the authority carrying out such rectification.

Source: S. R. O. No. 996/2024 dated the 30th October, 2024

Supersession Notification G.O. (P) No. 68/2021/TAXES dated 7th September, 2021

In exercise of the powers conferred by section 128 of the Kerala State Goods and Services Tax Act, 2017 (20 of 2017) (hereafter in this notification referred to as the said Act), and in supersession of the notification issued under G.O. (P) No. 68/2021/TAXES dated 7th September, 2021 and published as S.R.O. No. 666/2021 in the Kerala Gazette Extraordinary No. 2612 dated 7th September, 2021, except as respects things done or omitted to be done before such supersession, the Government of Kerala, on the recommendations of the Council, hereby waives the amount of late fee payable under section 47 of the said Act by any registered person, required to deduct tax at source under the provisions of section 51 of the said Act, for failure to furnish the return in FORM GSTR-7 for the month of June, 2021 onwards, by the due date, which is in excess of an amount of twenty-five rupees for every day during which such failure continues:

Provided that the total amount of late fee payable under section 47 of the said Act by such registered person for failure to furnish the return in FORM GSTR-7 for the month of June, 2021 onwards, by the due date, shall stand waived which is in excess of an amount of one thousand rupees:

Provided further that the total amount of late fee payable under section 47 of the said Act by the registered person, who fails to furnish the return in FORM GSTR-7 for a month by the due date, where the total amount of state tax deducted at source in the said month is nil, shall stand waived.

Source: S. R. O. No. 997/2024 dated the 30th October, 2024

Corrigendum - Notification G.O.(P) No.140/2024/TD. dated 9th October, 2024

In the notification issued under G.O.(P) No.140/2024/TD. dated 9th October, 2024 and published as S.R.O. No. 912/2024 in the Kerala Gazette Extraordinary No.3209 dated 9th October, 2024, in the opening paragraph, for "12" read "20".

Source: S. R. O. No. 1013/2024 dated the 5th November, 2024

Corrigendum - Notification G.O.(P) No.139/2024/TD. dated 9th October, 2024

In the notification issued under G.O.(P) No.139/2024/TD. dated 9th October, 2024 and published as S.R.O. No.911/2024 in the Kerala Gazette Extraordinary No.3208 dated 9th October, 2024, in the opening paragraph, for "12" read "20".

Source: S. R. O. No. 1012/2024 dated the 5th November, 2024

Corrigendum - Notification G.O.(P) No.139/2024/TD. dated 9th October, 2024

In the notification issued under G.O.(P) No.139/2024/TD. dated 9th October, 2024 and published as S.R.O. No.911/2024 in the Kerala Gazette Extraordinary No.3208 dated 9th October, 2024, and in the explanatory note for "any property" read "any immovable property" wherever it occurs.

Source: S. R. O. No. 1124/2024 dated the 30th November, 2024

Amendment in Notification No. G.O.(P) No.135/2018/TAXES (S.R.O. No.583/2018) dated 18th August, 2018

In the notification issued under G.O.(P) No.135/2018/TAXES dated 18th August, 2018, in Serial No.2, for the words, letters, symbols and bracket "Shri. Abdul Latheef K, Joint Commissioner (Audit), Thrissur", the words, letters, symbols and bracket "Shri. Mansur M I, Joint Commissioner (Audit), Kottayam", shall be substituted.

Source: S. R. O. No. 1190/2024 dated the 24th December, 2024

Sources:

<https://cbic-gst.gov.in/>
<https://gstcouncil.gov.in/>
<https://www.taxmanagementindia.com>
<https://www.thehindubusinessline.com>
www.gstindiaonline.com
<https://keralataxes.gov.in/>

(Dr Meenu Mohan is Assistant Professor, Gulati Institute of Finance and Taxation Thiruvananthapuram)

New studies on Kerala

Young Scholars' Forum, GIFT
Led by Jobin George and Amalu Seby

Economics

Scopus Indexed

Ayswer, A., Ramasamy, N., DevAnand, M., & Santhi, N. (2024). Analyzing the performance indicators in SME using ISM - MICMAC approach. *Journal of the Institution of Engineers (India) Series C*, 105(5), 987-996. <https://doi.org/10.1007/s40032-024-01110-7>

The main aim of this study is to examine the relationships between sustainability performance metrics in small and medium-scale mining enterprises in Kerala, India. The paper presents a hierarchical paradigm for measuring performance metrics. At first, performance indicators are determined by conducting a thorough examination of existing literature. Following that, a comprehensive survey using questionnaires is carried out in the mining and mineral sectors in Kerala to identify the important indicators that are relevant to the industry. The study utilizes Interpretive Structural Modelling (ISM) and MICMAC methodologies to create a hierarchical framework that demonstrates the intricate connections between these crucial performance variables. Department managers in the industry are interviewed to collect input for the development of the ISM. The results demonstrate that most of the indicators in this

category possess significant driving and influencing capabilities while also maintaining their independence. Organizations can utilize the suggested methodology for policy formation to enhance their ability to effectively and efficiently manage their resources by adhering to a consistent roadmap.

Other Journals

Rajan, S. I. (2024). Migration and Development: New Evidence from the Kerala Migration Survey 2023. *Migration and Development*, 13(2), 139-175. <https://doi.org/10.1177/21632324241306512>

The Kerala Migration Survey (KMS) 2023, the ninth in a long-term series, examines migration trends in Kerala. Conducted by GIFT with support from NORKA and IIMAD, it builds on studies since 1998. Following the 2018 survey, Kerala encountered significant disruptions, including major floods (2018, 2019) and the COVID-19 pandemic, which influenced migration trends. KMS 2023 was executed in three phases, with this report focusing on the findings from Phase 2. The study provides estimates of international and domestic migration, remittances, and the socioeconomic and health conditions of surveyed households. By analyzing data from past KMS rounds spanning three decades, the

study offers critical insights into the evolving migration patterns and their developmental impact on Kerala.

Nag, M., & Rajan, S. I. (2024). Gujarat Versus Kerala: Analysing Locational Factors in Internal Migrant Labour Destination Choices. *Millennial Asia*, 0(0). <https://doi.org/10.1177/09763996241291184>

The process of labour migrants' destination selection is a multifaceted journey, intricately shaped by a myriad of interconnected factors. In the Indian context, competitive federalism has amplified the pull factors that attract migrants to new destinations. While Maharashtra, Delhi and Gujarat continue to attract large interstate migration, new corridors are emerging in traditionally less migrant-reliant regions. This study explores how destination location attributes influence migrant workers' choices when they have multiple options for destination places. Using primary data from Surat in Gujarat and Kochi in Kerala, we offer a comparative analysis employing exploratory factor analysis and qualitative methods to examine key destination attributes. The findings reveal that Gujarat attracts migrants primarily for its abundant job opportunities and ease of employment, whereas Kerala attracts migrant labour with higher wages. These variations stem from Surat and Kochi's distinct demographics, economic structures and cultural contexts.

Environment

Scopus-indexed

John, A., Bhagyanathan, A., & Parvin CM, K. (2024). Framework for urban flood risk

assessment - a hydrological modelling approach: the case of Nilambur, Kerala. *International Planning Studies*, 29(4), 342-365. <https://doi.org/10.1080/13563475.2024.2427402>

The study has evolved in response to the challenges posed by climate change and rapid urbanization occurring worldwide, which contribute to an increased frequency of natural disasters. It addresses flood hazards in Kerala's Nilambur urban area, where climate change and rapid urbanization heighten disaster risk. Kerala's coastal location and steep terrain in the Western Ghats increase vulnerability, particularly as one of India's most densely populated states. The research identifies flood risk zones by applying overlay analysis, using data from the 2018 Kerala Floods, to create a flood risk framework responsive to runoff volume and thereby flood susceptibility. Key factors include climatic variables, terrain characteristics like elevation, slope, soil, land-use cover including urban density, and hydrological and ecological elements like stream networks and floodplains. These are integrated with the SWAT tool to model flood risks, creating a resilient flood risk assessment framework that combines hydrological and ecological parameters.

Thomas, Shalini, George, Justine & George, Rajesh. (2024). Assessing the Vulnerability of Inland Fishermen to Flood Hazards: A Case of Kuttanad Region of Kerala. *Artha Vijnana*. Vol. LXVI, No. 4, pp. 513-529.

This study focuses on the livelihood issues of inland fishermen in the presence of severe floods since 2018. The study addresses the vulnerability of fishermen in the above context by using the vulnerability index

developed by Hahn. The study results show that the dependency ratio, proximity to drinking water sources, and the availability of health facilities significantly impact vulnerability, in which social connections and livelihood diversification are essential in developing resilience against floods. The study provides specific viable suggestions for policymakers to address the looming crisis of inland fishing households in the Kuttanad region of Kerala.

Book Chapter

Hosseini, Farzaneh, Ruiz, Edurne J. & Bhartiya, Shivam. (2024). Transmuting Tourism Infrastructure into Vectors of Community Agency: A Qualitative Inquiry into Environmental Safeguarding and Socio-Economic Equitability. In: *Integrating Architecture and Design into Sustainable Tourism Development*, pages 409-432. DOI: 10.4018/979-8-3693-7388-0.ch015

The study explores the potential of tourism infrastructure to empower local communities, ensure ecological sustainability, and distribute economic benefits equitably. It analyzes three destinations, Kerala, Varanasi, and Rishikesh and finds that while tourism infrastructure can foster local empowerment and ecological resilience, its potential is hindered by external control, inadequate policy enforcement, and skewed economic benefits. Community agencies are limited, and environmental safeguarding initiatives are inconsistently applied. Socio-economic equitability remains a challenge, with financial gains disproportionately captured by external entities. The study calls for a holistic recalibration of tourism infrastructure, emphasizing inclusive governance, robust

environmental safeguards, and equitable economic frameworks.

V, J., Arora, M., Singh, H., Chand, P., Setia, R., Pateriya, B. (2024). Flood Inundation Mapping Over Kerala Region During 2018 Flood-Based on Cloud Computing and Automatic Threshold Detection Approach. In: *Climate, Environment and Agricultural Development. Advances in Geographical and Environmental Sciences*. Springer, Singapore. https://doi.org/10.1007/978-981-97-8363-2_10

Flood inundation maps provide valuable information towards flood risk preparedness, management, communication, response, and mitigation at the time of disaster and can be developed by harnessing the power of satellite imagery. The present study focuses primarily on the rapid mapping of flood-inundated areas using freely available high-resolution Synthetic Aperture Radar (SAR) data during the 2018 floods and its impact assessment in the Kerala state. Multi-temporal, dual-polarized (VH & VV) Sentinel-1 (SAR) data have been used for mapping the flood inundated area. Methodological advances included open-source APIs like Google Earth Engine (GEE) for monitoring flood inundated areas. In this study, an automatic threshold detection technique was applied to separate satellite image pixel values into flooded and non-flooded groups. The threshold for backscattering coefficient (?0) between -2 to -24 dB has been applied for both the polarized band (VH & VV) to extract the maximum flood pixels. Further, a comprehensive analysis has been carried out by Global Precipitation Mission (GPM) data to investigate the intensity and frequency of

precipitation over the basin. This study observed that flood inundation was at its peak from August 15 to 21, 2018 and impacted a large part of agricultural and urban patches during this time. The zonal statistics are calculated to find the inundated area over the study region. The finding reveals that 995.49 square km (sq. km) of land have been affected in the Kerala state. The results revealed that cropland was mostly inundated by flooding with low elevation and low slopes.

Book

Vincent, Salom Gnana Thanga, Jennerjahn, Tim, Kunjupillai, Soman and Chattopadhyay, Srikumar, eds. (2024). *Ecohydrology of Kerala: River Catchments and Coastal Backwaters*. Elsevier, Amsterdam, 350 pp. 1st Ed. ISBN 9780323956079.

Ecohydrology of Kerala: River Catchments and Coastal Backwaters presents 20 years of research to provide suggestions for sustainable management solutions for issues surrounding the urbanization of the rivers of Kerala. This helps identify major issues and develop management strategies. Themes explored include biogeochemistry of rivers/estuarine systems, productivity and trophic status, biology: fauna and flora, biodiversity, threats and conservation, invasive species and impact on riverine ecology, landscape/land use/land cover change in the catchment, socioeconomic status of catchment population, economic and livelihood activities along the river courses/estuaries (river and estuarine tourism, sand extraction, fisheries), pollution monitoring and assessment, impacts of climate change, and more.

Agriculture and rural economy

Scopus-indexed

Vaishnav, H., Divi, S., Reddy Minampati, V. R., & Chauhan, A. (2024). Increasing Role of Women in Agriculture: Unveiling Perceived Impact of the Pradhan Mantri Fasal Bima Yojana (PMFBY) Scheme Using Multivariate Regression Approach. *Research on World Agricultural Economy*, 5(4), 620-636. <https://doi.org/10.36956/rwae.v5i4.1278>

Crop Insurance (CI) is one of the most effective tools for managing risks associated with agriculture. In India, agriculture contributes significantly to its economy and according to the government report sector is transiting through a revolution of feminization. Additionally, literature on the agriculture sector reveals that female participation boosts agricultural productivity and food security. The paper examines the perceived impact of the CI scheme PMFBY on female farmers across four major states of India, including Kerala, Madhya Pradesh, Rajasthan and Uttar Pradesh. Using a sample size of 455 female farmers and MLR models, along with Pearson correlation and descriptive statistics, we evaluated the perceived impact of the scheme. We introduced ten independent predictors - satisfaction, transparency, increase in agriculture income, knowledge of PMFBY, awareness campaign, overall satisfaction, risk coverage satisfaction, compensation satisfaction, benefits and transparency satisfaction. Our empirical findings indicate that there are positive and negative predictors that impact the perception of the scheme among female farmers. However, major findings reveal that overall satisfaction, risk coverage and compensation related to the

scheme were concerns. The predictors such as satisfaction, transparency, increase in agriculture income, awareness campaign, and potential benefits positively influenced the perception of female farmers.

Other Journals

Thomson, K. T., & Radhika, K. (2024). Social Engineering of Natural Capital and Adaptive Capacity to Climate Change: An Empirical enquiry of Coastal Agriculture in Kerala, India. *Journal of Land and Rural Studies*. <https://doi.org/10.1177/23210249241281853>

Reclamation of coastal wetlands for industrialization, increasing soil salinization, lack of timely mitigation measures and maladaptation have contributed cumulatively to the decline of coastal ecosystems and agriculture in Kerala. However, access to natural capital is still crucial for coastal farming communities, especially during times of crisis like climate change. This article attempts to characterize how natural capital influences the adaptive capacity of coastal farmers in Kerala state, India. To analyze how natural capital influences the adaptive capacity to climate change, we examined how an individual farmer's adaptive capacity changed from a given level as selected determinants of natural capital varied by using a multinomial logistic regression method. The results indicated that the nature of ownership, area under cultivation, decision-making capacity and productivity of land continue to influence farmers' adaptive capacity to climate change. Farmers with ancestral property who purchased additional land possessed higher adaptive capacity. Farmers having large holdings could implement their adaptive choices better. Farmers having the freedom

for decision-making enjoyed higher adaptive capacity. Farmers participating in collective farming achieved higher productivity and adaptive capacity. Social engineering of local adaptive capacities, therefore, should recognize freedom of choice and promote restoration and sales of wetlands to accelerate climate change mitigation and adaptation.

Rose C D, Neetha & Aiyappanpillai, Prema. (2024). Factors affecting participation in Paddy royalty scheme among farmers of Kerala. *Journal of Krishi Vigyan*. (12) 849-855. 10.5958/2349-4433.2024.00146.3

The Paddy Royalty scheme is a financial incentive mechanism formulated based on the payments for ecosystem services (PES) concept, wherein the paddy wetland owners were compensated for the ecosystem services that their resources provided. This study attempted to estimate the farmer's participation in the paddy royalty scheme. The factors that affected farmers' participation were analyzed in a logistic regression framework, using the primary data collected from randomly selected 118 paddy farmers from the Kole wetlands of Kerala. Further, it was also tried to identify and rank the constraints that limited the farmer's response towards the scheme. The farmers' participation in the year 2023-24 was 57% but only 40% of the farmers were willing to participate in the next year. Education, land holding size, farmer association membership and digital literacy were found to be positively influencing the participation whereas age influenced negatively. The most severe constraint identified was insufficiency in royalty amount followed by high transaction costs. Adopting

a comprehensive approach that includes better program design, increased incentives and supportive policies, the government can encourage greater participation to achieve the primary scheme objectives of sustaining paddy cultivation and preserving wetlands, thereby ensuring food security and ecological sustainability in the state.

Elias, Aleena, Shamna N, Manju Mary Paul, and Jasna V K. 2024. Commercial Plant Nurseries in Kerala, India: A Critical Analysis of Key Success Drivers. *Asian Journal of Agricultural Extension, Economics & Sociology*, 42(12): 249-62. <https://doi.org/10.9734/ajaees/2024/v42i122652>.

This study investigates the factors that are pivotal to the success of commercial plant nurseries in Kerala, with a focus on key dimensions impacting agribusiness performance. The study was conducted among the plant nursery entrepreneurs in three districts of Kerala i.e. Thiruvananthapuram, Thrissur, and Wayanad. Among the five primary dimensions analyzed for the study, social responsibility emerged as the most significant contributor to success, followed by employment and customer-related dimensions. The findings indicated that most respondents demonstrated moderate to high levels of success, i.e., 61.1%, with fewer falling into the low-performance category. Principal Component Analysis (PCA) identified eight core factors shaping nursery success, which include influence and competence, social capital, financial acumen, achievement motivation, community and asset, self-driven leadership, self-independence, and creativity and the total variance explained by PCA is 68%. It was observed that older entrepreneurs

tended to have limited use of mass media tools, such as the Internet and mobile technology, and exhibited lower managerial capacity which undermined their ability to handle operational and employee-related challenges. In summary, the social responsibility dimension played a critical role in the success of agribusiness ventures, complemented by strategies focused on employment and customer engagement.

Book Chapter

George, J., Rao, S., Eshan, M.R., Babu, S.R. (2024). Conceptual and Operational Dilemma-A Critique between Farm and Agritourism in Kerala. In: *Harnessing AI, Machine Learning, and IoT for Intelligent Business. Studies in Systems, Decision and Control*, vol 555, (pp.729-737). https://doi.org/10.1007/978-3-031-67890-5_65

Farm tourism and agritourism are often perceived as synonymous terms, yet their conceptual and operational distinctions have received limited attention in scholarly research. This study employs a critical review of literature and participant observation to explore the similarities and differences between these two concepts within the context of Kerala. Findings suggest a conceptual and operational dilemma, wherein farm tourism is depicted as more than just an idea but a lifestyle fostering connectivity between urban and rural realms. Moreover, it is identified as a catalyst for developing leadership potential among residents and offering employment opportunities for family members. The paper concludes by pinpointing existing gaps in the literature between farms and agritourism, thereby highlighting the need for further research in this area.

Sreeni, K.R. (2024). Farmer Producer Company: A Model for Boosting Kerala's Rural Economy. In: *Rural Areas: Development and Transformations*, pages 47-61. <http://dx.doi.org/10.5772/intechopen.110137>

Farmers own and run Farmer Producer Companies (FPCs), rapidly growing companies in India that were established under section 465(1) of the Companies Act, 2013. Agriculture continues to be the backbone of the Indian economy, employing 42% of the labour force and contributing 20% of the country's GDP. 86.6% of India's small and marginal farmers depend on farming as their main source of income. Small and marginal farmers, in particular, play a significant role as shareholders in FPCs, which bring people together from all walks of life to learn more about the issue's existence at the local level and help solve it. The FPC is the best institutional structure for addressing a range of agricultural issues, including marketing, financing (forward linkages), input, technology (backward linkages), compact technology for small lands, proper marketing linkage, capacity building, training programs on value-added products, financial inclusion program, village storage facilities, timely crop insurance, agriculture extension services, and the benefits of informatics. To increase income and subsequently promote more equitable growth, the study investigates how FPC addresses local food and nutrition security, the development of climate-resilient agriculture systems, input shortages, unemployment, and the integration of small and marginal farmers into agricultural markets.

History and Culture

Scopus-indexed

Dev, N. (2024). Tale of the Dalits: A Study on the Representation of Dalits in Selected Malayalam Films. *Contemporary Voice of Dalit*, 0(0). <https://doi.org/10.1177/2455328X241302532>

Kerala's film industry or the Malayalam cinema is an excellent illustration of how regional films and film industries in India are evolving in response to changing socio-cultural values and audience expectations. Malayalam cinema has a complicated history of growth due to its conventional paternal system, as well as the similarly complex attitude towards the different social markers such as womanhood, caste hierarchy, relationships, actors, the language of representation, culture, race and off-screen interaction. Through this research, the researcher offers a critical reading of contemporary Dalit lives in cinema by analysing three vernacular films, *Kismath*, *Trees Under the Sun* and *Pengalila*. The research adopts Bell Hooks's theory of oppositional gaze is employed as the theoretical framework for the study. The concept of an upper-caste superhero has been so ingrained in Malayali's minds that they accept it as reality, and filmmakers of the previous decades made no effort to change it. This article exposes the stereotyped depiction of the Dalit body and demonstrates how caste hierarchies are reproduced and shown through the social context of Kerala.

Other Journals

Shane Desai, & Bhaskar K. Pandya. (2024).

Analyzing the Novels of T. S. Pillai and Perumal Murugan from Indian socio-political perspective. *The Scientific Temper*, 15(spl-2), 182-187. <https://doi.org/10.58414/SCIENTIFICTEMPER.2024.15.spl-2.29>

This article provides a succinct overview of the socio-political environment depicted in *Cheemeen* by T.S. Pillai and *Pyre* by Perumal Murugan. *Cheemeen* intricately portrays the coastal regions of Kerala, focusing on the lives of fishermen and their struggles against a backdrop of colonial legacy, caste discrimination, economic hardships, and societal hierarchies, whereas *Pyre* depicts the agrarian community and its social structure, hierarchy and sensitive subjects like love, caste, social trauma and societal violence. Through a nuanced analysis of the texts, this article examines the exploitation faced by fishermen under colonial rule, the pervasive influence of caste in shaping social relations, and the challenges of poverty and economic deprivation, as well as centres on the dehumanizing aspects represented in *Pyre*. Furthermore, it explores themes of resistance and agency among marginalized characters, highlighting their efforts to challenge entrenched power structures. By delving into the socio-political dimensions of the novels, this research illuminates the novels' enduring relevance and underscores the importance of understanding their socio-political context for a deeper appreciation of their thematic richness.

Pereira, F., Universidade NOVA de Lisboa, & Komath, R. (2024). From Grove to Temple: Effects of Sanskritization, Hinduization, and Templisation of sacred groves in the ritual performance of Teyyam in North Kerala. *Performance, Religion and Spirituality*, 3-17.

<https://openjournals.utoledo.edu/index.php/prs>

Sacred groves are very important elements of Hinduism, and acquire different characteristics in different parts of India, just like other aspects of Hinduism do. However, due to political, cultural or social processes, some of these forests have been converted into temples, and the rituals practiced there have been brought closer to the dominant Brahminical cult, with an evident loss of the richness and cultural diversity of Indian spiritual practices. Those processes can mostly be explained as Templisation, Sanskritization, and Hinduization. In this essay we examine the consequences of those procedures upon the sacred groves of northern Kerala, and especially upon the ritual of the teyyams, living gods who inhabit these woods.

Book Chapter

Pradhan, Biswabhusan, Sreenandh, A. S., & Chib, Suhani (2024). Indigenous Art Performances as Mechanisms of Cultural Valorization and Economic Leverage in Malabar Region, Kerala: The Dialectics of Tradition and Tourism. In : *Integrating Architecture and Design into Sustainable Tourism Development*, pages 215-256. DOI: 10.4018/979-8-3693-7388-0.ch008

This study explores the indigenous art performances of the Malabar region, Kerala, focusing on their unique characteristics, cultural significance, and tourism potential. It aims to assess how these traditional art forms can attract tourists seeking authentic cultural experiences and sustain local artists. Employing a mixed-methods approach,

the research combines primary data from performers with secondary sources to examine their demographic profiles, financial challenges, health issues, and technical needs. Major findings reveal significant financial instability, health challenges, and lack of government support, hampering the sustainability and promotion of these art forms. The study underscores the need for enhanced financial aid, healthcare, and technical resources to improve the viability of indigenous art forms and leverage them for cultural tourism.

Book

Lekha, N. B., & M, P. K. (2024). Routledge Handbook of Gender, Culture, and Development in India. In Routledge eBooks. <https://doi.org/10.4324/9781003474913>

Lekha, Kumar M., and their team of contributors embark on a transformative exploration of 'Intersectionality' in the Indian context, where gender, culture, and development intersect to shape the destinies of diverse groups. Drawing from extensive research and nuanced analyses by scholars across the country and a few scholars on India from outside the country, the handbook uncovers the intricate connections between gender inequalities, cultural norms and practices, and developmental trajectories that illuminate how these factors intersect and shape the lives of individuals, communities, and societies beyond India's borders. The book encompasses discussions on the category of gender and the practice of gender studies, workspace economy, and technology. It explains the intricate intersections between gender, labour,

migration, and informal economies, offering a deeper understanding of the composite factors that shape women as the workforce and their role within the workplace and the economy.

Sociology and Human Development

Scopus-indexed

Das, S. G., & Bagli, S. (2024). Women's empowerment and son preference: the case of India. *Indian Journal of Human Development*. <https://doi.org/10.1177/09737030241288700>

The purpose of this article is to explore the changing patterns of women's empowerment and son preference at the Indian sub-national level. We have measured the state-level degree of women's empowerment and son preference for two different periods, that is, 2015-2016 and 2019-2020 using the fourth and fifth rounds of state-level National Family Health Survey data. The sample of the study consists of women who can potentially have son preference. The study has examined whether the mean level of women's empowerment and son preference has changed significantly between the two concerned periods. The categorization and cluster analysis of the states is done based on the degree of women's empowerment and son preference. To explore the degree of association between son preference and women's empowerment and its indicators, a correlation matrix is formed. No significant increase in the mean level of son preference is found whereas the average value of the degree of women's

empowerment increased significantly in 2019-2020 compared to 2015-2016. Further, the states categorized as having comparatively strong women's empowerment do not necessarily have a comparatively low level of son preference. No significant association between women's empowerment and son preference is explored through the correlation matrix as well. Thus, the study leads to the conclusion that son preference in India has no significant association with women's empowerment.

Raj, N., & V, A. (2024). Empowerment of Tribal Women in India: Impact of the Forest Rights Act 2006. *Forum for Development Studies*, 1-20. <https://doi.org/10.1080/08039410.2024.2432302>

This study assessed the role of land rights, particularly under the Forest Rights Act (FRA) 2006, in empowering tribal women in Kerala, India. The analysis highlighted the crucial role of land as a fundamental resource for subsistence, social status, and identity in tribal communities, emphasizing that women's land rights boosted productivity and empowerment, thereby advancing gender equality. The FRA 2006, which ensured land rights, resource access, and conservation responsibilities for tribal communities, included provisions specifically aimed at empowering women through joint titles and participation in decision-making processes. The study used both primary and secondary data to assess the economic, social, and political dimensions of empowerment among tribal women beneficiaries and non-beneficiaries of the FRA. It employed a comprehensive framework to measure empowerment

across various domains, such as autonomy in agricultural production, household facilities, mobility, self-confidence, public participation, and decision-making. The findings indicated that while the FRA contributed to some degree of empowerment, particularly in terms of political participation and freedom of choice, significant challenges remained, including limited economic gains and persistent patriarchal norms that restricted women's decision-making power and mobility.

Kalpa Sivadas & K. Rajalakshmi, (2024). A study on occupational stress of policewomen employees in Kerala. *Edelweiss Applied Science and Technology, Learning Gate*, vol. 8(6), pages 5576-5589. <https://ideas.repec.org/a/ajp/edwast/v8y2024i6p5576-5589id3231.html>

This study examines occupational stress among female police officers in Kerala, analyzing socio-economic, demographic, and job-related factors such as age, marital status, designation, work experience, income, transfers, and training. Data from 300 officers, collected via customized questionnaires, reveal that younger officers, those in lower positions, with frequent relocations and limited training, experience higher stress. Work-life imbalance and socio-economic status also significantly contribute to stress levels. The study finds a strong negative correlation between work-related stress and well-being ($r = -0.62$, $p < 0.001$), with organizational stress accounting for 55% of job satisfaction variance. It highlights the need for tailored recruitment, training, and regular stress assessments to improve job performance and reduce turnover.

Other journals

Sumalatha, B. S., Bhat, L. D., & Chitra, K. P. (2024). Employment Status and Working Conditions: A Situational Analysis of Female Domestic Workers in India. *Review of Development and Change*, 29(2), 176-197. <https://doi.org/10.1177/09722661241299506>

Domestic work is emerging as one of the fastest-growing informal sectors; gendered stereotypes coupled with low economic value attached to this sector affect the working conditions and quality of life of women engaged in domestic work. Using data collection methods such as scheduled questionnaire surveys and focus group discussions, information was collected from 600 participants from three states: Kerala, Tamil Nadu and Mizoram (200 from each). Participants were chosen using the simple random method from the lists provided by the NGOs from cities such as Kochi and Trivandrum (Kerala), Chennai and Trichy (Tamil Nadu) and Aizawl (Mizoram). Data were collected from May 2021 to August 2021. The findings of this study show that the majority of the domestic workers under study experience problems such as poor working conditions, workplace harassment and discrimination at different levels. The realization that the demand for domestic workers is on the rise, especially in urban India, and the fact that more and more families report the need for such workers prompts us to recognize that it is time to regulate the sector and ensure decent working conditions.

Gotmare, P. R., Mukhtar, Md. S., Bhat, L. D., & Sumalatha, B. (2024). Impact of COVID-19 on the Livelihoods, Health, Well-being and Pay Disparity of Women Workers in

Unorganized Sector in India. *The Indian Economic Journal*, 0(0). <https://doi.org/10.1177/00194662241299080>

The COVID-19 pandemic has significantly impacted the livelihoods, health, pay disparity and well-being of women workers in the unorganized sector, particularly in fields such as agriculture, fisheries and handloom. These women are especially vulnerable to exploitation, gender inequality and human rights violations, as they lack institutional support welfare measures and are poorly organized. A field survey was conducted using structured questionnaires with 769 women workers from five districts in Tamil Nadu and Kerala states of India to understand the magnitude and different dimensions of their experiences related to pay disparity and health during pandemic times. The study was conducted after both waves of COVID-19. The study focuses on their livelihoods, health, pay disparity, well-being, working conditions, household dynamics, health scenarios and authorities' support during the pandemic. The data were supplemented with qualitative inputs with in-depth interviews with women workers across these districts. The results indicate that pay disparity and livelihoods were significant issues faced by women workers during the pandemic, along with financial difficulties, health issues and increased workloads. 84.65 per cent of women workers are aware of wage discrimination, while 48 per cent reported pay disparity at their workplace, 78 per cent were unpaid for overtime, and 88 per cent worked without training or safety measures. However, it was found that 99.7 per cent of women workers had been vaccinated. Based on the study results, there is an urgent need for national

and state-level policies and support specifically aimed at women workers in the unorganized sector in India.

Health

Scopus-indexed

Das, T. (2024). Role of Public Health Expenditure on Health Infrastructure and Manpower in India: A State-Level Analysis of the Nexus Between Indicators. *Indian Journal of Human Development*, 18(2), 242-266. <https://doi.org/10.1177/09737030241299264>

This paper analyses the trends in health infrastructure and manpower (HIM) indicators across Indian states and regions from 2006 to 2020 using a composite index. It assessed the financial factors impacting HIM nationwide, particularly in rural and tribal areas, through a panel regression model. The findings revealed that

economically advanced states like Haryana and Maharashtra underperformed in health indicators, while disadvantaged states like Odisha and Rajasthan performed better. Smaller states delivered more effective healthcare services in rural areas. Low public health expenditure (PHE) was associated with lower composite index values and higher infant mortality rates in Bihar, Uttar Pradesh and Madhya Pradesh, with Kerala showing a notable reversal. The analysis indicated that increased per capita PHE was not linked to improvements in HIM across Indian states, including tribal regions. However, in rural areas, PHE as a percentage of gross state domestic product significantly enhanced HIM.

What is new(s) from GIFT

A. Seminars/Webinars

GIFT in collaboration with International Institute of Migration and Development (IIMAD) organised a Workshop on Kerala Migration Report 2023 on 17 October 2024

The report was presented by Prof Irudaya Rajan, Honorary Fellow, GIFT & Chairman IIMAD, in which session was chaired by Prof K N Harilal and panel discussion was followed on report by Prof Ginu Zacharia Oommen, Honorary Prof IIMAD, Prof Vinoj Abraham, Ministry of Commerce Chair, CDS, Dr. Divya Balan Assistant Prof, FLAME University, Pune, Shri Ajith Kolassery, CEO NORKA and Shri Siddik Rabiyyath, Assistant Prof, Dept. of Economics, University of Kerala. Prof K J Joseph, Director GIFT welcomed the participants.

GIFT in collaboration with Kerala Economic Association organised a daylong seminar on the topic 16th Finance Commission and the Indian States: A Kerala Perspective on 18th October 2024.

Hon'ble Finance Minister of the State delivered the inaugural address for the seminar and Keynote address by Shri K M

Chandrasekhar, Former Cabinet Secretary, Distinguished Professor of GIFT and Special Address by Prof M Govinda Rao, Distinguished Professor of GIFT and the seminar inaugural session was chaired by Prof M A Oommen, Distinguished Professor of GIFT.

The seminar included two technical sessions one on Horizontal Devolution in India's Fiscal Federalism and the other was on Issues in Vertical Devolution and Other Concerns, about 10 papers were presented by GIFT faculty and Research Scholars. The papers were reviewed by discussants from among the members of Kerala Economic Association. Prof K J Joseph, Director GIFT welcomed the gathering.

GIFT in association with Kerala Economic Association organised an International Symposium on Methodological Issues in Multidimensional Poverty on 23rd October 2024,

Keynote was delivered by Prof Nanak Kakwani, Former Head, University of New South Wales, Australia and Moderator Prof K J Joseph, Director GIFT. The other discussants on the topic were Prof Suman K Bery, Vice Chairman

NITI Aayog (TBC), Prof Amitab Kundu, Former Prof. CSRD, JNU, Prof. Sabina Alkire, Director, OPHI Uty of Oxford (TBC), Prof Achin Chakraborty, Former Director, IDS Kolkata.

GIFT organised a faculty seminar on the topic 'Does stamps and registration fees revenue catch up with the performance of real estate sector? "Evidence from Kerala' On 07th November 2024.

The paper was presented by Dr. Aswathy Rachel Varughese, Dr. Meenu Mohan, Assistant Professor Faculties of GIFT and Mr Ajitesh Menon, Intern at GIFT. Prof Ramakumar, Centre for Study of Developing Economics chaired the session.

Abstract: The present study examines the revenue receipts from Stamps and Registration Fee (SRF), its trends and patterns in Kerala over the past three decades. It highlights legal frameworks and disparities in fair value across four districts. Using an Auto Regressive Distributed Lagged (ARDL) approach, the study examines whether SRF revenue in Kerala catches up with real estate performance. The various issues discussed in this study include unscientific land value fixation, a diminished role of the registration department, and ineffective enforcement of the Kerala Stamp Act of 1959, leading to revenue leakage. Despite higher SRF duties, Kerala's revenue performance lags behind other South Indian states. The study reveals significant land value disparities, especially in Ernakulam, and calls for periodic reviews and accurate classifications to prevent revenue loss.

The SRF rate has peaked at 8 percent, yet revenue mobilization remains sluggish. Disparities in the value per registered document among districts suggest undervaluation. ARDL analysis confirms no association between SRF revenue and real estate performance in Kerala. This analysis supports that land undervaluation leads to significant revenue leakage. Policymakers must address these issues to enhance SRF revenue and boost the State's Own Tax Revenue (SOTR), crucial given the diminishing central transfers to Kerala.

GIFT organised a seminar on the topic 'Vision India 2047 and XVI Finance Commission: "Reflections from the Perspective of States' on 15th November 2024.

The paper was presented by Prof K J Joseph, Director GIFT in which the chairperson was Shri K M Chandrasekhar, Former Cabinet Secretary, and Distinguished Professor of GIFT.

Abstract: It is by now well acknowledged that the institutions play an important role in development and they need to coevolve in sync with the changing context. Viewed thus, any inertia for institutional change could potentially be inimical to development. In many ways the context of the 16th Finance Commission is fundamentally different from its predecessors. While the Finance Commission was set up with the mandate to ensure the provision of basic minimum public goods to all the states in a context where in the country was confronted with

addressing basic development goals, today India aspires to be a developed economy by 2047. Scholars of eminence have dealt at length with the plausible strategies in this direction. Yet there appears to a serious deficit in our understanding of the potential role of States in Vision India 2047, although it is understood that "India grows when States grow". If the States are important in India's development, it could presume that the Finance Commission, which functions within the prevailing fiscal federal context (read as institutions), has a critical role in enabling them to accomplish their role. Against this background this seminar seeks answers to the following issues.

- a). How to articulate the role of States in India's development?
- b). How conducive is the fiscal federal relations as it evolved over time to enable States to accomplish their role?
- c). What are the key ingredients of institutional changes that the Finance Commission shall consider for making it relevant in accomplishing Vision India 2047?

GIFT organised a seminar on Structural Mismatch between Economy and Exchequer: "A Critique of the Fiscal Architecture of India" on 20th November 2024.

The speakers on the paper were Prof K N Harilal, Chairman 7th State Finance Commission. Govt of Kerala; Dr Shyjan Davis, Associate Professor, Dept of Economics, University of Calicut and the chair for the session Prof K J Joseph, Director GIFT.

Abstract: There are several good reasons

why the State is expected to assume a growing role with development. The size of the State has been growing unabated over many decades in the developed countries. However, a decision to traverse a different path was taken in India

During 1980s with the introduction of neoliberal reforms. Reducing the size of the government was adopted as an overriding national goal in India as well as many other developing nations. Coming to the subnational governments the reforms were designed to establish a negative relationship between per capita income and the size of the government measured in terms the ratio between public expenditure and SDP. There is a clear disconnect between state exchequer and its economy. Almost the same is the case of the Local Governments. The state/ local economy may be booming but the state/ local government lack tax handles to convert it into revenue. An unavoidable consequence of this is its adverse impact on development. The growth poles of the economy are starved of funds and shortage of public services. The fiscal system of the country appears to have an inbuilt mechanism to dampen the development process by denying resources to the growth centers of the nation. The 16th Finance Commission must take note of the structural imbalance in the system and initiate brave steps to overcome the highly debilitating lacuna.

GIFT organised a Book Talk on "In Search of New Social Democracy" on 04th December 2024.

Prof. Olle Törnquist Prof. Emeritus of

Politics & Development, University of Oslo described about the book. Prof K J Joseph, Director GIFT welcomed the participants and chaired the session.

GIFT organised 8th Gulati Commemoration Lecture on 06th December 2024.

The 8th Gulati Commemoration Lecture delivered by Prof. Olle Törnquist, Professor Emeritus of Politics & Development, University of Oslo. The Lecture was on "Will Kerala's Knowledge based Development Lose out to Conservative Nationalism" Prof T M Thomas Isaac was the moderator for the session and Prof K J Joseph, Director GIFT welcomed the gathering. Dr. Nirmal Roy V P, Assistant Professor of GIFT proposed the vote of thanks.

Abstract: Having successfully fought floods and the pandemics with a combination of local public action and government coordination, an effort was made to upgrade the Kerala model of knowledge based human development through the mobilisation of additional resources, including by relating to the global interests in productive (rather than extractive) investments. These efforts at upgrading the model are now confronted by the forces of conservative nationalism. Ideologically and politically by religious- and nativist-based strongman rule, and economically by reducing Kerala's share of union administrated taxes as well as by preventing state supervised loans for investments. Will the confrontation

succeed? Not necessarily, I shall argue, if Kerala reinvents the historical achievements of overcoming divisive politics and fiscal crises with public action and democratic governance, keeping in mind comparative insights

Seminar Co ordinators

Dr Kiran Kumar Kakarlapudi and Dr Geetha Rani V

B. Teaching and Training programmes

1. Post Graduate Diploma in GST (PGDGST)

PGDGST 2024-25: Batch

GIFT signed an MoU with the CAST (Nergy Vidya on 9th October 2024. Based on that they conducted the one-week training of trainers (TOT). Practical training was imparted to the students from 8th December 2024.

GSTN provided practical training on their stimulated platform on Registration and Returns. By December 2024, 126 hours of lectures have been completed for the 2024-25 batch which includes the special lecture by Mr S. Suresh, Superintendent, CGST, Thiruvananthapuram.

Course Co-ordinators: *Dr Vidya V Devan and Dr Akhil M P*

For more details: <https://www.gift.res.in/index.php/course/detail/14/PGD-GST>

2. PhD programme

The activities of the Ph.D programme during October to September, 2024 are listed below. The sixth batch Ph.D programme was started on 13 January 2025 joining eight students. The inauguration of the Ph.D programme 2024-25 was done by Shri Jairam Ramesh, Member of Parliament, Rajya Sabha. The course work has been completed for the fifth batch Ph.D scholars with the second term paper presentation held during 10 to 11 January 2025. As part of coursework, we have organised ten special lectures on various issues of Kerala economy by eminent scholar like Dr. Ravi Raman, Dr. K.P Kannan, Dr. Pushpangadan, DR. K. N Harilal, and Dr. A.V Jose. The bi-annual work progress seminar presentations of the fourth batch were held from 27 to 29, November 2024. Two Ph.D committee meetings were held on 15 October 2024 and 12 November 2024 respectively to discuss the Ph.D related matters. On 4 November 2024, a Research Committee meeting was held to discuss the student related matters. Ph.D scholars had an interactive session with Prof. K.L Krishna, a renowned econometrician in the country on 22 October 2024. A special lecture by Prof. D Narayana was held on 2 December 2024 on the topic Indian Economic Growth: signs of serious infirmities. The bi-annual work progress seminars of the first three batches were held during 13 to 15 January 2025.

Ashkar K, PhD scholar at GIFT Presented a research paper titled

'Population Ageing and Its Fiscal Dynamics: A Study of Indian States' at the International Conference on Population Ageing and Labour, which was held at the Vellore Institute of Technology (VIT) in Vellore on November 29-30, 2024.

Divya Kannan K.R, Ph.D Scholar at GIFT presented a paper titled performance of Kerala's manufacturing sector A revisit of prevailing hypothesis at the three day national level 2nd MIDS doctoral colloquium on economics and development studies from 11 to 13 November 2024.

Shagishna K, Ph.D Scholar at GIFT presented a paper titled "Does Religious Faith Affect Financial Inclusion? An Empirical Analysis of Access and Deepening in India" in 2nd MIDS Doctoral Colloquium on Economics and Development Studies organised by Madras Institute of Development Studies (MIDS), Chennai on November 11-13.

Shagishna K received Best Paper Award for the paper titled "Does Religious Faith Affect Financial Inclusion? An Empirical Analysis of Access and Deepening in India" as a part of 2nd MIDS Doctoral Colloquium on Economics and Development Studies organised by Madras Institute of Development Studies (MIDS), Chennai on November 11-13.

Munnawara Zubair, Ph.D Scholar at GIFT selected as a Young Policy Professional Programme Fellow at Centre for Energy Regulation, Department of Management Sciences,

Indian Institute of Technology, Kanpur for 4 months to be a part of the project named " Power Sector Reforms-Phase II" which closely aligns with my research area on Power Sector.

Anjalikrishna Sudhakaran, Ph.D Scholar at GIFT delivered a talk on "Did Singh's Reforms Sing Success? Unveiling Their Impact on India's Growth Story" at Department of Economics St. Joseph College Moolamattom on 30 December 2024.

Anuraj P K and Jobin George, Ph.D Scholar at GIFT was Invited for an interactive session with NSS volunteers from St. Pius X College Rajapuram, Kasaragod, Kerala, during the National Service Schemeresidential camp held on December 24, 2024.

Shijo Thomas and Anuraj P K, Ph.D Scholars at GIFT published an article titled Infrastructure: Lifting potential growth in Kerala Economy Vol.5 No.4 October -December 2024

Course Coordinators: *Dr Sumalatha and Dr Renjith P S*

C. Publications

1. Kerala Tax Reporter (KTR)

August, September and October 2024 issues of KTR published Online and offline.

<https://www.gift.res.in/ktr>

2. Innovation and Development

A Routledge journal from GIFT, Volume 14, No. 3 (2024) published, Editor in Chief, K J Joseph.

For details, please visit <https://www.tandfonline.com/toc/riad20/current>

3. Weekly update on Finance, Taxation and the Indian Economy

This is an attempt by the Young Scholar' Forum in GIFT, led by Dr. Shency Mathew to update on important developments on Finance, Taxation and the Indian economy. Twelve issues of Weekly updates published during October to December 2024 which are available in GIFT Website. Latest issue: 21-27 December 2024.

For details, please visit https://www.gift.res.in/index.php/publish/publish_list/14/Weekly-Updates-on-Finance

4. Monthly Content Alert from GIFT Library

The GIFT library provides a monthly content alert service, extensively designed to support the research endeavors of our PhD scholars. This attempt provides a selection of recently published journal article titles, abstracts, and links, delivering them directly to the GIFT community each month. The content alert service is more than just a monthly update and the initiative aims to be an indispensable tool for scholars, providing them with timely access to the latest research developments in their fields. It is drawn from a wide array of reputed journals.

Nine issues of the content alert service have been published, covering the period

from October to December 2024 (4 issues in a month from the month of August 2024 onwards). The preparation of this content alert is led by Smt Soudhamini GS, Assistant Librarian, GIFT. Latest issue: December Vol. 12. Part 4, 2024.

D. Faculty Publications

GIFT Discussion Paper

Ecological Federalism and Disaster Fund Allocation Criteria in India: Call for a Revisit by Rju Mohan A & Aswathy Rachel Varughese, GIFT Discussion Paper Series No.7/2024

Abstract: The present study critically examines the disaster response financing mechanism within India's fiscal federal framework. It identifies significant deficiencies in both the criteria and methodology for the State Disaster Response Fund (SDRF) allocation. The methodology currently used by the Finance Commission deviates from the established principles of disaster risk theory. The parameters for fund distribution-population, geographical area, and Below Poverty Line population disproportionately disadvantage states that have effectively managed demographic and poverty reduction efforts, inadvertently penalizing high-performing states. These parameters are largely irrelevant to the specific needs of disaster response funding. Furthermore, the existing measure of vulnerability, which predominantly focuses on poverty, fails to adequately reflect the vulnerability

to specific natural disasters. The study proposes revised parameters for fund allocation, including population density and specific geographical features such as wetlands, hilly areas, and coastal length. It also advocates for the replacement of the poverty-based vulnerability measure with a comprehensive disaster vulnerability index.

Keywords: Ecological federalism; finance commission; Disaster response funding; vulnerability

<https://www.gift.res.in/wp-content/uploads/2024/12/DP-7-24-Ecological-Federalism-Its-Time-to-Revisit.pdf>

E. Faculty publications

News Paper Article

Shamna Thacha Paramban .'Kerala Fiscal Strain: From multiple perspectives" in Mathrubhumi newspaper on 30/11/2024

ShamnaThacha Paramban A Formula for Fair Distribution" in Deccan Herald ,https://www.deccanherald.com/opinion/a-formula-for-fair-distribution-3284965?utm_source=whatsapp&utm_medium=referral&utm_campaign=socialshar on 11/11/2024 presented a paper titled "Does Income Distance Really Promote Fairness?" in a seminar at the Public Policy and Research Institute, TVM

Dr. Vidya V Devan and Dr. Meenu Mohan, Assistant Professors published an article titled "States and the Centre's fetter of 'net

borrowing ceiling" in the Editorial session of 'THE HINDU' Newspaper on 11 th November 2024. <https://www.thehindu.com/opinion/lead/net-borrowing-ceiling-as-a-financial-fetter-on-states/article68853078.ece>.

Dr. Meenu Mohan and Dr. Vidya V Devan, Assistant Professors published an article titled “സംസ്ഥാനങ്ങളുടെ കടമെടുക്കൽ അധികാരങ്ങളും ഇന്ത്യൻ ഭരണഘടനയും” themalabarjournal.com/post/tmj-outlook-borrowing-powers-of-states-and-constitution-of-india-dr-vidya-v-devan-dr-meenu-mohan

Dr Sumalatha B S, Dr Aswathy Rachel Varughese and Smt Anitha Kumary L, “Finance Commission can create more fiscal space for states through grants” in Money Control on 3 October 2024.

Dr Aswathy Rachel Varughese, Dr Sumalatha B S and Smt Anitha Kumary L “Is States share in tax kitty rising?” in The Hindu business line on 17 December 2024

Prof K J Joseph “കേന്ദ്രം കനിയണം, കടം തടയരുത്” in Malayala Manoram on 24 December 2024.

Seminar Participation

Dr. Vidya V Devan, Assistant Professor, attended One Week International Faculty Development Programme (Online) on 'Ethics and Values for Teaching Professionals and Administrators' organised by the Christ Academy

Institute of Law, Bengaluru, India in collaboration with Globethics Academy, Geneva, Switzerland from 25th November 2024 to 2nd December 2024.

Dr Akhil M P, Assistant Professor, GIFT, attended Three-Day International Seminar on "Navigating India's Economic Development: Pathways, Prospects, and Challenges" and presented a paper on "Fintech Disruption and Sustainable Development: Mapping Expected Transformations in India" organised by Department of Economics, University of Kerala dated on 20 to 22 November 2024.

Invited Lecture

Dr. Vidya V Devan, Assistant Professor, delivered a Lecture on 'GST in India: Evolution, Current Trends, Challenges and the Road Ahead' for MBA students at Asian School of Business, Technocity, Pallipuram, Trivandrum on 16th October 2024.

Dr. Vidya V Devan, Assistant Professor, delivered a lecture on GST on E-commerce, held at Christ Academy Institute of Law, Bengaluru (online)on 4 th December 2024.

Call for Papers: Kerala Economy Journal

Dear Scholars and Researchers,

We welcome submissions for publication in the Kerala Economy Journal, an esteemed peer-reviewed quarterly publication of the Gulati Institute of Finance and Taxation (GIFT).

Aims and scope of the journal

Kerala Economy has been a beacon of knowledge, enlightening readers with its monthly publication since its inception in September 2020. As a testament to our commitment to accessibility, we present not only the English edition but also a meticulously translated Malayalam counterpart, ensuring that our invaluable insights reach audiences far and wide. In a world of constant evolution, we adapt and evolve. From 2022 onwards, Kerala Economy has blossomed into a quarterly journal, offering deeper analyses, fresher perspectives, and richer content.

Priority is given to papers which are

- relevant to important current research in finance and taxation, macroeconomics and development issues from a public economics perspective either at regional, national, or international levels

- that offer critical evaluations, based on empirical research, of alternative theories, perspectives, or schools of thought

We welcome original research articles, insightful reviews, thought-provoking analyses, and innovative perspectives from scholars, researchers, and practitioners across the globe. Whether your expertise lies in economics, finance, taxation, or multidisciplinary fields, we encourage you to submit your work for consideration.

The editors also welcome surveys of the literature in the relevant fields.

Each research article in this journal undergoes a thorough peer-review process, which includes initial screening by the editor and anonymous peer review.

Instructions for Authors on how to submit your article

- Authors/Researchers are encouraged to submit their academically significant and original works for publication.
- Submission of any article/paper will be taken to imply that it is unpublished and not in communication for publication with any other publisher/journal.

- Every article should carry a short abstract between 150-250 words, summarising and foregrounding the significance of the article.
- The article length shall not be more than 4000 words(excluding references).
- The manuscript shall be anonymous in nature
- A separate title sheet with article title, author affiliation and communication address shall be provided
- Images/Tables shall be continuously numbered and appropriately placed in the manuscript
- For initial submissions, there are no formatting requirements. However, the authors are expected to follow a uniform formatting criteria. After acceptance, the authors shall format the article as per journal requirements.
- Spelling, dates, references and footnote numbers should be checked for accuracy.
- All the works of others used for the preparation of the article should be cited appropriately
- Referencing should be done in APA format

Articles submitted for publication will be subjected to anonymous peer-review and the authors are expected to revise/respond to the comments offered by the peer-reviewer(s) in the final submission.

After Acceptance

After accepted, the authors shall format the article as per the journal requirements and submit it to the journal. Proofs of the articles in PDF format would be sent to the author who is expected to return them to the Handling Editor within a week. Substantive alterations or additions cannot be made at this stage and hence, authors should ensure that their final submissions must be thoroughly checked for accuracy.

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The Governing Body and Executive Committee of GIFT consist of scholars of eminence and senior administrators representing both the Central and the State Governments. Shri K. N. Balagopal, Minister of Finance, Government of Kerala, is the Chairperson of the Institute.

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