WEEKLY UPDATES ON
FINANCE, TAXATION & THE INDIAN ECONOMY

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gIFT GULATI INSTITUTE OF FINANCE AND TAXATION
An Autonomous Institution of Government of Kerala

Public Finance

Confederation of Indian Industry urges government to stick to fiscal deficit target

The Confederation of Indian Industry (CII) has suggested that the government stick to the fiscal deficit target of 4.9% of the GDP for 2024-25 and 4.5% for 2025-26, cautioning that "overly aggressive targets" beyond these could adversely affect India's economic growth. *(The Hindu)*

At pre-Budget meet, farmers seek increase in income support, industries call for tax breaks

Union Finance Minister Nirmala Sitharaman met representatives of farmers' associations, agriculture-based industries and agricultural economists in New Delhi on Saturday as part of her customary pre-Budget consultations with stakeholders from various sectors. Farmers asked her to double the income support under the PM Kisan Samman Nidhi to ₹12,000 and reduce costs on input materials, while industries sought tax breaks and subsidies for expanding their network of infrastructure. *(The Hindu)*

Arvind Panagariya says issue of surcharges is complicated

Arvind Panagariya, Chairman, 16th Finance Commission, on Tuesday termed the grievance of States regarding the Centre's increasing reliance on cesses and surcharges as a "complicated issue." While it was a worrisome factor for many States, it was also, "in a way," the Centre's response to the reduction of its own fiscal space due to the increase in the share of States in the divisible tax pool over the years, he said, speaking to the media after meeting Kerala officials and other stakeholders at Kovalam. *(The Hindu)*

Reducing debt burden priority for next decade, says FM Sitharaman

Finance Minister (FM) Nirmala Sitharaman on Wednesday said the priority of the government for next decade should be to reduce the debt burden and borrow only to build assets. Sitharaman's comment comes ahead of the Budget for the next financial year (FY26), to be presented in February next year, in which the government is expected to chart a new path towards debt targeting for the country from FY27 onwards, departing from the current practice of targeting the fiscal deficit. *(Business Standard)*

Study argues for continuation of revenue deficit grant

There is a compelling argument for the continuation of revenue deficit (RD) grant to Kerala under the 16th Finance Commission, given the State's focussed spending on the creation of 'human capital' under the Kerala Model, according to a study by the Gulati Institute of Finance and Taxation (GIFT). *(The Hindu)*

Odisha govt suffered loss of Rs 75 crore excise revenue during COVID pandemic: CAG

Odisha's Comptroller and Auditor General (CAG) reported a Rs 75.07 crore excise revenue loss due to manipulated sales registers by liquor retailers during the COVID-19 pandemic.

The CAG audit revealed excess sales reporting to avoid the Special COVID Fee, hinting at collusion between retailers and excise officers. Disciplinary action and revenue recovery are underway. *(The Economic Times)*

Govt seeks Parliament nod for Rs 44,143 crore extra spending in FY25

The government is seeking parliamentary approval for an additional ₹44,143 crore in spending for the current fiscal year. This includes increased allocations for agriculture, fertilisers, and defense. The extra expenditure is not expected to impact the fiscal deficit target due to anticipated savings in other areas like capital expenditure.*(The Economic Times)*

Modi govt consistently hiked capex: MoS Finance

India's infrastructure spending has seen a significant boost under the Modi government, targeting Rs 11.11 lakh crore for the current fiscal year. This investment aims to improve connectivity and contribute to India's goal of becoming a developed nation by 2047, with a projected USD 30 trillion economy and increased per capita income.*(The Economic Times)*

Taxation

India's upstream policy overhaul, windfall tax removal likely to draw in global oil firms

India's move to broaden the scope of its exploration policy beyond petroleum and natural gas while abolishing a windfall tax on domestically produced crude oil will likely draw in private and foreign entities to the upstream sector. The exploration and production (E&P) sector has witnessed an uneven growth trajectory over the past decade, points out S&P Global Commodity Insights. *(BusinessLine)*

Bill introduced in Tamil Nadu Assembly to impose 10% entertainment tax on concerts, dramas, shows

The Tamil Nadu government on Monday tabled a Bill in the Assembly that seeks to levy and collect a 10 per cent entertainment tax on concerts, dramas, shows, or any other event conducted on the premises of any institution or in any other place. *(BusinessLine)*

Badam flavoured milk classified under 'milk,' attracts 5% GST, rules Andhra Pradesh HC

Badam 'flavoured milk' is not a beverage but is classifiable under a specific entry as 'milk,' the Andhra Pradesh High Court has ruled. This means Badam 'flavoured milk' will attract GST at the rate of 5 per cent and not 12 per cent. *(BusinessLine)*

Tax refunds up by 46.31% to ₹3.08 lakh crore in FY 2024-25: Finance Ministry

The Finance Ministry announced on Thursday a significant improvement in the issuance of tax refunds for the financial year 2024-25. Between April 1 and November 27 this year, refunds amounting to ₹3.08 lakh crore were issued, marking a 46.31 per cent increase compared to the same period in 2023. *(BusinessLine)*

National Accounts and State of the Economy

Sanjay Malhotra takes charge as 26th RBI governor

Sanjay Malhotra assumed office as the 26th Governor of the Reserve Bank of India on Wednesday, succeeding his role as the former Revenue Secretary. He will serve a three-year term as the head of India's central bank. *(The Economic Times)*

Country will return to 7%-plus growth in coming quarters: Arvind Panagariya

India's GDP growth in the September quarter fell to a seven-quarter low of 5.4%, raising concerns about slowdown and many private economists as well as multilateral institutions have slashed their projections. *(The Economic Times)*

India's structural reforms need acceleration: World Bank's chief economist Indermit Gill

World Bank Chief Economist Indermit Gill urged India to accelerate structural reforms for its transition to a high-income nation. He highlighted inefficiencies in capital utilisation, talent allocation, and energy use, suggesting a focus on productivity improvement through technology and large firm growth. *(The Economic Times)*

Centre releases ₹944 cr. to T.N. for cyclone relief work

The Ministry of Home Affairs has approved the release of ₹944.80 crore to Tamil Nadu from the State Disaster Response Fund (SDRF) for providing relief to the people affected by Cyclone Fengal, even as Chief Minister M.K. Stalin sought ₹6,675 crore towards relief and restoration in the affected districts.*(The Hindu)*

ADB lowers India's GDP growth forecast to 6.5 pc for FY25

The Asian Development Bank (ADB) Wednesday scaled down India's GDP growth projection for this fiscal year to 6.5% from 7%, citing lower-than-expected industrial growth amid sluggish government spending. The multilateral lender also lowered its growth forecast for 2025-26 to 7% from 7.2% earlier, attributing subpar increase in private investment and impact of tight monetary policy on housing demand. *(The Economic Times)*

17 states achieved over 9% and 25 states over 7% GSDP growth post-COVID: PHDCCI report

India's states have shown strong economic recovery post-COVID-19, with 25 states achieving over 7% growth in Gross State Domestic Product (GSDP) during FY22 and FY23, according to a PHDCCI report. Among them, 17 states surpassed 9% growth, with Gujarat, Kerala, Telangana, Rajasthan, and others standing out.*(The Economic Times)*

Inflation global challenge; restoring normalcy top priority: FM Nirmala Sitharaman

Finance minister Nirmala Sitharaman said on Wednesday that restoring normalcy is a top priority for governments and industries worldwide for the next decade, as wars and skirmishes disrupt supply chains, stoke inflationary pressures within and beyond conflict zones, and crimp economic growth. *(The Economic Times)*

Need to differentiate between financial, non-financial regulation: CEA

Chief Economic Advisor V Anantha Nageswaran on Wednesday said there is a need to differentiate between regulation of financial and non-financial sectors as competition in financial sector can lead to excessive risk taking and bring instability. "We do need to make a distinction between regulation with respect to financial sector and regulation with respect to non-financial sector of the economy," Nageswaran said at the CII Global Economic Policy Forum 2024. *(Business Standard)*

India set for resilient growth in 2025 driven by urban consumption: S&P

The Indian economy is set for resilient growth in 2025 on the back of strong urban consumption, steady services sector growth, and ongoing investment in infrastructure, S&P Global Ratings has said in its latest India Outlook. The global ratings agency kept the FY25 gross domestic product (GDP) growth outlook unchanged at 6.8 per cent amid slower fiscal impulse tempering urban demand. *(Business Standard)*

TN faring better in contribution to Indian economy, GSDP up by 14%: CAG

With its per capita income far exceeding the national average, Tamil Nadu was faring better in its contribution to national economy and the state's industries and services sectors played a pivotal role in increasing the Gross State Domestic Product (GSDP) by 14 per cent in 2022-2023 amounting to Rs 23,64,514 crore, Principal Accountant General (Audit-I), Tamil Nadu, D Jaishankar said on Tuesday. *(Business Standard)*

Banking and Monetary Policy

With tax benefits, GIFT IFSC to attract private credit funds

GIFT International Financial Services Centre may become an attractive destination for private credit funds, given the tax and regulatory advantages offered by the financial centre. The RBI circular on evergreening of loans has resulted in a number of private credit funds in India taking a more cautious approach, said experts. This might prompt funds to turn to GIFT IFSC, in Ahmedabad, where the regulatory regime has a light touch. *(BusinessLine)*

RBI’s Rate Dilemma: Nov. inflation likely eased to 5%

India’s retail inflation is likely to have eased to around 5% in November from October’s 14-month high of 6.2%, with some cooling of food prices on a month-on-month basis though vegetable, pulses and edible oil prices remained elevated compared to last November, and home cooked vegetarian meal costs rose 7%, according to two price tracking reports. *(The Hindu)*

Amid high inflation, RBI keeps repo rate at 6.5%

The Monetary Policy Committee (MPC) of Reserve Bank of India (RBI) on Friday held steadfast in its battle against inflation amid weakening growth momentum, with four of its six members voting to keep policy repo rate unchanged at 6.50% for the 11th bi-monthly review in a row. *(The Hindu)*

Agri and allied sector records highest growth in non-food credit this year

As economic activity slows due to stuttering consumption and the RBI's regulatory measures weigh on personal loans, non-food credit growth has slowed sharply from year-on-year growth of 20 per cent in September 2023 to 13 per cent in September 2024. While most segments on non-food credit have recorded a slowdown, credit to agriculture and allied activities recorded the strongest growth. *(BusinessLine)*

PSB loan write off in H1 FY25 at Rs 42,000 cr

Public sector banks have written off loans worth Rs 42,000 crore in the first six months of the current fiscal, Parliament was informed on Monday. State Bank of India (SBI) wrote off loans worth Rs 8,312 crore, Punjab National Bank (Rs 8,061 crore), Union Bank of India (Rs 6,344 crore) and Bank of Baroda (Rs 5,925 crore) during the April-September period. *(The Economic Times)*

Banks unlikely to offer higher deposit rates after CRR cut

Banks are unlikely to offer savers higher rates for fresh deposits as credit growth moderation and last week's cut in the cash reserve ratio (CRR) should ensure the lenders have sufficient liquidity to meet financing demand until the end of FY25. Bankers said slower credit growth has narrowed the gap between credit and deposits. Additionally, the ₹1.16-lakh-crore liquidity infusion through a lower CRR threshold will prevent deposit rates from climbing. *(The Economic Times)*

RBI has responsibility in ensuring India's continued growth: Malhotra

The Reserve Bank of India has a huge responsibility in ensuring that the country's economic growth continues going ahead, its newly appointed Governor Sanjay Malhotra said on Wednesday. "The RBI, in its 90th year, has adopted the theme of stability, trust and growth. All these three are very apt pillars to work on," he said in his address on his first day in office as the RBI chief.*(BusinessLine)*

Small finance banks allowed to transfer loan amounts via UPI

The Reserve Bank of India (RBI) has decided to permit small finance banks to extend pre-sanctioned credit lines through the UPI. "This will further deepen financial inclusion and enhance formal credit, particularly for 'new to credit' customers," Governor Shaktikanta Das said while announcing additional measures after his monetary policy statement. *(The Hindu)*

External Sector

FDI equity flows up 45% at $29.8 billion in H1FY25, shows govt data

Foreign direct equity investment witnessed a 45 per cent jump at $29.8 billion in the first six months of the current financial year, according to data of the Department for Promotion of Industry and Internal Trade (DPIIT). The rise in foreign direct investment (FDI) equity inflows comes after a contraction in inflows for three consecutive financial years: FY22, FY23, FY24. Gross foreign direct investment, which includes equity capital of unincorporated bodies, reinvest earnings and other capital, saw 29 per cent rise at $42.3 billion during April-September. *(Business Standard)*

India should remain open to investments from China: Panagariya

Former Finance Commission Chairman Arvind Panagariya advocated for India to remain open to Chinese investments, except in sensitive sectors, mirroring the approach of countries like the US and Germany. He also emphasized the importance of expanding India's Free Trade Agreements to facilitate smoother global supply chain participation and boost exports, citing the example of iPhone's multinational production process. *(The Economic Times)*

FDI inflows into India cross $1 trillion, establishes country as key investment destination

Foreign direct investment (FDI) inflows into India have crossed the $1 trillion milestone in the April 2000-September 2024 period, firmly establishing the country's reputation as a safe and key investment destination globally. According to data from the Department for Promotion of Industry and Internal Trade (DPIIT), the cumulative amount of FDI, including equity, reinvested earnings and other capital, stood at $1,033.40 billion during the said period. *(The Hindu)*

Govt to set up council to push defence exports

The government is set to establish a Defence Export Promotion Council (DEPC) to give a push to the exports of indigenous military products, which stood at an all-time high of ₹21,083 crore in FY24 and are targeted to grow to ₹50,000 crore in next five years. Industry sources told businessline the Ministry of Defence has assigned the Society of Indian Defence Manufacturers (SIDM), the apex body of the Indian defence industry, to form the DEPC. *(BusinessLine)*

'Should not be concerned much about imports as long as exports' grow'

India should not be overly concerned about imports as long as exports' share continues to grow, Commerce Secretary Sunil Barthwal said on Thursday. He also said the world needs to avoid protectionism which creates more trade barriers and hinders movement of goods. The secretary said that one needs to avoid the mercantilist approach and should not bother too much about trade balance and imports. *(Business Standard)*

Agriculture and Rural Economy

Natural farming in mission mode, but is it a workable alternative?

The Union Cabinet last month approved an ambitious National Mission on Natural Farming (NMNF) with an outlay of Rs 2,481 crore by subsuming all previous efforts into this single programme. The scheme aims to bring around one crore farmers under the fold of natural farming and is targeted to cover around 0.75 million hectares of land over the next few years. .*(Business Standard)*

Easier agriculture marketing on the cards

Three years after rolling back three controversial farm Bills, the government is set to make another bid to achieve their essential objectives of barrier-free trade in farm produce under a uniform pan-India framework.b *(Financial Express)*

Asia rice:New season supplies rise in India; Vietnam rates drop

Indian parboiled rice prices held steady this week due to strong African demand, counteracting pressure from new crop yields. Vietnamese prices fell on strong supplies, while Thai prices edged up slightly due to baht appreciation. The Indian rupee's record low boosted exporter margins.*(The Economic Times)*

Suspected PDS Rice seized at Visakha Container Freight Station

The Vigilance & Enforcement team reportedly seized around 483 metric tonnes of rice belonging to two firms on suspicion of being Public Distribution System (PDS) stock at the Visakha Container Freight Station (VCFS) warehouse in the Visakhapatnam Port area, near Sheela Nagar on Monday. *(The Hindu)*

Government's wheat from official reserves has many takers, nearly all quantity sold out

For the second consecutive week, there was nearly 100 per cent offtake recorded in the weekly e-auction under Open Market Sales Scheme (OMSS) for the 1 lakh tonne (lt) of wheat offered by the Food Corporation of India (FCI) from official reserves. A 100 per cent offtake was noticed in the first round of auction too.*(BusinessLine)*

About 500 acres of fallow land in DK-Udupi being restored as paddy fields every year, farm varsity VC

Keladi Shivappa Nayaka University of Agricultural and Horticultural Sciences Vice-Chancellor R.C. Jagadish on Tuesday said an average of 500 acres of fallow land are being restored as paddy fields in Dakshina Kannada and Udupi districts every year.Speaking after inaugurating the krishi mela and other exhibitions organised as a part of the 30th edition of Alva's Virasat being organised by Alva's Education Foundation at Moodbidri, *(The Hindu)*

Industry, Manufacturing, Services and Technology

India's industrial production grows 3.5% in October

India's Index of Industrial Production (IIP) grew by 3.5% in October 2024, up from 3.1% in September 2024. This positive growth was driven by strong performance in key sectors like basic metals, electrical equipment, and refined petroleum products. Eighteen out of 23 industry groups showed year-over-year growth, indicating broad-based industrial expansion. *(The Economic Times)*

The significance of ANI versus OpenAI

In the evolving landscape of digital news dissemination, there is a symbiotic yet contentious relationship between news publishers and technology companies. Publishers depend on these platforms for hosting content and traffic referrals, which they monetise through advertising. Technology platforms, such as Meta, act as intermediaries, driving traffic to news websites and taking a share of the advertising revenue. *(The Hindu)*

What is the extent of the global share of solar energy?

On November 5, the World Solar Report 2024 by the International Solar Alliance (ISA) was released. From 1.22 GW in 2000, the world's solar capacity has surged to 1,419 GW in 2023, charting a CAGR of about 36%. Today, solar capacity represents three-quarters of all renewable capacity additions worldwideQuantum dot solar cells have achieved a record-breaking efficiency of 18.1%, offering a promising approach to enhance solar energy capture and power atmospheric water harvesting technologies. *(The Hindu)*

Industry must realign itself with political, strategic policies: Sitharaman
Finance Minister Nirmala Sitharaman on Wednesday said the industry will have to realign its policies keeping in mind political and strategic decisions of the country. Outlining the priorities of the economy for the next decade, Sitharaman also said attempts should be made to restore global calm and normalcy and noted that war or any form of disruption should be avoided. *(Business Standard)*

Surge in finished steel imports sparks industry woes, policy dilemmas
India's finished steel imports reached 5.768 million tonnes (MT) during April-October 2024, registering a 42.1 per cent year on year (Y-o-Y) growth over the same period last year.This has led to concerns among large domestic steel producers and Indian steel associations, who have asked the government to protect their businesses. *(Business Standard)*

'Pressure' from India Inc to raise duties: Industry secretary Bhatia
While the government has been taking steps to reduce tariffs, there has been repeated 'pressure' from industry to increase duties to remain protected from foreign competition, industry department secretary Amardeep Singh Bhatia said on Wednesday. *(Business Standard)*

Need to see why industries seek high duties despite tariff cuts: DPIIT secy
India has reduced its tariffs significantly over the years, bringing them down to the world average level, yet the domestic industries continue to suggest increasing the duties, a senior government official said on Wednesday. Secretary in the Department for Promotion of Industry and Internal Trade Amardeep Singh Bhatia said that it needs to be examined why such requests come. *(Business Standard)*

Confident of Indian automobile industry becoming number 1 in 5 yrs: Gadkari
Union Minister Nitin Gadkari on Tuesday exuded confidence that India's automobile industry will rise to the number one position globally in the next five years and outlined his ministry's ambitious target to also reduce the logistics costs in India to 9 per cent over two years. *(Business Standard)*

Maharashtra, Tamil Nadu, Haryana ride auto PLI manufacturing wave
Maharashtra, Tamil Nadu, Haryana, and Karnataka have emerged frontrunners in India's electric vehicle (EV) manufacturing ecosystem, accounting for over 200 of the 257 manufacturing facilities and engineering research and design units established by beneficiaries of the government's Production Linked Incentive (PLI) Scheme for the Automobile and Auto Component Industry (PLI-Auto), according to data from the Ministry of Heavy Industries (MHI). *(Business Standard)*

3,000 MW electrolyser manufacturing capacity coming up in India, says govt
India is in the process of providing viability gap funding for electrolyser manufacturing capacity of about 3,000 MW per annum to boost green hydrogen production in the country, Parliament was informed on Tuesday.This assumes significance as India had

launched the National Green Hydrogen Mission with an initial outlay of Rs 19,744 crore in January 2023. *(Business Standard)*

Insurance sale at parent banks worries regulator

The Insurance Regulatory and Development Authority of India (Irdai) is concerned over insurers' heavy dependence on parent banks for bancassurance sales and may come up with regulations to address it, according to sources. The regulator may ask life insurers to diversify their bank partnerships, curbing the dominance of parent banks, which in some cases contribute over 90% of total sales for their insurance subsidiaries. *(The Economic Times)*

India's 6G technology ambitions run into funding challenges

India's ambition to own at least a tenth of 6G technology patents globally looks challenging as the country has yet to secure billions of dollars in funding for 6G research and upgrade existing 4G/5G networks to support the sixth-generation wireless broadband technology, analysts and industry experts said. *(The Economic Times)*

Steel Ministry proposes 37% purchase preference to green steel in government tenders

India's steel ministry has proposed that over a third of the total government steel procurement will be of low carbon variant. This 'Green steel' is defined as steel produced with emissions lower than 2.2 tonnes of carbon dioxide per tonne of finished steel. A star-rated grading system will also measure the greenness of steel, with five-star rating for emission intensity lower than 1.6 tonnes of CO_2 equivalent per tonne of finished steel. *(The Economic Times)*

News on Kerala

State not to sign MoU for PM SHRI implementation for now

Kerala has decided against signing the memorandum of understanding (MoU) for implementing the PM SHRI (PM Schools for Rising India) scheme for now. Though there were indications that the State would ink the agreement for implementing PM SHRI, it is learnt that in the wake of political opposition to certain provisions in the National Education Policy (NEP), the State government has decided not to go ahead with it. *(The Hindu)*

'Next phase of Kerala model facing upsets': Olle Tornquist

The next phase of the Kerala development model faces serious challenges, particularly from conservative nationalism, Olle Tornquist, Emeritus Professor, University of Oslo, Norway, said here on Friday. Prof. Tornquist was delivering the eighth I.S. Gulati memorial lecture on 'Will Kerala's knowledge-based development lose out to conservative nationalism,' organised by the Gulati Institute of Finance and Taxation (GIFT) here. *(The Hindu)*

CM Vijayan urges expansion of Kerala-TN model cooperative on states' rights

Kerala Chief Minister Pinarayi Vijayan on Thursday said that the cooperation between Kerala and Tamil Nadu is based on the principles of cooperative federalism and called for its expansion to other states to curb frequent interventions in their rights. *(Business Standard)*

Kerala seeks 50% share of divisible tax pool: Central Finance Committee

The government of Kerala has urged the 16th Finance Commission to increase its share of the divisible tax pool from the 41 per cent recommended by the 15th Finance Commission to 50 per cent. The request comes as the state seeks a larger share of the Rs 616.41 crore divisible pool, with recommendations for adjustments based on population, area, and demographic performance. *(Business Standard)*

Kerala received Rs 44,000 crore from domestic entrepreneurs in three and half years, says Minister

Kerala is on the fast track to industrial growth, and the state could attract investments worth Rs 44,000 crores from domestic entrepreneurs in the last three and a half years alone, state Industries Minister P Rajeeve said on Monday. *(The Economic Times)*

Kerala open to discuss new projects with Adani; not keen on any big polluting industries: Rajeev

Kerala is not averse to discussing any new project with the Adani group and will do so only if there is a "win-win" situation which benefits the people of the state as well, a senior state minister has said. However, the southern state is not keen to have any big industries which will cause pollution and ecological damage, P Rajeev, the Minister of Law, Industries and Coir, told PTI. *(The Economic Times)*

NGT seeks CPCB report on liquid waste management in Periyar catchment

The Southern Bench of the National Green Tribunal (NGT) has asked the Central Pollution Control Board (CPCB) to submit a report on the liquid waste management status of the industrial units operating in the catchment area of the Periyar River by January first week. The central board has been told to check whether the industries have implemented zero liquid discharge status as directed by the tribunal earlier. *(The Hindu)*

User fee at Adani's Thiruvananthapuram airport up 50% from July 1

Flying out of the Adani-controlled Thiruvananthapuram airport will get costlier from July 1 as the user development fee (UDF) levied on passengers as part of air tickets will go up by 50% from ₹506 to ₹770 for domestic travellers for a year and further raised every subsequent year. *(The Hindu)*

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