CFA
Centre for Financial Accountability

POCKET MONEY

Brief on what they kept from you about your money this week

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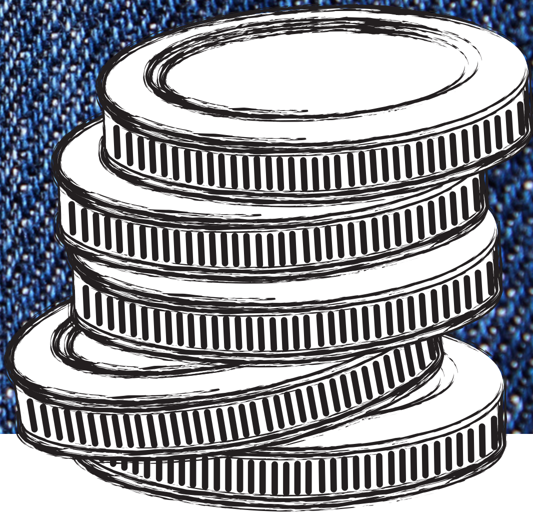

01 Latest CMIE data shows a deepening job crisis

From 7.14 to 7.45 to 7.80, the unemployment rate galloped for three consecutive months from the beginning of the year as per CMIE this Wednesday. Their calculations, had invited the ire of the government, when it touched the 16 month peak of 8.30 last December. While the Railway job agitation, the proliferating job scams and the Agniveer agitations all point towards the deepening crisis, the looming recession, the high profile lay offs all indicate to further worries.

02 SEBI's new framework continues the tradition of 'all smoke no fire' ESG talk

SEBI has introduced a new ESG reporting format called Core Business Responsibility and Sustainability Reporting (BRSR) with 49 parameters for ESG reporting, down from 800. SEBI expressed concerns about the activities of unregulated ESG rating providers (ERPs), which may cause issues of investor protection, market efficiency, risk pricing, capital allocation, and greenwashing. The advisory committee on ESG issues suggested that ERPs be allowed to provide a Core ESG rating based on assured indicators, while additional commentary or outlook on unverified or unassured data may be provided. The move aims to increase transparency, ensure reliable ESG disclosures, and address India's unique environmental and social challenges. The regulators need to seriously expand the scope of these guidelines to include impacts due to investments and not limit them to protecting companies and institutions from financial risks. The guidelines focus on 'assurance' from companies rather than putting in systems to hold them accountable. Regulators need to strengthen the BRSR reporting format itself. As of now BRSR is a good start but it is grossly inadequate.

03 Public sector bank employees lower than private first time in 53 yrs

While SBI serves about 45 crore customers, it has a whooping 1680 customers per employee. HDFC, the biggest in the private sector, serves a mere 6.8 crores and has just 467 customers per employee. So when for the first time in half a century, the number of employees working in public sector banks has shrunk compared to private sector banks, it should be a matter of concern if not to the thin crust of “shining India”, but at least to the poor millions. Public Sector Banks accounted for around 65% of the total agricultural credit in 2020-21; their share in rural and remote India is disproportionately higher. And why so? Because the public sector has not simply functioned with a profit-motive, but with the national aim of financial inclusion. A lot of the crisis is said to be the result of bad management. As of March 2018, ₹14.6 of every ₹100 in loans given by public sector banks were declared bad. The question however arises as to who pushed public sector banks to go for huge and imprudent loans to the corporates. The subsequent NPA crisis still ails the public sector banks’ ability to raise new capital from the market. So, while foretelling the death of the state banks, lets also ask who lost and who benefitted. Is it even a fair comparison?

04

World Bank sounds alarm about the long shadow of the pandemic and the war

On Monday the World Bank echoed the growing concern that the global economy is unlikely to see the end of the tunnel as far as recovering from the pandemic and the war is concerned. The lasting damage of the two could well tip us into the looming recession. Its latest projections suggest that the global economy can sustain a growth rate of only 2.2% a year for the rest of this decade, down from 3.5% in the first decade of this century indicating “less work, less investment and less trade". But also indicating the brittleness of the model of debt-driven growth that relies on hyper-concentration at the top and hyper-casualization at the bottom and cuts in social protection or labour rights.

The high profile layoffs, the increased precautionary savings and reduced consumer spending all point towards a dent on the India’s export sector and a further dent to the investment climate. And the trend has been worrying for a while. Investment growth in India slowed from an annual average of 10.5% in 2000-10 to 5.7% in 2011-21.

05

Farm incomes set to decline as rural workers complete one-month of dharna in Delhi

Farm incomes are expected to decline in 2023 due to supply glut, unseasonal rains that damaged winter crops. This, combined with stagnant rural wages, may lead to a delay in economic recovery. The prices of most agricultural commodities, except cereals, have decreased since shooting up in 2022 due to the Ukraine war. In Feb 2023, vegetable prices were down 22% YoY, while onion prices fell by 40%. According to the India Outlook Report 2023, farm incomes will remain stagnant in 2023-24, which could lead to a decrease in rural household spending due to flat wages and high inflation. Instead of supporting growth of rural wages by allocating more funds for the rural jobs scheme the govt has gone for more budget cuts and introduction of exclusionary app based technology. The dharna against these anti-people measures has been going on in the national capital for over a month under the banner of NREGA Sangharsh Morcha.