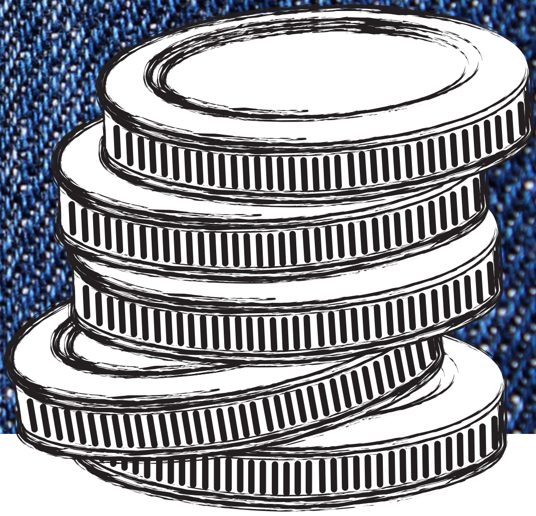
CFA
Centre for Financial Accountability

POCKET MONEY

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

Vol I Issue 24
28th May, 2023



01 Real wages that bares our Reality

Based on the recently released Labour Bureau data, economist Jean Dreze said that in 2022-23, the growth rate of real wages was just 0.2% for male agricultural labourers, and negative for both non agricultural labourers and construction workers. The trend growth rates from 2014-15 onwards are 0.8%/year for agricultural labour, 0.2% for non-agricultural labour and negative for construction workers (men only). Wage data collected by the Centre for Labour Research and Action reveal a steady decline in real wages of brick-kiln workers in this decade. It being a fallback occupation for some of India’s poorest groups, this is of serious concern. One can contrast this with the meteoric rise in the number of billionaires in the same decade.

02

RBI Report on Currency & Finance: A long way off from Environmental, Social and Climate Safeguards

The recent RBI report on Currency and Finance outlines the tasks for the financial sector in light of climate change and green transition. Even though it extensively covers international developments on climate mitigation and risk assessment but disappointingly reiterates conventional ideas regarding green financing and climate-related disclosures. First, the report neglects the social impacts of development projects and does not broaden policy concerns beyond climate change. It fails to acknowledge the loss of livelihood, habitat, and culture caused by such projects. Second, the report focuses more on the "financial risk" to banks from climate change rather than the "impact risk" of bank-funded projects on climate, environment, and society. Additionally, the report fails to discuss internationally implemented strategies by the banking sector, which have mechanisms in place for environmental and social safeguarding. The limited scope of the report indicates a lack of progress in the Indian banking and finance sector, which lags behind global developments.

03

Fiscal federalism: States protest both in their presence and absence in Niti Ayog meeting

The eighth Niti Ayog Governing Council meeting was marked with the absence of 10 non-BJP Chief Ministers. And the reason one could fathom from the Prime Minister's chiding and sermons on "fiscal prudence" one of the present government's obsessions. He urged state governments to "behave responsibly" echoing his concerns around "freebies". With an innuendo towards the decision for several non BJP states to move back to the Old Pension Scheme, he said that states should plan their finances in a way that does not overburden the future generations. The "burden" referred to here being our elderly. The centre has been miffed by any welfare or rights based expenses by the states branding them as fiscal irresponsibility. While the Delhi CM absented himself protesting the mockery of "cooperative federalism", the Punjab CM's absence was in protest against the Centre's not paying 3600 crores towards rural development fee. The Chattisgarh CM in the meeting raised the issue of fiscal federalism in the meeting demanding that the govt respect the rights of the state and make the system of transferring resources to the state more robust.

04

Adani probe: A lot to dig still

One of the damning allegations against Adani was that of price manipulation. And for this the suspicion was on “related party transaction” that are used to shore up prices. Because of the high prices of the Adani shares, its price-earning ratio was in the hundreds while the same for most other companies is in the range of 15 to 25 only. But given that the definition of the terms “related party” and “related party transaction” were amended by SEBI substantially in November 2021, it is difficult to get to the bottom of it now as admitted by the SC expert committee. Which makes any claims of there being no share price manipulation premature and unfounded. Prof Arun Kumar sees this as a lost opportunity to expose and clean up corporate manipulations. “Perhaps they [the corporates in the expert panel] did not wish to expose the systems that are used by the corporates,” says the Professor. The celebration of the SC panel’s verdict as a “clean chit” translated in a sharp rise in Adani’s share prices. Following this, the NSE and the BSE this week have put Adani Enterprises Ltd. under the short-term additional surveillance measure.

05 Demonetisation Disaster a Work in Progress as 2000 notes withdrawn

The withdrawal of the 2000 rupee note is testament to the fact that the denomination served little practical purpose, and the 2016 demonetisation was an ill thought decision. It is worth noting that prior to demonetization, the monetary gap between the highest denomination and the next in line was exactly doubled. However, the introduction of the ₹2,000 note, along with the removal of the ₹1,000 note, resulted in a four-fold increase in the gap between the two highest denominations. Consequently, the liquidity of the ₹2,000 note was significantly reduced, despite its capacity to hold a higher value. This is precisely why people have avoided using it since its inception. And those who still used it - in India's vast informal sector and the real estate sector - are now in for hard times.

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