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SUPPLY CHAIN MANAGEMENT

Ensuring Supply Chain Accountability: India's Path to Global Export Hub

International regulators will keep the source firms/country under surveillance to detect if anywhere in the supply chain, labour interests are being compromised and harmed.

By. Dr. Santanu Sarkar

With global supply chain leaders exploring new territories to diversify their supply chain locations, the government in India is intensifying its efforts to realise its ambitious plan of transforming the country into a global export hub, aiming to offer the world an alternative global supply chain destination. However, one of the imminent challenges facing the government is establishing governance through public regulations that promote acceptable working conditions and environmental protection within the globalised supply chain. Regardless of being host to a buyer/supplier-driven supply chain, real-world trade realities will induce the source country, India, to reveal its supply chain due diligence information on labour standards.

International regulators will keep the source firms/country under surveillance to detect if anywhere in the supply chain, labour interests are being compromised and harmed. So, let us look into ground realities, considering existing regulatory mechanisms to ensure supply chain governance in India and find out to what extent these mechanisms exceed the standards set by private regulation by large Indian corporations of their supply chains which have had minimal impact in mitigating harm to labour and environment.

There are two sides to the current situation. On the one hand, India has state-level laws to regulate working conditions, wages, social security, employment, taxation, import and export, competition, contract, and liability, which are hindered by varying local jurisdictions. On the other hand, certain large Indian corporations operating across diversified sectors, spanning from garments to mining and manufacturing, have evolved with corporate codes of conduct (CoC) that govern their business practices, including those within their supply chains.

However, none of the two is sustainable considering the scale of export that India will witness where disclosing labour practices of every entity in the supply chain will become mandatory under international laws in buying countries. Therefore, the key to reconciling is only found through state intervention in the form of public regulation to govern supply chains. While European countries have put into action specific public regulations and directives to govern labour standards in global supply chains, the Indian government is not on equal footing.

While supply chain governance in India has been transformed over the years, the foundation has focused primarily on establishing a compliance system rather than transitioning to a more comprehensive public regulatory framework capable of addressing anti-labour practices within supply chains. The current supply chain due diligence regulations, as a form of corporate governance consisting of private, firm-specific CoC, must be revised though certain corporations have engaged with global voluntary agencies such as global union federations (GUFs). GUFs, such as the International Textile, Garment and Leather Workers' Federation (ITGLWF), now part of IndustriALL, have defined policy on cross-border dialogue within sectors, actively convening trade union representatives in India.

Some of these corporations have also pursued global framework agreements (GFAs), engaged in social dialogue, and adopted CoC to promote a set of labour standards, including disclosing supplier locations. Still, GUFs' goal to externally monitor the supply chains by organising workers along them, especially in quasi-formal sectors (e.g., textiles) which is unrealistic, given that buyer-driven supply chains are complex systems of multiple layers of outsourced production networks. Without centralised public regulations like those we have seen in

Germany, this will become a far more complicated landscape. Likewise, for GUFs to achieve social dialogue across borders is far-fetched if the source country, India, does not support the process with its public regulation.

Similarly, achieving satisfactory global social compliance through GFAs is only possible in India if a state regulatory framework exists. Consider the apparel commodity chain, which encompasses raw materials, components, production, export, and marketing networks. Here, the responsibility for due diligence through public regulations should rest with the source firms. For example, in Germany, under the Supply Chain Due Diligence Act, firms are responsible for identifying and taking appropriate action. So, there has to be public regulation to reduce the risks they face in supply chains, notwithstanding the country where they source raw materials. Most of these regulations can hear complaints filed against European firms and firms that have significant operations in these countries to cross the applicability threshold, implying the applicability of these regulations is more global than it may seem.
To summarise, if India has to realise its dream of emerging in the worldwide supply chain space, it has to enforce a specific public regulation on supply chain due diligence, a national law for the global value chain economy. (FE18072024)

ECONOMICS

Monetary policy in a tight spot

Any rate cut may get delayed much longer than expected.

By Renu Kohli

At an annual 5.1%, June's Consumer Price Index (CPI) inflation was a little higher than consensus expectations (4.8%). Indeed, the last stretch of disinflation is not just proving to be gradual and protracted, but increasingly frustrating as well. The prime culprit, if described so, food inflation, has continued to firm up; with uneven monsoons, the future seems more uncertain than many analysts would like to believe. This would certainly dampen any expectation of an early rate cut, as governor Shaktikanta Das recently cautioned against any hasty action. Thus, high real interest rates — 2% or above 3% if measured vis-à-vis core inflation — will inevitably persist for much longer and possibly extract a larger growth sacrifice as two dissenting Monetary Policy Committee (MPC) members (JR Varma and A Goyal) apprehended at the last review meeting.

Should the other MPC members review their hawkish position on food inflation? A legitimate question could be this: If headline CPI inflation remains well-anchored, core inflation is sub-target (<4%), and there is very little sign of food inflation spilling to the core, then why the hesitation? Are there other factors driving caution, especially in the Reserve Bank of India (RBI) leadership?

We would like to deliberate if financial stability concerns have become more critical for the central bank than is publicly acknowledged. While financial sector-related issues are not in the MPC's remit, the RBI has a dual role to perform, delicately maintaining a balance between the two concerns. The recent weeks have seen several news reports of how the RBI is cautioning commercial banks to keep tabs on the tight credit-deposit ratio. According to the central bank data, the aggregate C-D ratio was ~78% in mid-June, as bank deposit growth lagged that of credit. Such a situation is simply not sustainable because banks would compete for deposits, thereby raising the costs, which would be counterintuitive at a time when the MPC is waiting to ease the policy rate.

Imagine the sheer anomaly if indeed the MPC decides to cut the policy or repo rate. Because a large and growing share of retail assets are benchmarked to the repo rate, banks will have to pass on the new and lower rate to existing customers. If unable to achieve a commensurate reduction in their cost of funds, or lower deposit rates, their margins will suffer; quite likely, this may compel them to increase risk premium on fresh loans, thus slowing or even completely blocking the transmission of monetary policy. In the worst-case scenario, some banks may even be pushed into a very tight corner, necessitating an increase in their effective lending rates, a counterproductive outcome.

How have things come to such a pass? Benchmarking lending rates to a policy variable has an inherent risk with structural rigidities in the banking sector. Problems could magnify because of several asymmetries and imbalances in key macro variables, especially buoyant asset prices and markets coexisting with declining financial savings. This complicates the central bankers' task, especially assessing what is an acceptable real rate to restore the demand-supply mismatch!

What could the RBI do? The central bank has already imposed some macroprudential measures to slow the galloping retail loans, check bank credit to the non-banking financial companies, and it must possibly be monitoring the impact. But any hurry to encourage wholesale credit by lowering lending rates could complicate the situation. Certainly, macroprudential policies will not be effective if operating at cross purposes with monetary policy action. The two must be aligned.

This delicate situation is further complicated by slowing foreign capital inflow. A persistent decline in net foreign direct investment (FDI), the bedrock for current account financing for several years, has arisen as the new pressure point in India's external account. While the narrowed current account gap is a positive recent development, the $9.8 billion net FDI received in 2023-24 was a multi-year low and could become a source of concern. The significance of portfolio inflow in India's external account has become more critical as a result. While its equity component has been volatile and beyond the RBI's policy space, the central bank could be finding it difficult to delink itself from the monetary policy cycle of advanced economies, especially the US Federal Reserve.

Despite India's inclusion in the JP Morgan Emerging Market Bond Index from June 28, fresh foreign institutional investor investments in the bond market have been underwhelming so far. Market expectations are that these will gather momentum as India's weight will increase by a percentage point each month to reach the 10% cap by March 31, 2025. The RBI could be carefully evaluating if any rate action would throw a spanner in this wheel. What is important to note here is that falling FDI could have inadvertently caused some degree of loss in the independence of the monetary policy setting, focusing exclusively on domestic factors.

While the RBI has been alert and keenly minded about these developments, resilient growth has allowed it the time and space for bringing inflation closer to target on a durable basis with core inflation well-anchored. However, there are incipient signs of global commodity prices firming up, domestic producer prices gaining some momentum, pushing up input costs, and, in forthcoming months, pressuring corporate margins. In a protected economy and oligopolistic market structure where dominant players can set prices, the risk of rising wholesale prices spilling to retail ones could be much quicker. Further, if the government chooses to focus on reviving consumption and freeing petroleum retail prices in the Budget, there could be upside risks to the RBI's inflation forecast for FY25 and FY26.

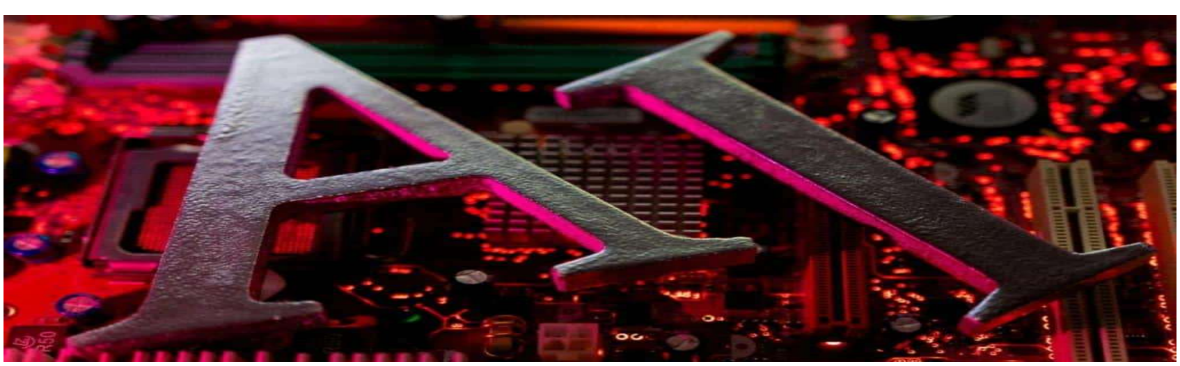
In an economy that displays signs of growth anxiety, the RBI has been adroit in managing expectations. However, if the growth outcome turns out slower than projected, the room to manoeuvre will disappear faster. The central bank must be wishing food prices to normalise soon although the clouds appear thicker in the horizon. (FE18072024)

Artificial Intelligence

Exploring regulatory approaches shaping AI

In India, sectoral regulators including the Ministry of Electronics and Information Technology ("Meity"), the National Institution for Transforming India Aayog ("NITI Aayog") and the Telecom Regulatory Authority of India ("TRAI") have issued recommendations for establishing an AI regulatory mechanism in the country.

By Avimukt Dar, Raghav Muthanna and Himangini Mishra



‘I am convinced we’re on the cusp of the most important transformation of our lifetimes’ is how Mustafa Suleyman described advancement of Artificial Intelligence technology/systems (“AI”) in his book ‘The Coming Wave’. The AI wave is here, and the only question that remains to be answered is if we are ready to ride it. As is the case with any major transformation, be it the boom of new age financial service offerings that led to multiple cases of identity frauds, theft and other data privacy concerns or the surge in bitcoins and other cryptocurrencies that resulted in theft and money laundering concerns, the negative consumer impact of new age technology services is amplified while the massive gains are normalised. Deep fakes, misinformation, data theft and IP infringement are some of many recent issues that indicate that AI is unfortunately no different.

Thus, while regulators across key jurisdictions are still dabbling on ways and means to regulate AI, the European Union’s (“EU”) decision to enforce the world’s first standalone AI regulation, i.e. the European Union Artificial Intelligence Act (“EU AI Act”) earlier this year, was hailed by the market and well received globally. The EU AI Act regulates AI based on different classes of risks such as low risk, high risk and unacceptable risk, depending on the degree of risk posed by AI systems. While providers of low-risk AI are only required to comply with transparency obligations, providers of high-risk AI need to comply with onerous obligations such as implementing risk management systems and maintaining technical documentation. AI system providers employing prohibited practices including using manipulative techniques or exploiting vulnerabilities of a person that causes significant harm are unacceptable risk AI’s that are barred from being developed, imported into or exported from the EU. The EU AI Act, being a centralised act ensures that there is a clear classification dictating the obligations imposed on each class of AI systems and covers key aspects of their entire lifecycle. That said, a centralised act has its own peril, and it may not allow enough flexibility for regulation of evolving use-cases of AI across different sectors of business and societies.

Moving further west, the United States of America (“USA”) often considered a leading jurisdiction when it comes to innovation and technology, does not have a standalone AI regulation at a federal level. The Biden administration has however, adopted several self-regulatory measures/guiding principles for regulation of AI. For instance, the voluntary commitments secured by the Biden administration from companies such as Google and Meta, and the issuance of AI Bill of Rights enumerates principles of trust, safety and security for development and deployment of AI. The Biden administration also passed an executive order on October 30, 2023, directing federal agencies to frame regulations for use of AI by private and government entities, however, so far there has been no development on this front. Interestingly, several states in the USA however have formulated legislations to regulate AI. Colorado recently introduced a legislation which requires developers of high-risk AI to protect consumers from any foreseeable algorithmic discrimination.

In India, sectoral regulators including the Ministry of Electronics and Information Technology ("Meity"), the National Institution for Transforming India Aayog ("NITI Aayog") and the Telecom Regulatory Authority of India ("TRAI") have issued recommendations for establishing an AI regulatory mechanism in India. Interestingly, all of them endorse a risk-based approach for regulation of AI. Meity and NITI Ayog also recommended regulation of AI through sector-specific regulators and have advocated incorporating self-regulation in their respective framework. A decentralised approach ensures greater flexibility and supervision mechanism as sector specific regulators have better insight of use-cases applicable to their respective fields. Further, self-regulation can prove to be essential considering that regulators may not always be able to pre-empt different use-cases of AI, which may allow functioning of AI in a legal vacuum. Thus, adopting self-regulation along with AI specific guardrails may ensure that private players are able to design technology freely and yet act with accountability right from the development stage itself. Taking a step further, Meity also released a presentation on Digital India Act ("DIA") in March 2023, that showcased the first major indication of the government's serious intent to regulate high-risk AI through accountability and assessment mechanism. However, Meity recently faced industry backlash and was forced to withdraw an advisory requiring prior government approval for releasing certain AI products under testing in India.

While it is apparent that there are distinct approaches adopted globally for regulation of AI, we are yet to see what approach the Indian government will adopt. If recent actions such as the Meity AI advisories are any indication of what to expect, it appears that the government might adopt stern AI regulations, deterring development of AI in India, particularly since India's technology growth is vulnerable to FDI flows, relative to China, the EU or the USA.

Then again, in the recent Global India AI Summit 2024, development of ethical and transparent AI guidelines was announced as one of the key pillars of India AI mission, emphasising on a pro-innovation approach. Thus, striking a balance to ensure innovation is not impacted while keeping consumer and ethical interests in mind is the call of the hour for India to deliver on its mission of becoming a developed country by 2047. (FE17072024)

Recipe for AI: Governments see the need for regulation and benchmarking

Beyond regulation, standardization of artificial intelligence practices and technologies ensure safety, interoperability, and trust

By SP Kochhar

Artificial intelligence (AI) stands at the crossroads of innovation and ethics, presenting both transformative benefits and profound challenges. This dual nature of AI necessitates comprehensive regulation and responsible deployment, as we prepare to integrate it into every facet of society — from healthcare and education to security and finance. AI's potential to enhance our lives is undoubtedly immense. It improves industry efficiency, optimises business operations, and contributes to environmental conservation by monitoring biodiversity and predicting climate change impacts. By processing vast data sets quickly, AI unlocks new knowledge and drives innovations previously beyond our reach. However, this data also poses significant risks, from breaches of confidentiality to identity theft and beyond.

The advent of deepfakes and AI-based impersonation illustrates these dangers vividly. These technologies, which manipulate audio and visual content with disturbing accuracy, can be used to commit fraud, spread misinformation, and manipulate public opinion, threatening individual privacy and societal trust by undermining the fabric of factual consensus. Furthermore, AI’s role in perpetuating societal biases, due to algorithmic prejudices, poses a stark challenge to fairness and equity.

Governments worldwide are increasingly recognising the need to address AI challenges and are implementing a range of strategies and regulations. The European Union (EU) leads with comprehensive AI regulations focusing on high-risk applications, transparency, and safety. Similarly, the USA emphasises accountability and the protection of civil liberties in its AI guidelines. In Asia, China and Singapore are developing AI governance frameworks balancing innovation with security and public welfare. These efforts involve cross-sectoral collaboration with academia, industry leaders, and international bodies to create holistic and effective AI policies. Many institutions and industry bodies have also developed ethical guidelines for AI. For example, the IEEE Global Initiative on Ethics of Autonomous and Intelligent Systems provides a comprehensive framework for ethical considerations in AI development and deployment, while the AI Ethics Guidelines by the European Commission aim to protect individuals’ rights and ensure responsible AI deployment.

While effective regulation is crucial for safeguarding privacy, ensuring data security, and fostering fairness by setting standards for algorithmic transparency and data quality, there are challenges which include regulating AI’s rapid development pace and global applications.

AI technologies often transcend national boundaries, operating across multiple countries and complicating the establishment of uniform regulatory standards, as different nations have varying priorities, values, and legal frameworks. Internationally, different priorities and legal frameworks influence AI regulation. The EU, for instance, emphasises strict data privacy through its General Data Protection Regulation, while other regions focus more on innovation and economic competitiveness. Additionally, the rapid pace of AI development often outstrips slower legislative processes, making it difficult for laws to keep up with technological advancements. This disparity necessitates international cooperation to harmonise regulations and establish a consensus on fundamental principles, leading to regulations that provide clear guidance while respecting each nation’s sovereignty.

Beyond regulation, standardisation of AI practices and technologies ensure safety, interoperability, and trust. Common standards enable effective communication across different

AI systems and platforms, enhancing global integration and operational efficiency. They address ethical issues such as data privacy, bias mitigation, and transparency, building trust among users and stakeholders. For instance, standardised AI protocols in surveillance can balance security needs with individual privacy rights.

Standardisation also extends into the realm of content moderation and fraud detection, where uniform AI applications can improve the detection and handling of harmful or illegal content and financial fraud. Standardised AI systems can more consistently and transparently determine what constitutes harmful or illegal content across different platforms, reducing bias and errors. In fraud detection, standard protocols can enable the seamless sharing of threat intelligence across financial institutions, improving fraud detection and response. Moreover, in combating deepfakes, standardised detection tools are imperative for effective identification and mitigation.

Standardisation can significantly enhance the monetisation of AI technologies as well, particularly through application programming interface (API) and devices. By establishing common standards for AI APIs, developers can ensure compatibility across platforms and systems, making it easier to integrate and sell their services in a broader market. This uniformity reduces costs and increasing scalability. For devices, standardisation allows AI to be easily embedded into a wide range of products, from smartphones to home appliances, facilitating widespread adoption. This creates a cohesive ecosystem making AI applications more accessible and appealing to a larger audience, driving greater adoption and enhancing the overall value of AI investments.

As we look to integrate AI more deeply into our society, lessons from past technological integrations must guide us. Responsible implementation, adaptability, public engagement, and proactive measures are essential. These strategies not only foster inclusivity and trust, but also ensure that AI's benefits are broadly shared while minimising its potential harms.

AI embodies a powerful tool — one that holds immense promise for advancing human welfare but also poses significant risks. Balancing these aspects requires a multifaceted approach involving robust regulation, international cooperation, and rigorous standardisation. Thoughtful stewardship is essential to harness AI's full potential while safeguarding our societal values and individual rights, ensuring it benefits all. (FE10072024)

LOGISTICS MANAGEMENT

Logistics key for India as a business destination

In 2023, India ranked 38 out of the 139 nations in the World Bank's Logistics Performance Index (LPI), up six places from the previous rankings in 2018.

By Auguste T. Kouame

An efficient logistics sector is pivotal for India to become a globally preferred business destination. It reduces manufacturing costs, makes businesses more competitive, and links them with global value chains, boosting the Make in India initiative. The sector is also one of India's largest employers, employing over 22 million people.

In 2023, India ranked 38 out of the 139 nations in the World Bank's Logistics Performance Index (LPI), up six places from the previous rankings in 2018. India has now set the ambitious goal of ranking among the world's top 25 nations by 2030, bringing logistics costs down to the equivalent of less than 10% of GDP.

Decisive actions have been taken to develop a logistics backbone for the country. The national highways have expanded at an unprecedented rate, connecting ports to hubs of economic activity. The railways too have taken a quantum leap by building electrified freight-only corridors that link manufacturing centres to ports on the eastern and western coasts. Long-defunct inland waterways are being rejuvenated. Many routes — including National Waterway 1 — have been strengthened, and efforts are on to move cargo through new river-to-sea connections.

The Pradhan Mantri Gati Shakti National Master Plan and the National Logistics Policy are key initiatives. The PM Gati Shakti initiative is breaking down the siloed approach to the planning and execution of multimodal infrastructure projects by integrating data from 16 ministries and departments onto a single Geographic Information System-based platform.

Port and customs services have also seen significant improvements. Cargo is now cleared much faster and containerized cargo can be tracked digitally. Today, it takes about a day for a ship to turn around at the Nhava Sheva (JN) Port in Navi Mumbai. This is almost at par with Singapore, a world leader in logistics, which takes just 0.75 days. Gujarat has been ranked the top performer among coastal states in India, and West Bengal is taking advantage of its strategic location by placing a new thrust on logistics infrastructure and services.

Even so, new technologies such as big data and artificial intelligence can be put to greater use to fulfil the vision of a nationally integrated, cost-effective, reliable, and digitally enabled logistics ecosystem.

First, the PM Gati Shakti platform can be overlaid with information on trade flows across the country. This will enable planners to mine the plethora of data available from the Goods and Services Tax Network and E-Way bills to see where infrastructure needs to be improved.

Second, the multimodal logistics parks planned with connectivity to railway corridors can serve as warehouses and data centres, attracting private sector service providers and investors, while giving manufacturers last-mile connectivity.

Third, the country's youth will need to be equipped with the skills needed by this dynamic industry. Women too can benefit from new jobs, especially in softer skills such as packaging, sorting, and warehouse management. The Logistics Sector Skill Council is training workers in newer technologies to help them become full-fledged logistics professionals.

The World Bank has been supporting India through a variety of rail, road, and inland waterway projects. It is also helping the country increase digitisation and improve trade services, among other measures, and supporting the development of skills for this rapidly evolving industry.

India's push to improve its logistics performance will not only improve its trade competitiveness, but will also increase jobs, and enable the country to emerge as a logistics hub for the region and beyond. (FE17072024)

ADVERTISING MANAGEMENT

The right ad: Contextual targeting vs. behavioural targeting

According to a report by Statista, contextual advertising was estimated to spend $227.38 billion in 2023

Targeting strategies in advertising play a vital role in delivering relevant methods and also ensuring that it's a two way transaction. Among the various targeting methods, contextual targeting and behavioural targeting are two distinct approaches that advertisers use to achieve their marketing objectives. In such a scenario, another major question looming over our heads is: What should we go for – contextual targeting or behavioural targeting? To make a learned decision between this, one must know what contextual targeting and behavioural targeting is.

What is contextual targeting?

According to a report by Statista, contextual advertising was estimated to spend $227.38 billion in 2023 with the amount expected to double by 2030 with an estimate of $562.1 billion. Additionally, a study by Harris Poll revealed that 79% consumers are more comfortable in seeing a contextual ad instead of a behavioural ad. Contextual targeting is when the ads are based on the page's content. A simpler way to explain this is when ads for hair care products will appear on a webpage that is showcasing an article on hair fall. Heavily relying on AI-driven algorithms, contextual advertising places ads according to keywords, website content, and other metadata. This approach ensures that ads are displayed to users based on the content they are currently engaging with online. It also offers other benefits such as maintaining privacy compliance with regulations like GDPR and CCPA, enhancing brand safety by allowing advertisers to avoid controversial content, and improving ad relevance. Key methods in this mode of target advertising include keyword targeting, category targeting, and semantic targeting, although challenges like keyword ambiguity and the complexity of dynamic content remain.

What is behavioural targeting?

Behavioural targeting is when the advertisers utilise consumers' information such as third party data and then disseminate the ad accordingly. A study by Data Driven Advertising reveals that behavioural targeting has a click through rate 5.3 times higher than that on normal advertising. Furthermore, when people get ads of the products or services that they have used before through behavioural targeting, the click through rate increases to 10.8 times. However, due to the deprecation of third party cookies which is leading to its slow demise, behavioural targeting too, is seen in a bad light. Another study by Adobe revealed that 76% marketers do not use behavioural data in advertising. Furthermore, with the announcement by Google on third party cookies declining, brands are expected to strategize effectively in order to reach their target audience without third party information.

Who emerges a winner?

According to a report by Statista, contextually targeted advertising spend is expected to be a whopping amount of $376.2 billion by 2027. Numbers won't lie, it is obvious from these figures that contextual targeting is going to be the next big thing in the world of targeted advertising. Given the imminent decline of third party cookies and implementation of laws such as GDPR and DPDP, this method of targeting will be more sustainable and effective as far as advertising strategies are concerned. Additionally, the benefits of maintaining brand safety and enhancing ad relevance further bolster the case for contextual targeting. In contrast, behavioural targeting faces significant challenges due to privacy concerns and the deprecation of third-party cookies, limiting its future viability. (FE19072024)

Understanding CTV advertising and its scope in the Indian market

According to a report published by Dentsu India, a whopping rate of 65% of Indian households are ditching traditional channels and adopting smarter innovations like Smart TVs and internet enabled set-top boxes.

With a variety of OTT apps to watch from, that too at the convenience of your mobile phone, more and more people are ditching regular TV and switching to connected TV and OTT as a mode of entertainment. Gone are the days when you had to schedule a certain show and put reminders on TV, now you can watch anything from anywhere given you have a stable internet connection. A report by Statista revealed that by 2024, the number of households in the US that are not paying for traditional TV services will increase to 46.6 million. In times like this, what will happen to the advertisers who pay hefty sums to feature their ads on TV?

What is CTV Advertising?

Although OTT apps can be viewed on phones and other smaller devices, nothing can beat the joy of consuming content from a big TV screen, and this is where CTV comes in. Connected TV is any smart television set that is connected to the Internet. This lets the users stream content from the internet including OTT content on their TV. As the world evolves, we can do nothing but evolve with it. Connected TV advertising is the evolved version of traditional TV advertisements where video ads are delivered through a streaming service when the consumer is watching content on an actual TV set. This new medium offers advertisers unique opportunities to deliver targeted, interactive, and measurable ads, marking a new era in digital marketing.

What does this mean for the Indian market?

According to a report published by Dentsu India, a whopping rate of 65% of Indian households are ditching traditional channels and adopting smarter innovations like Smart TVs and internet enabled set-top boxes. As much as 4.5 million smart TVs were shipped to India according to a report by Counterpoint Research. According to several industry analyses from leading firms like CII, KPMG, the number of households adopting CTV in India was estimated to be between 10 and 14 million by 2022, with ongoing daily expansions in user base. With such an uphill growth for CTV in India, the scope of opportunity for advertisers if they tap into the market is undeniably huge. Furthermore, due to programmatic ad placement done with the help of automated content recognition, a report by Kantar states that 63% consumers opine to CTV ads being more personalised to their liking.

Why does CTV Advertising click with advertisers?

CTV utilises consumers' information like geographical location, age group, income, purchasing history, etc. to produce targeted advertising. Furthermore, advertising brands put in their first-party data to reach a wide range of audiences who are currently their customers or have shopped from them before. The rise of ad-supported streaming services like Disney+Hotstar and HBO Max's ad-supported tier offers advertisers new avenues to reach audiences. These platforms provide premium content at a lower cost to consumers, funded by targeted advertising. CTV advertisement also offers space for edits. When advertisers send an ad to traditional TV channels, they are not allowed to make edits in the ad. However, in the case of CTV advertising, advertisers can make edits in the ad in between too. (FE19072024)

Ads that perform well on TV have only 50% chance of performing well in digital, reveals Kantar report

Furthermore, 65% of Indians will buy from brands that stand for something they can identify with

Kantar's fourth edition of Creative Effectiveness Awards India revealed that 65% of Indians will buy brands that stand for something they can identify with. Furthermore, only 28% Indians (vs Global average 75%) have watched any 'foreign' content. Over 25 years of Kantar Link ad evaluation reveal that ad transference across Indian regions is just about a third. It is believed that this challenges the ever evolving notion of "one size fits all" approach where consumers across the country are subjected to the same creativity. From what is understood from the report, brands are now refreshingly taking on the challenge and opportunity of engaging the southern consumers differently from Hindi-speaking markets.

Considering the digital landscape, the report states that ads that perform well on TV have only a 50% chance of performing well in digital. It further states that emotional resonance significantly enhances digital advertising's impact on brand building which implies that ads that evoke strong emotions are 3.3x more likely to drive long-term brand equity and 2.75x more likely to generate impact compared to those with weaker emotional connections.

"One of the growth accelerators for building strong brands is to pre-dispose more people. Great advertising builds pre-disposition and loads the dice in favour of the brands. Creative content can and should punch above its weight." Soumya Mohanty, managing director and chief client officer – South Asia, insights division, Kantar, commented on this year's findings.

With more than 12,000 creatives from around the world for 2023, creatives of Hindustan Unilever, Mondelez, Nestle, Colgate-Palmolive, Fashnear Technologies, Godrej Consumer Products and Zydus Wellness share laurels in the television category while Eicher Motors, Nestle, Delightful Gourmet & Tata Group win in the Digital Category of Kantar's Creative Effectiveness Awards.

From what is understood, Over 11% (1,400+) of those creatives were tested in India while the company shortlists close to 300 ads, tested across categories, markets, TG’s (Target Group) and media channels. Reportedly, the winners list has doubled from last year, with Kantar awarding 10 standout performers in the television ads category and four in the digital ads category.

The overall winner for ‘Most Creative & Effective TV Ad’ and ‘Most Consistently Effective Advertiser’ is Hindustan Unilever and the winner for ‘Most Creative & Effective Digital Ad’ is Nestle. Under the Digital Ads category, Eicher Motors, Delightful Gourmet and TATA Group were the award winners.

Hindustan Unilever won both the awards in the category ‘Unstereotype’, with ‘Vim Liquid’ ad being the winner in male category and ‘Dove’ ad being the winner in female category.

“Truly creative ads are the ones that are effective. The journey from being just creative to being effective starts by including your key stakeholders – your target consumers, into the process by pre-testing your ads. This year we have seen some original creative ideas shine through by ensuring that they have a brand and consumer at their heart.” Prasanna Kumar, head of creative domain and executive vice president, South Asia, insights division, Kantar, said. (FE04072024)

INNOVATION

India must bring in innovators

Unless it allows entrepreneurs to redomicile, India risks turning into a digital colony

By Siddarth Pai

Indian innovation powers the digital world. India has shipped more software than Saudi Arabia exports oil — worth over $200 billion in a year. Over 1 million engineers in the US are of Indian origin. Over 10% of the Fortune 500 companies have Indian-origin chief executive officers (CEOs). Eric Garcetti, the US envoy to India, joked that one cannot become a CEO in America unless they are from India. A study of US unicorn founders by Ilya Strebulaev of

Stanford Graduate School of Business showed how Indians are the largest proportion of non-US-born founders.

This innovative heft has propelled India to become the third-largest start-up ecosystem in the world in terms of capital raised, unicorns, and number of start-ups. Yet, a dirty secret exists in the Indian start-up ecosystem — over half of India's unicorns are not Indian companies, but foreign companies run by Indians. The Flipkart sale to Walmart, which is the largest start-up exit from India, was not of an Indian company. Flipkart was and is still headquartered in Singapore, though the team and management sit in India. India is at risk of becoming a land of subsidiaries, not start-ups.

The reasons for founders to choose to enter the Indian market though a foreign country are manifold, beginning with incorporating a company where founders run the risk of their company names being rejected for frivolous reasons. Our compliance demands for raising capital are onerous and require multiple forms to be filed and approved, with the choices of securities severely restricted. India is also unique in taxing capital investments as income, a tax colloquially known as angel tax.

Though laundering unaccounted funds is a global issue, no other country has sought this innovation of taxing investments as income. The Foreign Exchange Management Act regulations and enforcement make it impossible to launch global software as a service companies from India, where every credit from a foreign source requires invoices in triplicate before the bank processes the transaction. Even exits as share swaps, the most common exit avenue for start-ups, is taxed in India, despite no cash exchanging hands. India also taxes domestic capital at twice the rate of foreign capital, and investments in start-ups at twice the rate of investments in listed companies. The Economic Survey 2022-23 covers the reasons for flipping in great detail and urges the government to look at remedying these issues.

Despite these frictions, India is still the third-largest start-up ecosystem in the world. The ability of Indian entrepreneurs to build world-class products despite such odds is commendable.

The situation has improved in the last 10 years, with further reforms in tow. India crossing $2,000 in terms of per capita GDP in 2019 marks an inflection point where spending shifts from sustenance to consumption. This happened in the US in the 1950s, Germany in the 1960s, Japan in the 1970s, and China in the early 2000s. Regulators such as the Securities and Exchange Board of India and International Financial Services Centres Authority (IFSCA) have created regulated vehicles for pooling capital into private assets such as start-ups, creating an over $100 billion investing industry through alternative investments funds. This has allowed rupee capital to finally invest in start-ups, though the legislated subordination of private market investing to listed market investing in terms of tax rates and holding periods should be removed. Various committees have been formed to reevaluate our existing laws and rationalise them further. Indian retail investors are pumping close to Rs 19,000 crore monthly as systematic investment plans into the stock market and are lapping up initial public offerings through double-digit oversubscriptions.

Many start-ups that shifted out of India over the last 15 years now wish to come back to the country, but lack a mechanism to do so. PhonePe was unique in paying over $1 billion in taxes for moving back to India from Singapore, but no other start-ups have the balance sheet to support this.

This is why the scheme mentioned in the “Onshoring Indian innovation to GIFT IFSC” report released in August 2023 is crucial. It lays out a framework based on the scheme to redomicile funds investing in India but based in other countries to shift to GIFT International Financial Services Centre (IFSC) in a tax-free manner. GIFT IFSC has a unified regulator in the form of the IFSCA, allows start-ups to maintain accounts in US dollars, and has a host of tax benefits to attract and retain companies. It forms the perfect landing spot for such flipped start-ups to come back to India and remain Indian companies.

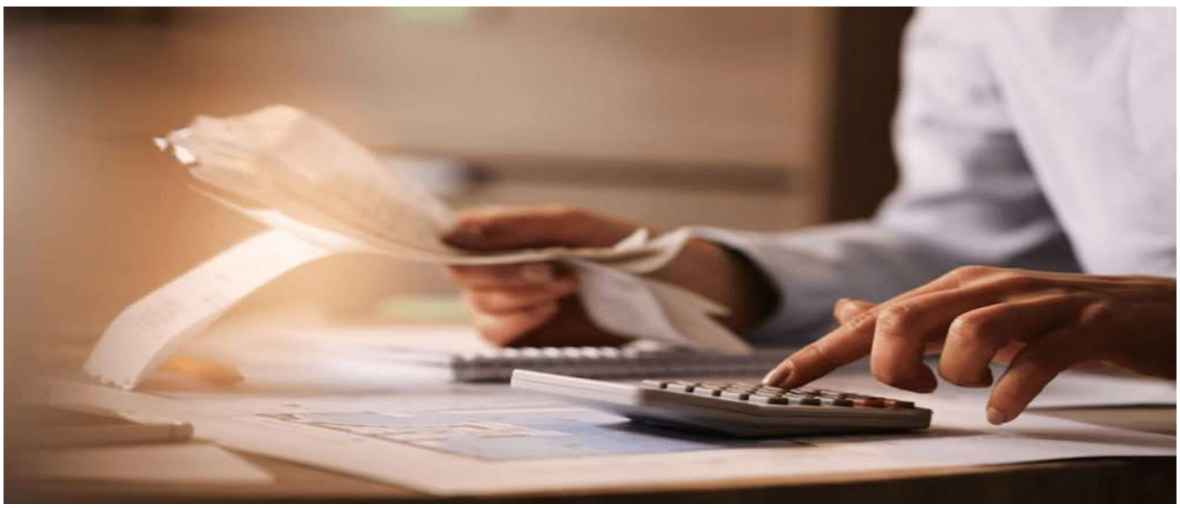
Digital businesses have blurred geographic boundaries and the extent of the sovereign over digital businesses arises from having these companies domicile in the said country. This is best understood by the US and China, who allow their companies to operate overseas while remaining domiciled in the motherland. Europe is a digital colony as it lacks major tech companies headquartered in its borders. India too runs the risk of this unless it allows for Indian entrepreneurs to redomicile in India and reforms legislation that prompted them to move out in the first place.

Indian entrepreneurs look up to the Start-up Prime Minister to allow them to return to the country and create immense value for India and Indians. (FE20072024)

Regulatory riddle in gig economy

The Centre is engaging with industry for pragmatic solutions, but state-level legislations present several issues that disrupt the ease of doing business

By Rameesh Kailasam and Jharna Kamdar



India's most promising online platform start-up economy, encompassing aggregators and gig workers, is navigating regulatory upheavals due to states thinking differently. While the Centre seems to be thinking on the right lines and engaging with the industry to come out with a pragmatic solution, certain states seem to be moving in a different direction and introducing a maze of complexities, affecting the ease of doing business in the country.

In 2020, the Indian parliament passed the Code on Social Security (CoSS), a landmark legislation designed to provide social security to gig workers. This code gave legal recognition to terms such as "gig worker", "platform work", and "platform worker". It enabled the Union government to introduce social security schemes covering life and disability cover, accident insurance, health, and so on. The funding mechanisms for these schemes were designed to be flexible and derived from multiple sources including contributions from the Union and state governments, aggregators, and corporate social responsibility funds. However, the Union government is yet to notify these.

The delay has prompted several state governments to attempt to introduce their own laws, resulting in a fragmented and complex regulatory environment. Rajasthan was among the first to act, notifying the Rajasthan Platform Based Gig Workers (Registration and Welfare) Act in September 2023. This Act requires aggregators to contribute a specified percentage of each transaction value to a welfare fund, excluding taxes. However, it lacks clarity on the specific benefits to be provided and their administration. The drafting and passage of this Act have raised concerns about transparency and inclusivity as the pre-legislative consultation process was not adequate.

More recently, Karnataka has released a draft of the Karnataka Platform-based Gig Workers (Social Security and Welfare) Bill, 2024, which proposes collecting a welfare fee from aggregators based on transaction values or annual turnover, as determined by the government. The Bill includes several concerning provisions such as prescribed payment frequencies, contract terms, and termination notices. Notably, it is holistically against the spirit of and conflicting with the CoSS that defines gig work as "outside the traditional employer-employee relationship". For instance, it has deviated from the definition of gig workers provided in the CoSS, and in one Section it has explicitly used the term "employment". The constitutional repugnance is also evident through Bill's attempt to include gig workers under the Industrial Disputes Act, 1947, which does not recognise gig workers as workmen. Inadequacies in the pre-legislative consultation were seen here too, with only 10 days given for submission of public comments.

The state-level legislations mentioned above present several issues that disrupt the ease of doing business in the platform economy. They enable states to formulate social security schemes and collect funds, creating inconsistencies with the CoSS. The conflicting provisions of welfare funds create a situation akin to double taxation. They lead to the creation of multiple corpuses for the same purpose, imposing excessive financial demands on aggregators. This duplication of effort not only complicates business operations but also leads to sub-optimal utilisation of public funds. Aggregators may be forced to pass these costs onto consumers, which could reduce the overall consumer demand and therefore the demand for gig workers as well. Aggregators already provide extensive social security benefits through private insurance, offering substantial coverage and quick claims processing. State mandates could force businesses to redirect funds to government corpuses, potentially reducing the quality of provisions. Benefits provided by the government may not offer comparable coverage such as access to private hospitals, quick turnaround times for claims, and substantial lump sum benefits.

In addition, the Bill has provisions that are unnecessary intrusion of the state in business that may harm the consumer. Mandating a 14-day notice period for terminating gig workers, for example, overlooks the realities of the gig economy where quick and flexible responses are often required. According to the provision, the aggregators will be mandated to retain for 14 days even those gig workers who have undertaken fraudulent activity or broken the law of the land. Provisions requiring aggregators to share transactional details with a central transaction information management system also raise concerns about data privacy and potential violations of Securities and Exchange Board of India guidelines. Integrating various systems for registration, monitoring, and compliance across state and the central platforms adds another layer of complexity.

The extensive labour codes in India were consolidated into four in 2020 to improve efficiency and ease of doing business. However, state-level legislations undermine this consolidation by introducing redundant and divergent compliance requirements, increasing the administrative burden on businesses. The Union government is also working on registering gig workers on the e-Shram portal with support from the industry, but state-level legislations mandating decentralised registrations are causing confusion and potential gaps in coverage for migrant workers, thereby denying universal access. This increased regulatory burden may also stifle innovation in the platform economy. Start-ups and small businesses might find it challenging to navigate the complex regulatory environment, hindering their growth and ability to introduce new services or products. It is critical for the Centre and states to work closely to prevent such infructuous duplication. (FE16072024)

International Trade

Favourable terms of trade

Tariff liberalization is a worthy goal when it serves national interest.

In the run-up to the Budget, calls for reducing India's "high import tariffs" have become more fervent. Rajesh Kumar Singh, secretary at the department for promotion of industry and internal trade, is on record saying, "India could shed its conservative approach to world trade and look to lower tariffs." In a sign that the government might have started buying the argument even earlier, Customs duty on specified cell phone parts were cut from 15% to 10%, ahead of the February interim budget. It is another matter the industry wants these tariffs to be eliminated. It justifies the demand saying availability of low-priced inputs would help bolster atmanirbharta. These supposedly were the same goals pursued by the government, as tariffs went on creeping higher. In his latest book, noted economist and 16th Finance Commission chairman Arvind Panagariya denounces the "intermittent reversals" in India's trade liberalisation, and cited the latest instance (tariff escalation since FY19).

All this would serve to cement the notion that the country would invariably stand to make a net gain from an all-encompassing tariff reduction. It would also seem that former US president and the 2024 presidential candidate Donald Trump was only stating the obvious, as he admonished India for being a "tariff king". To be sure, import tariff is the basic customs duty (BCD) applied on items identified on the basis of a six-digit harmonised commodity description and coding system (HS Code); all other imposts on inward shipments including the integrated goods and services tax are meant to replicate taxes suffered by domestic goods and services. Undeniably, the simple average of import tariffs maintained by India is one of the highest in the world, and much higher than in the developed world.

This average has risen from a low of 13% (10.1% for non-agriculture or industrial goods) in 2009 to the current level of 18.1% (14.7%). Duties have been hiked for roughly a third of over 12,000 tariff lines since 2014. While this indeed would not help Indian economy's integration with global value/supply chains, from a domestic standpoint, the tariff incidence is not as high as it would seem. Since duties on items imported for (value-added) exports are almost neutralised, BCD collections are barely 4% of the import value; that is, effective tariff is only as much. India has drawn much flak for keeping its "bound tariffs" (autonomous space kept for protective tariff hikes) at much higher than the applied rates. But recent instances like the US raising its applied tariffs on steel and aluminium by 30% over the (benign) bound rates of 4-5% show how pragmatism rules in the current, protectionist world.

That said, India can shake off the tag of a high-tariff nation by slashing the import taxes on scores of items, without much revenue impact. This is because over 80% of the Customs receipts comes from less than 10% of the tariff lines. The identification of items for tariff cuts/hikes should be done with broader economic and national objectives, rather than under pressure from powerful lobbies, or with an eye on immediate revenue gains. The goals of Make-in-India and export competitiveness will be best served by re-organising the economy to reduce overall costs, and ease logistics further. The general tariff policy and the preferential tariffs under the increasing number of free trade agreements must aim to maximise domestic value creation. These ought not work at cross purposes. (FE15072024)

Goods and Services Tax

GST on corporate guarantee – An attempt to clear the clouds

Recently, the GST Council recognized that many taxpayers are encountering challenges in determining the GST applicability on such transactions along with valuation issues. In light of the same, the GST Council proposed a retrospective amendment to Rule 28(2) of the CGST Rules, addressing these concerns.

By Shivam Mehta, Rohini Mukherjee, and Divya Bhardwaj

Since the introduction of Goods and Services Tax ("GST") law, there has been uncertainty clouding over the application of GST to certain transactions, particularly corporate guarantee transactions. Recently, the GST council recognized that many taxpayers are encountering challenges in determining the GST applicability on such transactions along with valuation issues. In light of the same, the GST council in its 53rd meeting proposed a retrospective amendment to Rule 28(2) of the Central Goods and Services Tax Rules, 2017 ("CGST Rules"), addressing these concerns. It recommended that the mandatory valuation under this rule which fixed the value to be equal to 1% of the corporate guarantee or actual consideration whichever is higher, would not apply in cases of export of services or when the recipient can claim full Input Tax Credit ("ITC"). Additionally, the GST council suggested issuing a circular to clarify various aspects related to corporate guarantees.

This move by the GST council has raised hopes among taxpayers who have been under scrutiny regarding the GST taxability of corporate guarantee transactions.

Earlier, the taxpayers were expecting to get clarity or relief from authorities in a manner of declaring corporate guarantee transactions outside GST ambit or otherwise declaring nil value for payment of GST. However, on October 26, 2023, the Central Board of Indirect Taxes and Customs (CBIC) amended Rule 28 of the CGST Rules, 2017. This amendment fixed the value of services by way of furnishing corporate guarantee on behalf of related parties to a bank at 1% of the value of the corporate guarantee provided or the agreed consideration, whichever is higher. This change caused significant concern among taxpayers.

Subsequently, challenges against this valuation method and the GST levy on corporate guarantee transactions were brought before various High Courts. Following the recommendations in the 53rd GST council meeting, it remains to be seen whether these companies will continue to pursue their legal actions or opt to withdraw their writ petitions. The proposal of the GST Council to address other issues related to corporate guarantees through clarifications adds further importance to resolving other matters concerning these transactions.

Taxability of corporate guarantee transactions under the GST law

A related party offers a corporate guarantee to safeguard its investment in another related company enabling the latter to secure funding and enhance its creditworthiness, as the borrowing entity may lack the financial strength to borrow independently. Further, it is provided on request of the bank only. Typically, no fee is levied by the guarantor for providing the corporate guarantee. In fact, in some instances, the Guarantee Deed with the financial institution explicitly states that no fee can be imposed by the guarantor as long as the guaranteed obligations persist. In light of this, deeming a transaction where the supplier is not undertaking the activity voluntarily and is obligated not to charge any consideration as “supply” seems unjust. In the absence of one party willingly undertaking such activity of furnishing the corporate guarantee, an argument is possible that it is not a service in itself.

Previously, Rule 28 of the CGST Rules, 2017 prescribed a valuation method for such transactions without clarifying the taxability. It is crucial to determine whether history will repeat itself or if the GST Council, in conjunction with forthcoming clarifications, will provide clear guidelines on the taxability of these transactions, supported by appropriate rationale

In the absence of consideration whether the exception as recommended by the GST council will be available.

The GST Council has recommended that the mandatory valuation of 1% or the agreed consideration whichever is higher will not be applicable in case where the transaction qualifies as "export of services" or where the recipient is eligible for full ITC. Under the GST law, any service qualifies as "export of services" only when certain conditions are fulfilled. One of such conditions required to be fulfilled is that the payment should be received in foreign convertible exchange.

In scenarios where Indian entities provide corporate guarantees to foreign entities without charging any consideration, no payment is received by the Indian entities. It remains to be seen whether the exception recommended by the GST Council in case of "export of services" will be extended to taxpayers in such situations or not.

Thus, it is important to await further clarification to understand if and how these recommendations will apply to taxpayers involved in providing corporate guarantees to foreign entities without charging any fees.

Other unresolved issues

It is worth noting that Rule 28 of the CGST Rules provides that the value of services by way of furnishing corporate guarantee will be 1% of the corporate guarantee or agreed consideration whichever is higher. However, in the absence of any clarification on the manner of calculation, doubts arise as to whether for the purpose of calculating 1% value, the value of sanction amount is required to be considered or the value of loan disbursed should be considered.

In cases where the exceptions i.e., export of services or full ITC is not available, assigning a high value i.e., either 1% of the corporate guarantee or agreed consideration whichever is higher, is unreasonable. It will have huge financial impact on the taxpayers. Assigning such an unreasonable value as a mandatory deemed value to such services appears to be unjustified when taxpayers have the option to determine the value reasonably under Rule 31 of the CGST Rules.

Additionally, corporate guarantees are provided while obtaining a loan from a bank, which can be in the form of a term loan or working capital loan. Since working capital loans are typically spread over years, questions regarding when tax payments are due to arise. It raises doubts whether the tax is required to be paid at the time of furnishing the corporate guarantee only i.e., only once at the time of sanctioning the credit facility by the bank or it is required to be paid on an annual basis when the credit limit is revised by the Bank.

Moreover, in many instances, related parties issue letters of comfort to banks on behalf of other related parties at the time of loan sanction. It remains unclear whether such transactions also qualify as corporate guarantee services and thus, will attract GST at the value prescribed under Rule 28 of the CGST Rules, 2017.

These uncertainties underscore the need for clearer guidelines from the GST Council to address these practical issues and provide clarity on the applicability, time of supply along with valuation to be adopted for GST payments related to corporate guarantee transactions.

Impact on taxpayers who being law abiding citizens of India adopted valuation as per Rule 28(2)

During the time period in which Rule 28(2) is applicable even in cases where the recipient is eligible for full ITC, many taxpayers have adopted the valuation mechanism and have discharged tax considering 1% of the corporate guarantee value as the consideration. In case where full ITC is available, the companies already having accumulated ITC, have made payment of tax at 1% of the corporate guarantee which has led to additional accumulation of ITC in their electronic credit ledger. It is worthwhile to see if any refund mechanism or an option to amend such transactions in returns will be provided for such taxpayers as they have paid excess tax which otherwise they were not obligated to pay.

Given these developments and unresolved issues, businesses can only hope that the government will take steps to address all concerns pertaining to taxability of corporate guarantee effectively. (FE12072024)

Unfolding India's consumption story

As per Retail Consumption trends by CMS, average spending in the FMCG sector increased by a robust 16.76% in FY24 with a remarkable consumption recovery after witnessing a decline of 21.94% in FY23.

By Anush Raghavan

The India consumption story has emerged as a compelling saga, interwoven with modernity, and aspiration. Driving this narrative are evolving consumer preferences, propelled by the convergence of two key drivers: the formalization of the economy and the burgeoning consumption patterns, reflecting not just economic transactions but the behaviour of the Indian consumer across diverse sectors.

In FY24, the contours of consumption painted a picture of dynamic change.

From the everyday essentials of FMCG and the durability of Consumer Durables, to Aviation and Railway, from E-commerce and Education to Media & Entertainment, each sector tells a story of its own. It's a story of evolution, driven by changing lifestyles, aspirations, and economic realities.

As per Retail Consumption trends by CMS, average spending in the FMCG sector increased by a robust 16.76% in FY24 with a remarkable consumption recovery after witnessing a decline of 21.94% in FY23. Additionally, there was an increase in average spending on Consumer Durables too, with FY24 witnessing an increase of 3.74% in the wake of a 7.64% decline in spending in FY23.

In FY24, the aviation sector witnessed a commendable annual growth in average spending of 6.36%, while the railway sector followed closely with an 8.16% increase. This surge reflects the rise of the travel economy in India, propelled by the proliferation of millennials and the improving per capita incomes. Indians are increasingly prioritizing experiences over material possessions, embracing travel and leisure activities. Conversely, the e-commerce sector experienced a decline in average spending by 14.61% in FY24, marking a significant recovery from the steeper decline of 25.44% in FY23. Similarly, the education sector saw muted average spending in FY24 compared to a slight decline of 1.61% in FY23, indicating a tentative recovery in expenditure. On the other hand, media and entertainment recorded a remarkable annual growth in average spending of 29.30% in FY24. This growth trend signifies a paradigm shift, where entertainment is no longer perceived as a luxury but rather as an essential aspect of daily life. This surge in spending is attributed to Indians allocating a higher portion of their household budgets to media and entertainment, particularly in the wake of the COVID-19 pandemic, highlighting the sector's resilience and adaptability in meeting evolving consumer demands.

What is interesting to note is the prevailing consumption disparities between urban and rural India. While urban areas exhibit higher spending on discretionary goods and lifestyle products, rural consumers prioritize essentials. This divide presents a dual challenge and opportunity for businesses to tailor offerings to diverse consumer segments and bridge the geographic gap through targeted marketing strategies and localized initiatives. The geographical canvas of consumption is equally vibrant. While metros continue to wield significant influence, the hinterlands resonate with their own tales of consumption. Semi-urban and rural areas, often overlooked, are emerging as significant contributors, adding layers of complexity to India's consumption narrative.

ATM withdrawal trends analyzed by CMS reveal a notable trend: in FY24, average cash withdrawals surged by 10.37% in metropolitan areas, with similar upward trajectories seen in SURU regions (3.94% increase) and semi-metros (3.73% increase). This data underscores a broader narrative of economic expansion and inclusivity, where consumption spending is not confined to urban centers but extends to smaller towns and rural areas. As spending patterns diversify and economic opportunities proliferate beyond city limits, the significance of these emerging markets in shaping India's consumption landscape cannot be overstated.

Looking ahead, the forecasted 7% GDP growth in FY25 heralds a promising era for India's consumption story. Sectors like FMCG, Aviation, and E-commerce are expected to spearhead this growth surge, riding on the wings of digitization and changing consumer preferences.

As we navigate the complexities of India's consumption odyssey, modern aspirations, diverse consumption patterns, and strategic growth drivers will continue shaping the nation's consumption narrative. This trajectory propels India towards sustainable growth, prosperity, and inclusive development, firmly establishing its position as a global economic powerhouse. For in the end, it's not just about what we consume, but evolving consumption habits that defines our journey towards economic progress and inclusivity. (FE1107204)