

Highlights of Research Activities

Release of the first India Finance Report by CAFRAL Research | November 8, 2023 | Mumbai



Shri Shaktikanta Das, Governor, RBI, Dr. Michael Debabrata Patra, Deputy Governor RBI, Shri Swaminathan Janakiraman, Deputy Governor, RBI, Shri B. P. Kanungo, Director, CAFRAL, Smt. Indrani Banerjee, Additional Director, CAFRAL, Dr Nirupama Kulkarni, Senior Research Director, CAFRAL from CAFRAL team, Smt Rajani Prasad, CGM, CSBD, RBI, Shri Satyashiba Panigrahi, DGM & EA to Governor and Dr Vineet Kumar Srivastava, Director & EA to DG (MDP) during release of India Finance Report.

Shri Shaktikanta Das, Governor, RBI, released the first annual India Finance Report prepared by CAFRAL Research on November 8, 2023. This year's theme is on NBFCs and is titled "Connecting the last mile". The report comprises four chapters covering topics such as financial inclusion, interaction with the traditional banking sector, digitization and the non-banking financial sector, and emerging stresses in the banking sector. The report was well received and widely covered by the media

Access report: [India Finance Report](#)

CAFRAL Annual Conference: The Financial System and Macroeconomy in Emerging Economies | December 11-12 2023 | Trivandrum



Shri B. P. Kanungo, Director, CAFRAL, Smt. Indrani Banerjee, Additional Director, CAFRAL, Dr. Satyajit Chatterjee, Federal Reserve Bank of Philadelphia, Prof. Amil Dasgupta, London School of Economics, other researchers & discussants and CAFRAL Research team during Its Annual Conference.

CAFRAL Research organized the annual research conference on December 11-12, 2023, in Thiruvananthapuram, Kerala. The conference began with introductory remarks by Shri B.P Kanungo, Director of CAFRAL. Prof. Amil Dasgupta, London School of Economics, and Dr. Satyajit Chatterjee, Vice President, Federal Reserve Bank of Philadelphia, delivered the keynote addresses. In response to the call for papers posted in CAFRAL and other popular professional websites, a total of 110 submissions were received by the deadline. Out of these, 8 papers were selected for presentation. In line with precedence, one CAFRAL researcher (Dr. Gautham Udupa) presented a paper.

Drawing from his research on regulation of corporations, Prof. Dasgupta, in his talk titled “Capital Formation and Market Monitoring: Opportunities and Challenges for India”, emphasized the need to have disclosure requirements for sale and purchase of equity by small blockholders. Dr. Chatterjee presented his recent paper “Heterogeneity in the Credit Card Market”, which uses account-level credit card data to document variation across card holders in interest and default rates.

A full list of presenters and discussants is as below:

Sr. No.	Presenter	Title of the Presentation	Discussant
1	Subhadeep Halder, PhD Student, ISI Delhi	Fiscal Dominance and The Optimal Maturity Structure of Sovereign Debt	G.V. Nadhanael, Director, DEPR, RBI
2	Vaishali Garga, Economist, Federal Reserve Bank of Boston	The Role of Industrial Composition in Driving The Frequency Of Price Change	Shekhar Tomar, Assistant Professor, Indian School of Business
3	Radek Paluszynski, Associate Professor, University of Houston	Intangible Capital and Shadow Financing	Apoorv Gupta, Assistant Professor, Dartmouth College
4	Pratiti Chatterjee, Assistant Professor, University of New South Wales	The Sentiment Channel of Monetary Policy	Chetan Subramaniam, Professor, IIM Bangalore
5	Shohini Kundu, Assistant Professor, UCLA Anderson School of Management	Monitoring With Small Stakes	Kaushalendra Kishore, Research Director, CAFRAL
6	Prasenjit Chakrabarti, Assistant Professor, IIM Ranchi	The Indian Banking Recapitalization Saga	Prasanna Tantri, Associate Professor, Indian School of Business
7	Vrinda Mittal, Assistant Professor, UNC Kenan-Flagler Business School	Desperate Capital Breeds Productivity Loss: Evidence from Public Pension Investments in Private Equity	Shashwat Alok, Associate Professor, Indian School of Business
8	Rik Sen, Associate Professor, University of Georgia	Regulation-Induced CSR	Anisha Sharma, Assistant Professor, Ashoka University
9	Gautham Udupa, Research Director, CAFRAL	Food, Fuel, and Facts: Distributional Effects of External Shocks	Sanjay Singh, Assistant Professor, University of California at Davis, and Federal Reserve Bank of San Francisco

For the conference schedule and a draft of the papers, please refer to the CAFRAL website.

RESEARCH PUBLICATIONS

Dr. Vidhya Soundarajan’s paper titled “**Import Competition, Formalization, and the Role of Contract Labor**” (co-authored with Rahul Singh and Pavel Chakraborty) got accepted in the World Bank Economic Review (A journal)

Abstract: Does higher import competition increase formalization and aggregate productivity? Exploiting plausibly exogenous variation from Chinese imports, we provide empirical causal evidence that higher imports increases the share of formal manufacturing enterprise employment in India. This formal share increase is both due to the rise in formal-enterprise employment driven by the high productivity firms, and a fall in informal-enterprise employment. The labor reallocation is enabled by the formal firms’ hiring of contract workers, who do not carry stringent string costs. Overall, Chinese import competition increased formal sector employment share by 3.7 percentage points, and aggregate labor productivity by 2.87%, between 2000-2001 and 2005-2006.

NEW WORKING PAPERS

Dr. Nirvana Mitra released a new working paper titled “**Sovereign Default and Tax-smoothing in the Shadow of Corruption and Institutional Weakness**”. The paper is available online in the CAFRAL Working Papers series.

Abstract: Emerging countries exhibit volatile fiscal policies and frequent sovereign debt crises, that significantly diminish the well-being of their citizens. International advisors typically suggest developed-world solutions as a remedy. We argue that the root of the problem lies in the institutional environment, which does not incentivize responsible policymaking, particularly tax-smoothing practices. Focusing on democratic representation and control of corruption, our dynamic political-economy bargaining model shows that nations with weaker institutions experience frequent default episodes and greater economic

volatility. Our results are in line with stylized facts from a panel of 58 countries between 1990 and 2022. Through counterfactual experiments, we find that while emerging economy policymakers might favor moderate reforms to improve democratic representation, achieving the institutional depth seen in developed countries is politically unfeasible, despite its clear advantages for citizens.

Dr. Kaushalendra Kishore released a new working paper titled **“Career incentives and employee productivity in state owned enterprises: Evidence from India”**. The paper is available online in the CAFRAL Working Papers series.

Abstract: State-owned enterprises (SOEs) are large and important organizations in many economies but suffer from low labour productivity IMF (2020). Can SOEs improve their labour by enhancing career concerns for their employees? We show that exogenous change in opportunities to influence career progression significantly improves the performance of employees of state-owned banks in India. In particular, we find that when banking employees get more exposure to senior management, who can influence their promotion decisions, they increase credit expansion on both intensive and extensive margins. Further, this expansion happens through increased productivity, and not costly factors such as liberal screening, lower interest rates or higher resource allocation. Our results show that reforms in performance review processes, which allow workers to signal effort to supervisors in state-owned firms, may yield substantial productivity gains.

SEMINAR/CONFERENCE PRESENTATIONS

Dr Nirupama Kulkarni and **Dr Yogeshwar Bharat**, in co-authored work titled **"Asset-side Implications of Banks Funding Costs"**, received the **"Best Paper Award" in Macroeconomics at the Delhi School of Economics Winter School 2023**.

Dr. Yogeshwar Bharat presented his paper **“Credit Constraints, Bank Incentive and Firm Export: Evidence from India”** at IIM Bangalore on November 3, 2023

Abstract: The aim of this paper is to investigate the impact of firms’ financial fragility and banks incentives on firms’ decision to exit the export market. We draw information from the Prowess database on a large sample of Indian businesses between 2002 and 2017 and we obtain bank data from the Reserve Bank of India. Estimation results indicate that more indebted firms are associated with a high probability of exiting the export market. However, when we focus only on bank borrowing, we find that firms with high levels of bank debt (over total assets) are characterized by a lower probability of abandoning the export sector. By interacting our measures of financial fragility with a state-owned bank dummy, we also show that highly indebted firms borrowing from state-owned banks are associated with an even lower probability of exiting the export market. Finally, when we employ the change in the priority sector regulation to test the causality of our results and avoid endogeneity concerns, we provide evidence that firms borrowing from banks that were missing their priority sector targets are characterized by a significantly lower probability of abandoning foreign markets. The study did not find any significant effect of policy change on firms trying to enter the export market. Using an indirect definition of productivity showed that the policy change did not affect the productivity of the leveraged firms.

Dr. Gautham Udupa presented the paper **“Food, Fuel, and Facts: Distributional Effects of External Shocks”** at CAFRAL Annual Research Conference held on December 11-12, 2023 in Trivandrum, Kerala.

Abstract: In this paper we investigate the distributional implications of rising global food and oil prices using rich consumption and income panel data from India. We show that these external price shocks pass-through to domestic prices. We document that consumption inequality rises for the entire horizon of one year following a positive shock to global food and fuel prices. Using a household panel local projection method, we estimate heterogeneous consumption effects along the income distribution. We find robust evidence that lower income deciles are hit harder by rise in food prices, whereas rise in fuel prices hit both the lower and the middle income deciles. For both shocks, however, consumption of top income deciles is largely unscathed. The effects of external price shocks on inequality are quantitatively large and economically meaningful.

Dr. Kaushalendra Kishore presented the paper **“Career incentives and employee productivity in state owned enterprises: Evidence from India”** at Macro-finance Conference, IGIDR Mumbai on December 15, 2023

Abstract: State-owned enterprises (SOEs) are large and important organizations in many economies but suffer from low labour productivity IMF (2020). Can SOEs improve their labour by enhancing career concerns for their employees? We show that exogenous change in opportunities to influence career progression significantly improves the performance of employees of state-owned banks in India. In particular, we find that when banking employees get more exposure to senior management, who can influence their promotion decisions, they increase credit expansion on both intensive and extensive margins. Further, this expansion happens through increased productivity, and not costly factors such as liberal screening, lower interest rates or higher resource allocation. Our results show that reforms in performance review processes, which allow workers to signal effort to supervisors in state-owned firms, may yield substantial productivity gains.

Dr. Sankalp Mathur presented his paper **“Protectionism in a Green Suit? Market Power in Carbon Based Trade Policy Reform”** at the 18th Annual Conference on Growth and Development organized by ISI Delhi on December 18, 2023

Abstract: Carbon tariffs have received widespread support as a second-best policy tool to regulate foreign emissions indirectly. In this paper, I document novel evidence suggesting that carbon-intensive sectors have higher market power and thus charge higher markups. Thus, carbon tariffs lead to sizable profit-shifting across countries. I build a multi-industry structural model of international trade with input-output linkages to analyze the welfare implications of a carbon-based trade policy reform. I study the nature of profit shifting in response to the carbon-embodied tariffs and quantify the aggregate and distributional effects on

welfare and emissions. The findings suggest that accounting for market power increases the effectiveness of trade policy in reducing global emissions. However, it generates heterogeneous effects across countries where countries may lose as high as four percentage points after accounting for profits with the counterfactual trade policy reform.

Dr. Yogeshwar Bharat presented his paper co-authored with **Dr Nirupama Kulkarni** “Asset side implications of banks’ funding cost” at the **18th Annual Conference on Growth and Development** organized by **ISI Delhi** on December 20, 2023

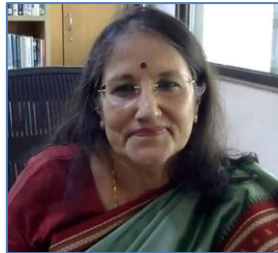
Abstract: Regulated banking systems with mandated fixed saving deposit rates below the prevailing market rates allow banks to raise deposits cheaply. Consequently, banks lean towards safer assets like government securities, limiting resources available for loans. We examine a 2011 deregulation episode in India using data from Indian banks from 2006 to 2020. Private sector banks increased their share of loans as a share of deposits by 7.6% compared to public sector banks. Private sector banks also increased loans as a percentage of assets by 2%. We construct a static banking model with heterogeneous banks and depositors to explain these empirical findings. Our paper underscores how deposit rate regulation can shape bank asset portfolios, potentially intensifying credit constraints and limiting the level of financial intermediation in the economy. By highlighting the impact of deposit rate deregulation in stimulating bank investment in high-yielding projects, our study aims to showcase how deregulation can alleviate credit shortages and promote economic growth.

Highlights of Learning Programs

CAFRAL Virtual Program on Artificial Intelligence and Machine Learning | November 10, 2023



Jayant Kumar Dash



Indrani Banerjee



Anupam Sonal



Vijay Singh Shekhawat



Madhivanan Balakrishnan



Shreyans Dudheriya



Vyom Upadhyay



J K Pandey

CAFRAL had organised a one-day virtual program on Artificial Intelligence and Machine Learning on November 10, 2023.

The virtual program aimed at providing a conceptual understanding of AI / ML to senior and top executives of banks & financial institutions. It sought to disseminate

knowledge of significant use cases in the financial sector, create awareness of supervisory initiatives & also provide an opportunity to understand risks in AI /ML and governance issues.

Topics deliberated in the virtual program were Banking on AI/ML; Fundamentals of AI/ML for Management; AI/ML Governance and Oversight; Business Strategy with AI/ML – Significant Use Cases; Risks in AI/ML and Risk Management; Use of AI/ML in Transaction Processing: The Road Ahead.

Jayant Kumar Dash, Executive Director, Reserve Bank of India delivered the keynote address. Indrani Banerjee, Additional Director, CAFRAL made the opening remarks and Jyoti Kumar Pandey, Senior Program Director, CAFRAL provided an overview of the program. Other Speakers were Anupam Sonal, Former Chief General Manager, Reserve Bank of India; Dr. Vijay Singh Shekhawat, Chief General Manager, Department of Supervision, Reserve Bank of India; Madhivanan Balakrishnan, Executive Director and Chief Operating Officer, IDFC First Bank; Shreyans Dudheriya, Partner, Risk Consulting, PWC India; Sandeep S Sandhu, Director, Risk Consulting, PWC India; Vyom Upadhyay, Head- Data Science & Analytics, ICICI Bank.

CAFRAL Program on Governance and Assurance for Directors for Banks, FIs and NBFCs | November 17, 2023



CAFRAL had organized a one-day program on Governance and Assurance for Directors on Board of Banks, FIs and NBFCs on November 17, 2023.

The program sought to enhance the awareness of the BoD of banks, NBFCs and FIs on the regulatory expectations on their roles and responsibilities including their role in various sub-committees of the Board and on the emerging challenges in non-financial risks such as cyber risk & climate change risk. The program also aimed at providing the practical aspects of Board governance and functioning, and opportunities to interact with regulators and industry experts.

Topics deliberated in the program were Enhancing Credibility of Organisation through Good Governance and Assurance – Strategic Role of Directors; Risk Based Supervision – Assessment of Governance Standards and Assurance Functions; Managing Non-Financial Risks – Oversight Functions of the Board; Ethical Performance, Conflict Resolution and Value Oriented Strategic Decisions; KYC / AML Measures – Expectations from Banks; Governance Challenges in Use of Advanced Technologies

Ashwini Kumar Tewari, Managing Director, State Bank of India delivered the keynote address. Indrani Banerjee, Additional Director, CAFRAL made the opening remarks while Jyoti Kumar Pandey, Senior Program Director, CAFRAL gave an overview of the program. Other Speakers were K S Jyotsna, Chief General Manager, Department of Supervision, Reserve Bank of India; G Mahalingam, Former Whole Time Member, SEBI; Nagesh Pingre, Independent Director, Aditya Birla Capital; S.S.K. Pradhan, General Manager, Department of Regulation, Reserve Bank of India; Dr. Vijay Singh Shekhawat, Chief General Manager, Department of Supervision, Reserve Bank of India.

CAFRAL Virtual Program on Lending to Agro MSMEs | November 21, 2023



Neeraj Nigam



Indrani Banerjee



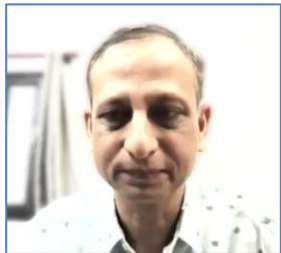
Anindya Sunder Paul



Dhanish Kothari



Michael Andrade



Hemendra Mathur



S G Anilkumar



Arindom Datta



C. Sankaranarayanan

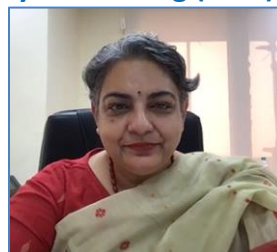
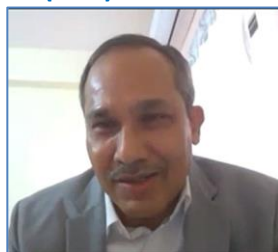
CAFRAL had organised a one-day virtual program on Lending to Agro MSMEs on November 21, 2023.

The virtual program aimed to sensitize senior officials in the financial sector, helping them to understand the various enablers in the form of policies and regulations available to the Agro MSMEs sector. It also covered technical aspects of Agro-MSME financing and emphasized the significant contribution that the sector can make to the profitability of financial intermediaries.

Topics deliberated in the virtual program were Financing Agro MSMEs: Regulatory Perspective; Bankers & MSME Borrowers – Emerging Needs and Sensitivity; Co-lending Model for Agro-MSME Financing; Agro Enterprises in Supply Value Chain: Opportunities for Bank Lending; Digital Lending Scenario in India for MSME; Climate Friendly Financing of Agro-MSMEs.

Neeraj Nigam, Executive Director, Reserve Bank of India delivered the keynote address. Indrani Banerjee, Additional Director, CAFRAL made the opening remarks and C. Sankaranarayanan, Senior Program Director, CAFRAL provided an overview of the program. Other Speakers were Anindya Sunder Paul, Chief General Manager, State Bank of India; Dhanish Kothari, Head - Strategy of Commercial and Rural Banking Group, HDFC Bank; Michael Andrade, MD & CEO, Samaaru Finance Pvt. Ltd; Hemendra Mathur, Co-founder, ThinkAg & Venture, Partner, Bharat Innovation Fund; S G Anilkumar, Founder & CEO, Samunnati Financial Intermediation & Services Private Ltd; Arindom Datta, Executive Director, Rural & Development Banking/Advisory, Rabobank

CAFRAL Virtual Program on Know Your Customer (KYC) and Anti Money Laundering (AML) | December 8, 2023



Jayant Kumar Dash



S. Ramakrishna

Indrani Banerjee



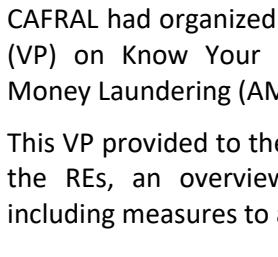
Induvant Tomar

Santosh Kumar Panigrahy



Jyoti Kumar Pandey

Monisha Chakraborty



Umesh Kumar Singh

CAFRAL had organized a one-day Virtual Program (VP) on Know Your Customer (KYC) and Anti Money Laundering (AML) on December 8, 2023.

This VP provided to the Directors on the Board of the REs, an overview of the KYC framework including measures to address the various risks

associated with KYC non-compliance. This program also aimed to provide an enhanced understanding and updates on changes in the KYC and AML regulations including the requisite management oversight, systems and controls, segregation of duties, training and other related matters.

Topics covered in this VP were Emerging Frontiers in KYC and AML Compliance; KYC and AML Measures – Regulatory Framework; Supervisory observations & expectations in KYC and AML implementation – Use cases; Central KYC Registry & Compliance – Issues and Challenges; Transaction Monitoring and Beyond; Trade Based Money Laundering.

Jayant Kumar Dash, Executive Director, Reserve Bank of India delivered the keynote address. Indrani Banerjee, Additional Director, CAFRAL made the opening remarks while Jyoti Kumar Pandey, Senior Program Director, CAFRAL gave an overview of the program. Other speakers in this VP were Santosh Kumar Panigrahy, Chief General Manager, Department of Regulation, Reserve Bank of India; Monisha Chakraborty, Chief General Manager, Department of Supervision, Reserve Bank of India; Umesh Kumar Singh, MD & CEO, CERSAI; S. Ramakrishna, General Manager & Principal Officer, AML-CFT Cell, State Bank of India; Induvant Tomar, Director - Risk Consulting, Advisory, PWC

CAFRAL Virtual Conference of Heads of Audit & Inspection | December 15, 2023



Indrani Banerjee



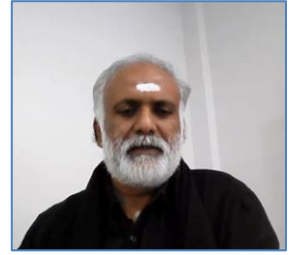
Dr. Monica D. Soni



Shalini Sachan



Vijay Srinivas Kothapalli



Premnath D



Mehul Thakkar



Sandeep Singh Sandhu



Narmada Viswanathan



Jyoti Kumar Pandey

CAFRAL had organized a one-day Virtual Conference (VC) of Heads of Audit & Inspection on December 15, 2023.

This one-day VC provided opportunities to the participants to interact with experts & regulators in the areas of audit and audit practices, besides being updated on the emerging trends and challenges in internal audit.

Topics covered in this VC were Evolving Role and Significance of Internal Audit/ Inspection as an Assurance Function; Risk Based Internal Audit of Banks – Supervisory Issues and Concerns; Assessing Incident Response Capabilities, Cybersecurity Framework and IT Governance in Financial Institutions ; Audit Techniques, Significance of Audit Scoping and Fieldwork - Static vs. Dynamic Approach; Significance of Data Analytics and Future Trends in Internal Audit; Use of Advanced Technologies in Internal Audit.

Indrani Banerjee, Additional Director, CAFRAL made the opening remarks while Jyoti Kumar Pandey, Senior Program Director, CAFRAL gave an overview of the conference. Other speakers in this VC were Dr. Monica D. Soni, Deputy General Manager, Department of Supervision, Reserve Bank of India; Shalini Sachan, Deputy General Manager, Department of Supervision, Reserve Bank of India; Vijay Srinivas Kothapalli, Partner, C Ramachandram & Co. ; Premnath D, Partner, C Ramachandram & Co.; Mehul Thakkar, Founder, Awesome Analytics; Sandeep Singh Sandhu, Director, PwC India; Narmada Viswanathan, Director, PwC India.

Conference of Chief Risk Officers and Heads of Risk Management: Managing Non-Financial Risks | December 20, 2023



Shri J K Dash, Executive Director, Reserve Bank of India, Smt. Indrani Banerjee, Additional Director, CAFRAL, other speakers and participants at Conference of Chief Risk Officers and Heads of Risk Management: Managing Non-Financial Risks

CAFRAL had organised a one-day conference of Chief Risk Officers and Heads of Risk Management on December 20, 2023 at Rendezvous, Hotel Taj Mahal Tower, Colaba, Mumbai.

This Conference provided a forum to the heads of banks' risk function to meet and discuss the emerging issues and new challenges surrounding risk management against the backdrop of financial sector developments.

Topics deliberated in the conference were Baking in Non-Financial Risks in Business of Finance ; Building an Operative Model for Non-Financial Risk ; Data and Cyber Security: Challenges; Impact of Climate Change Risk on the Balance Sheet of Financial Intermediaries; Managing Outsourcing Risks: Issues & Concerns; Evolving Role of CRO: New Paradigm.

J K Dash, Executive Director, Reserve Bank of India delivered the keynote address. Indrani Banerjee, Additional Director, CAFRAL made the opening remarks and C. Sankaranarayanan, Senior Program Director, CAFRAL provided the program overview. Other Speakers were Deep Narayan Mukherjee, Partner & Director, Boston Consulting Group; Akhilesh Tuteja, Partner & National Leader, Cyber Security, KPMG India; Dhruba Purkayastha, Director, Climate Policy Initiative India; Anjan Ghosh, Advisor, Climate Policy Initiative India; Sunil T S Nair, Chief General Manager, Sustainable Finance Group, Reserve Bank of India; Bhavendra Kumar, Executive Director, Canara Bank.

Highlights of CAFRAL Research Seminars

CAFRAL invited speakers from leading academic institutions and other central banks. A sampling of the abstracts of papers presented are given below:

Culture, Corruption and Growth: A Dynamic Analysis by Dr. Mausumi Das, Delhi School of Economics, on November 1, 2023

Abstract: Empirical literature predicts a non-monotonic relationship between corruption and economic growth. In this paper we provide a theoretical framework that can explain this non-monotonicity in terms of a dynamic interaction between culture and corruption. In a heterogenous agent framework, we show that presence of agents with high moral values and a cultural aversion towards corrupt practices helps in reducing the overall degree of corruption. At the same time, for any given level of corruption, high moral agents are less adaptable to game an already corrupt system in pursuit of economic profits. Thus the initial cultural composition of the population interacts with economic incentives to generate differential growth paths for different economies. Moreover, the cultural composition of the population changes endogenously responding to economic growth, which creates possibilities of multiple balanced growth paths and culture-induced poverty traps.

Droughts and Deficits: The Global Impact of Droughts on Economic Growth by Dr. Esha D Zaveri, World Bank on November 3, 2023

Abstract: As climate change intensifies, dry rainfall shocks and droughts are a growing concern. At the same time, scientific evidence suggests that the world has surpassed the safe planetary boundary for green water, which is water stored in biomass and soil that is crucial for maintaining climate resilience. Yet, evidence at the global scale of these combined forces on economic growth is poorly understood. This paper attempts to fill this gap by using data on annual subnational gross domestic product for 82 countries from 1990–2014. Using rainfall shocks as plausibly exogenous variations in a spatially specific panel at the grid level, the analysis finds that the global effects of droughts on economic activity are substantial. Moderate to extreme droughts reduce gross domestic product per capita growth between 0.39 and 0.85 percentage point, on average, depending on the level of development and baseline climatic conditions, with low- and middle-income countries in arid areas sustaining the highest relative losses. In high-income countries, moderate droughts have no impact, and only extreme droughts have adverse effects, reducing growth by about 0.3 percentage point, a little less than half the impact felt in the low- and middle-income country sample for the same intensity of drought. Crucially, the impact of a dry shock of a given magnitude also depends on antecedent green water availability. The results show that increases in soil moisture in previous years can neutralize the harmful impacts from a dry shock, with suggestive evidence that local and upstream forest cover are key channels through which these impacts manifest.

These findings have important implications for measuring the economic impact of droughts and can inform adaptation investments.

Work From Home and the Office Real Estate Apocalypse by Dr. Vrinda Mittal, University of North Carolina on November 9, 2023

Abstract: We show remote work led to large drops in lease revenues, occupancy, lease renewal rates, and market rents in the commercial office sector. We revalue New York City office buildings taking into account both the cash flow and discount rate implications of these shocks, and find a 42% decline in long run value. For the U.S., we find a \$475 billion value destruction. Higher quality buildings were buffered against these trends due to a flight to quality, while lower quality office is at risk of becoming a stranded asset. These valuation changes have repercussions for local public finances and financial stability.

Economic Policy Uncertainty and Global Portfolio Allocation by Dr. Apoorva Javadekar, Indian School of Business, Hyderabad on December 27, 2023

Abstract: We show remote work led to large drops in lease revenues, occupancy, lease renewal rates, and market rents in the commercial office sector. We revalue New York City office buildings taking into account both the cash flow and discount rate implications of these shocks, and find a 42% decline in long run value. For the U.S., we find a \$475 billion value destruction. Higher quality buildings were buffered against these trends due to a flight to quality, while lower quality office is at risk of becoming a stranded asset. These valuation changes have repercussions for local public finances and financial stability.

If you wish to be included in the mailer list of CAFRAL Research Seminars [please click here](#)

Upcoming Learning Program

CAFRAL Virtual Program on Financial Frauds & Forensic Audit | January 24, 2024 | Online

Background:

Increasing incidences of digital and cyber frauds, as well as financial frauds in loan accounts with huge financial losses pose a significant challenge for banks & financial institutions. Fraudulent transactions in deposit accounts, loan accounts and trade transactions expose financial intermediaries to legal and regulatory risk and, besides financial loss implications, such incidences are of reputational and systemic concern. Banks & Financial Institutions need to, therefore, strengthen their Fraud Risk Management framework, to mitigate these risks in a sustainable, effective and efficient manner, involving stringent cybersecurity protocols, regular risk assessments, quick and comprehensive investigation and robust fraud detection mechanisms. Forensic Audit, which involves specialized skills, identifies control failures, uncovers trails and gathers legally tenable evidence to trace funds and achieve final resolution.

Objective:

It is thus imperative for Banks, Financial Institutions and NBFCs to enhance their fraud risk management systems including their framework for Early Warning Signals. It is necessary for the Board members & senior officials to have a sound understanding of the audit and investigation processes relating to frauds, to strengthen their fraud governance and response systems and ensure effective implementation of fraud prevention measures.

Participants' Profile

Senior officials working in the areas of Fraud Monitoring, Vigilance, Operational Risk Management, Fraud Risk Management, Financial Crime Risk Management, Enterprise Risk Management, Internal Audit and Compliance in Banks, Financial Institutions and NBFCs.

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CAFRAL – CEEI Financial Sector Leadership Program | February 5-9, 2024 | Mumbai

Background:

The banking and financial services landscape in India is evolving at an unprecedented pace today, driven by cutting edge business and digital transformation. With the competitive dynamics becoming sharper and customers demanding hyper-personalized experiences, the financial sector stands at a crossroad, demanding astute leaders in the sector who can steer their institutions through the evolving challenges. Such insightful future leadership which appreciates the transformative changes and understands the challenges, would facilitate a customer centric and risk intelligent innovative financial sector that provides the requisite assurance. While transactional leadership is important, at senior levels the need for transformational leadership which is digitally smart & collaborative has emerged as the need of the moment.

Objective:

This five-day program aims to provide a leadership competency framework, curated for senior & emerging leaders in the financial sector, to create demonstrable and high impact leadership quotient. The program has been designed with Catallyst Executive Education Institute (CEEI) for senior and middle management leaders of banking and financial services organizations in India. The program would also focus on high level functional skills of critical importance for financial sector leaders such as those relating to governance, strategy and risk.

Participants' Profile

This program is designed for middle management, senior leaders and emerging leaders from Regulatory Institutions, Banks, Financial Institutions and NBFCs.

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