International Journal of Financial Management and Economics

P-ISSN: 2617-9210
E-ISSN: 2617-9229
IJFME 2023; 6(2): 174-178
www.theeconomicsjournal.com
Received: 19-10-2023
Accepted: 25-11-2023

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A study on the impact of G20 summit 2023 on global market from Indian viewpoint

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DOI: https://doi.org/10.33545/26179210.2023.v6.i2.267

Abstract
In 2008, at the height of the global financial crisis, the G20 convened for the first time as a summit of leaders of state and government. The G20's concerted collective steps the next year mitigated the financial crisis to a lesser extent. Challenges to rules-based international cooperation from major nations and criticisms of its efficacy and legitimacy have fuelled an underlying structural issue that the G20 is still battling a decade later. Following the 2008 financial crisis, the Group of Twenty (G20) supplanted the more influential Group of Seven as the preeminent platform for international collaboration and governance.
In this research, we conduct an event analysis to determine whether the global financial markets have been affected by the G20 ministerial and leaders-level meetings. This article presents a special issue that delves into the G20's governance structure, the ways it has changed and evolved over the years, its ability to address global concerns, and the unique position of emerging countries within it. This special issue continues the conversation on the social purpose of club governance that began at the G20 meeting over a decade ago, with a focus on institutional viewpoints.

Keywords: Global concerns challenges, leaders, governance, emerging countries

1. Introduction

As a result of the global financial crisis of 2007-2009, the G7 was mainly superseded by the Group of 20 (henceforth G20) in terms of global economic governance. The G20 has been around since the late 90s1, but it wasn't until the 2009 Pittsburgh summit that it really came into its own, even though the political agreement had already been established at the April meeting in London. There is no question that this change has resulted in many significant advantages. Above all else, the representation and participation of significant developing economies in global decision-making has increased the legitimacy and breadth of global governance. Still, the G20's credibility and efficacy are up for debate; the group has been called "divided, ineffective and illegitimate" (Rachman, 2010) [9].
Typically, the trade-off between legitimacy and efficiency is an inevitable part of every system of global government. With more people at the table, choices take longer to be made, but it seems more official. Even while a "ideal" G20 composition is likely to be impossible to achieve, this raises the issue of whether the current G20 composition is the most effective means of handling this trade-off (Carin *et al*. 2010) [4]. Even the legitimacy issue isn't simple; there's "input" legitimacy, which refers to the countries that make up the G20, and "output" legitimacy, which refers to the results of G20 procedures, regardless of who makes the decision.
Since the G20 can only reach choices by agreement due to the absence of a clear input legitimacy, these conclusions tend to be very cautious and, as a result, not very good. When it comes to the legitimacy of the output, most people think it's a mixed bag, with some good things happening (like serving as a catalyst for global financial regulation and managing capital flows) and some bad things happening (like the global economy being monitored). This is according to Truman (2011) [10]. If we compare the G20 to the G8, we see that the latter is much more effective in terms of responsibility and output (Larionova, 2012) [17].
Given this context, this study aims to assess the G20 from a different, but related, perspective; specifically, it will examine the impact of G20 summits on global financial markets.

The G20's declared goal is not to influence global financial markets, particularly in the near term. As a result, this should not be used as a metric to evaluate the G20's credibility.

How G20 Works

The G20 operates through three main tracks: the Finance Track, the Sherpa Track, and Engagement Groups.

Financial Track: Led by finance ministers and central bank governors, this track convenes approximately four times a year. It addresses fiscal and monetary policy issues, including the global economy, infrastructure, financial regulation, financial inclusion, international financial architecture, and international taxation. Key working groups within this track cover topics, such as the Framework, International Financial Architecture, Infrastructure, Sustainable Finance, Financial Inclusion, Finance and Health, International Taxation, and Financial Sector Matters.

Sherpa Track: Established in 2008 when the G20 became a leaders' summit, the Sherpa Track is comprised of representatives of heads of state. It focuses on socioeconomic concerns like agriculture, anti-corruption, climate change, the digital economy, education, employment, energy, environment, health, tourism, trade, and investment. Each representative in this track is referred to as a Sherpa, and there are 13 working groups covering areas, such as Agriculture, Anti-corruption, Culture, Development, Digital Economy, Disaster Risk Reduction, Education, Employment, Energy Transitions, Environment and Climate Sustainability, Health, Tourism, and Trade and Investment.

Engagement Groups: This unofficial track includes non-government participants and engagement groups that provide recommendations contributing to policy-making. The Engagement Groups consist of Business20, Civil20, Labour20, Parliament20, Science20, SAI20, Startup20, Think20, Urban20, Women20, and Youth20.

Literature Review

In terms of the former definition, several observers have noted that the G20 composition is not clear and transparent (Vestergaard 2011b) [11], based on criteria decided largely by the G7, influenced by US strategic interests, and inconsistent. For example, it is not clear why countries such as Argentina and Saudi Arabia are included and Spain is excluded from the G20, although Spain has an unclear status as a permanent "guest".

Vestergaard (2011b) [11] proposes to create a Global Economic Council in place of the G20, embedded in the institutional framework of the Bretton Woods institutions.

Angeloni and Pisani-Ferry (2011) [12] note that G20 actions were effective at the peak of the crisis, when all countries had consistent policy objectives and priorities (global shock), but not when priorities started to diverge thereafter. Other observers have also emphasised the need for the G20 to become more accountable. Finally, another set of issues concerns the role of the IMF as the operational arm of the G20.

Matilde Mas and Robert Stehrer (2012) [13] edited a second report on EU KLEMS, Industrial Productivity in Europe: Growth and Crisis.10 This presented studies giving international comparisons within Europe and between European countries and the advanced economies of Asia and North America.

Jorgenson and Schreyer (2013) [14] have shown how to integrate data on growth and productivity into the United Nations (2009) System of National Accounts 2008 (SNA 2008). This methodology has been incorporated into the official statistics of more than a dozen countries, including four members of the G7: Canada, Italy, the U.K., and the U.S. The methodology has been proposed for incorporation into the new System of Expanded and Integrated Global Accounts (SEIGA) by the United Nations' Statistical Division, the institutional home of SNA 2008.

Schreyer (2009) [15], Measuring Capital. This methodology was originated by Jorgenson, Frank M. Gollop, and Barbara M. Fraumeni (1986) [18] in their book, Productivity and U.S. Economic Growth. The methodology for capital input was extended to information and communications equipment and services by Jorgenson, Mun S. Ho, and Kevin J. Stiroh in Information Technology and the American Growth Resurgence.

A new phase of EU KLEMS was initiated by Kirsten Jager (2016) [16], EU KLEMS Productivity and Growth Accounts.11 This includes annual data for 1995-2014 for ten countries of the European Union, including the four European members of the G7: France, Germany, Italy, and the U.K. This dataset was updated in 2017 to include all 28 members of the European Union and comparable data for Japan and the U.S. The new EU KLEMS project is supported by the Economic and Financial Affairs Council of the European Commission. The first of the new series of EU KLEMS reports includes a listing of EU KLEMS estimates from the original EU KLEMS project, conducted from 2003-2008, and subsequent updates prior to the 2016 data release.

Research Methodology

Secondary data were used for the study. They were collected from various publications, journals, magazines, articles from the newspaper, publications from central government, research articles available on various websites and other internet sources.

Objective of the study

- To understand the functioning of the G20
- To study the G20 Declaration
- To analyse the challenges before G20 nations
- To gain a deeper understanding of the G20 Summit's impact on Global Economy

Major Trends in the World Economy

Throughout the last century a fundamental transformation of the world economy seemed a remote and unlikely prospect. However, the World Bank's (2008) International Comparison Program 2008 (ICP 2005) showed that China had overtaken Japan in terms of purchasing power more than a decade earlier. 16 By 2012 India overtook Japan and India became the world's most rapidly growing major economy in 2015.

The purchasing power parities we use to compare China and the U.S. are based on relative prices for similar goods and services in China and the U.S. These prices enable us to express U.S. GDP in terms of Chinese prices and Chinese

GDP in terms of U.S. prices. The U.S.-China purchasing power parities are index numbers for relative prices that combine price data for the two countries.

Using purchasing power parities, we identify three major trends in the world economy. First, the growth of the world economy has gradually declined since 2000. The period 2005-2010 includes the Great Recession that originated in the United States in 2007-2009 and quickly spread to other advanced economies. This recession was the most severe economic downturn since the Great Depression of the 1930's. The policy responses included zero policy rates for the major central banks. The Zero Interest Rate Bound (ZIRB) nullifies the impact of conventional monetary policy and leads to a "liquidity trap." The downturn was most severe for Japan. This was due to the failure of the Bank of Japan to respond to the downturn by rapid expansion of the Japanese money supply through unconventional monetary policy. As a consequence, the yen appreciated rapidly, relative to other currencies, and Japanese exports collapsed, leading to a sharp economic downturn.

The second major trend in the world economy is that the balance of growth in the world economy is shifting from the advanced economies of the G7 to the emerging economies of the EM7, especially China and India. We have already observed that India overtook Japan in 2012 in terms of purchasing power parities and that China overtook the U.S. in 2014. These purchasing power comparisons are based on the ICP 2011, described by the World Bank as the largest economic study every undertaken. The ICP 2011 provides detailed purchasing power parities for 199 countries. The third major trend in the world economy is that the transformation of world economic growth has generated a new world order, led by China and the U.S. and followed by India and Japan. The U.S. and Japan are advanced economies and members of the G7, while China and India are the two of the largest emerging economies. All four countries are members of the G20, an organization of advanced and emerging economies that superseded the G7 as the leading consultative group on international economic policies in 2009.

G20 New Delhi Declaration

All 83 paragraphs of the 2023 G20 New Delhi Leaders' Declaration were unanimously approved, achieving a remarkable 100 percent consensus, even with China and Russia in agreement. Notably, this declaration stood out by containing no footnotes or Chair's Summary, marking a historic moment.

Within these 83 paragraphs, multiple agreements pertaining to the Finance Track were embedded. Furthermore, it featured 8 paragraphs addressing the conflict in Ukraine and its subsequent economic implications. Finance Minister Nirmala Sitharaman highlighted the achievements of the Indian G-20 Presidency, emphasizing a concrete strategy for strengthening multilateral development banks, a clear path for regulating cryptocurrencies, and the deployment of digital public infrastructure to enhance financial inclusion. She also underscored the importance of a faster debt relief plan for vulnerable nations.

Regarding climate change, the declaration stressed the urgency of mobilizing "US$5.8-5.9 trillion in the pre-2030 period for developing countries" and "US$4 trillion per year for clean energy technologies by 2030" to attain net-zero emissions by 2050. It called for a substantial increase in climate funding, transitioning from billions to trillions of dollars.

African Union accepted as part of the G20: Prior to this, the only African member of the G20 was South Africa. At the Delhi Summit of the G20, the African Union, which represents the 55 countries in the African continent, was given full membership, like how the EU is represented.

India has successfully positioned itself as a champion for developing and underdeveloped nations and seeks to align this with its ambitions for a permanent seat on the UNSC. New Delhi is actively seeking support from the African continent, which holds 55 crucial votes, in pursuit of this goal.

India also invited Nigeria, Egypt, and Mauritius as part of the 'Guest Countries' at the G20 summit.

Global leadership participating at the Delhi Summit of the G20: Azali Assoumani, the President of the Union of Comoros and Chairperson of the African Union, joined the gathering of leaders at the summit. Notable attendees included German Chancellor Olaf Scholz, French President Emmanuel Macron, British Prime Minister Rishi Sunak, Turkish President Recep Tayyip Erdoğan, Canadian Prime Minister Justin Trudeau, Italian Prime Minister Giorgia Meloni, South Korean President Yoon Suk Yeol, and Brazilian President Luiz Inácio Lula da Silva.

Chinese President Xi Jinping and Russian President Vladimir Putin were conspicuously absent from the summit. Instead, China was represented by Premier Li Qiang, while Russia sent its Foreign Minister Sergey Lavrov.

India - Middle East - Europe Economic Corridor (IMEC): During the G20 Summit in New Delhi, a Memorandum of Understanding (MoU) was signed among the governments of India, the U.S., Saudi Arabia, the European Union, the UAE, France, Germany, and Italy to establish the India - Middle East - Europe Economic Corridor. IMEC is envisioned as a network of transportation routes encompassing railways and sea lanes. Its primary objective is to promote economic development by fostering integration between Asia, the Arabian Gulf, and Europe.

While specific details are yet to be outlined, this project falls under the umbrella of the Partnership for Global Infrastructure Investment (PGII), an initiative led by Western nations to support infrastructure projects worldwide. The PGII aims to secure funding for critical infrastructure development, including roads, ports, bridges, and communication systems, with the overarching goal of enhancing global trade and cooperation.

While no leader explicitly mentioned China, it's clear that the IMEC corridor hopes to become a viable alternative to China's Belt and Road Initiative (BRI), which has steadily established global connectivity linkages with the Chinese market through extensive shipping, rail, and road networks, since its conception 10 years ago.

Challenges before G20

Geopolitical tensions, heightened by the Russian invasion of Ukraine but also spurred by strategic competition between China and the United States, have increasingly threatened cooperation.

In the United States, bipartisan legislative efforts have aimed to deny Russia standing in the World Trade

Organization (WTO) and other international institutions. Russia's participation in the G20 has grown contentious, with some Western countries seeking to exclude Moscow, though members including China and Brazil have opposed that idea.

G20 members economic shocks disproportionately affecting emerging economies. The energy crisis resulting from the war in Ukraine has led to food scarcity and soaring energy prices, as well as inflationary pressures that have engendered a stronger U.S. dollar at the expense of depreciating currencies in emerging economies. As a result, more countries are turning to international lenders for bailouts; over one hundred countries have requested emergency assistance from the International Monetary Fund (IMF) since the beginning of the pandemic.

IMF lending to distressed economies soared to a record high of $140 billion in 2022. The G20 introduced a common framework for debt treatment ahead of its 2020 summit, but only four countries-Chad, Ethiopia, Ghana, and Zambia-have requested debt relief under the framework. Experts blame divisions between lender countries.

Russia recently suspended participation in the Black Sea Grain Initiative, contributing to food insecurity and increasing worries among G20 developing countries. When the G20 finance ministers summit earlier this year proposed paragraphs that stated the Ukraine conflict was causing "immense human suffering" and "exacerbating existing fragilities in the global economy." China and Russia blocked them.

France has already publicly refused to sign any joint statement that does not condemn Russia's invasion of Ukraine in the same way that the 2022 Bali statement did. The United States indications from India that dealing with the Russians will not be business as usual.

The group's long-standing commitment to an international order based on WTO principles of reducing tariffs and other trade barriers has in recent years collided with growing economic competition between great powers.

Strict export controls that restricted China's ability to buy certain chips made anywhere in the world with U.S. inputs, and an outbound screening regime prohibiting some U.S. investments in Chinese sensitive technology sectors. Recently, China banned iPhones. Friction within the group regarding climate change. China, India, Russia, and Saudi Arabia reportedly blocked an agreement on phasing out coal use and fossil fuel subsidies at a July 2021 meeting of environment ministers. And following the invasion of Ukraine, Germany and other G20 countries have reneged on previous promises to stop financing fossil fuel projects overseas.

Impact of G20 Summit of Global Market

a) The G20 Summit's Direct Impact

1. Stock Market Volatility

One of the most immediate and visible effects of the G20 Summit on the Global stock market is heightened volatility. Investors closely scrutinize the summit's proceedings and dissect statements from participating nations. Any hints or announcements related to global economic policies can lead to rapid fluctuations in stock prices. This volatility often creates both opportunities and challenges for investors.

2. Trade Relations

Discussions at the G20 Summit frequently revolve around trade policies. Agreements or disputes concerning international trade can significantly influence India's import and export sectors. These, in turn, have a direct bearing on the stock market's performance. Changes in tariffs, trade agreements, or even trade tensions among participating nations can impact Global businesses and subsequently affect their stock prices.

Currency Exchange Rates

Exchange rates, a crucial component of international trade, can experience substantial fluctuations based on the G20 Summit's decisions. A fluctuating currency exchange rate can affect Global companies engaged in foreign trade. For instance, if the developing currencies appreciates against major currencies, it can benefit importers but hurt exporters, leading to nuanced consequences for the stock market.

b) The G20 Summit's Indirect Impact

I. Investor Sentiment

The G20 Summit's outcomes have the power to shape investor sentiment. Positive developments, such as agreements to boost global economic growth, can bolster investor confidence. This often leads to increased investments in the Global stock market, resulting in an uptick in stock prices. Conversely, unfavourable outcomes may lead to cautious investor behaviour, triggering a bearish sentiment.

II. Economic Policies

The G20 Summit's discussions often lead to international agreements that impact Global's economic policies. Changes in regulations, tax policies, or economic strategies can have profound consequences on various industries Worldwide. These consequences are often reflected in stock market trends. For instance, a decision to promote green energy at the summit can drive investments in the Global renewable energy sector, causing corresponding stock market movements.

III. Foreign Investment

The G20 Summit's high-profile nature can attract the attention of foreign investors. Positive perceptions of economic potential can lead to increased capital inflow into the Global stock market. International investors often view the summit as an indicator of Global's economic stability and growth prospects, influencing their investment decisions.

The Impact of G20 Summit on India

Normal Indians were affected positively and negatively by the G20 conference. The summit increased tourist and commercial activity in New Delhi and neighbouring places. The government also built new roads and metro lines, which will help citizens after the summit. However, the summit had several negative effects on regular Indians. The biggest change was greater security. Large parts of the city were cordoned off and searched. This caused worry and anxiety and made everyday life tough. The meeting also caused human rights violations. Before the meeting, hundreds of homeless and street merchants were arrested. Reports say several were assaulted and tormented.

The G20 Summit has direct and indirect effects on the Indian stock market. Stock prices, trade relations, and currency exchange rates might be directly affected. It indirectly affects investor sentiment, economic policy, and foreign investments. Indian investors must be watchful, adapt to global dynamics, and seize opportunities while limiting risks to manage this ever-changing market.

Preparing for the Future

I. Risk Mitigation

Given the inherent volatility associated with the G20 Summit, Global investors and policymakers should be prepared to manage potential risks effectively. This includes diversifying investment portfolios to reduce vulnerability to specific sectors and industries that might be disproportionately affected by summit outcomes.

II. Diversification

Diversifying investment portfolios is a key strategy to mitigate the impact of G20-related volatility. By spreading investments across various asset classes, including stocks, bonds, and real estate, investors can reduce their exposure to market swings driven by G20 decisions.

Conclusion

This article examines whether G20 summits affect global financial markets. The G20's output legitimacy should not be measured by its ability to control global financial markets, particularly in the near term, although the financial market response may be a valuable signal of summit information and decision substance. If G20 meetings help create agreement on global cooperation and financial regulation, market prices and volatility should reflect this news.

Our work follows the events study tradition and analyzes how ministerial and leader-level G20 meetings affect financial market pricing. We cover bond markets and equities returns (whole market and banking sector).

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