JUNE 2025

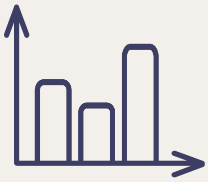
CBS LINE

MONTHLY NEWSLETTER

CENTRE FOR BUDGET STUDIES (CBS)
CUSAT

NEWS

MACROECONOMIC ANALYSIS



Inflation Down, But Unemployment Up: A Mixed Bag for the Indian Economy

In May 2025, India's inflation dropped to 2.8%, well within the government's target. However, unemployment rose to 5.8%, up from 5.1% in April, raising concerns about the overall health of the economy.While the media praised the RBI for inflation control, experts highlight that the drop in inflation is mainly due to strong agricultural growth, which helped ease food prices—from nearly 11% in October 2024 to under 1% in May 2025. In contrast, GDP growth slowed from 9.2% to 6.5%, affecting jobs across various sectors.Recent study also shows little evidence that interest rate hikes alone control inflation in India. Instead, the gap between agricultural and non-agricultural growth plays a bigger role.

Advance Tax Collections See Slower Growth in Q1 FY26

India's advance tax collections rose by just 4% in the first quarter of FY26, compared to 27% growth in the same period last year, according to Income Tax Department data. The net direct tax collection dipped by 1.3%, mainly due to a 58% rise in refunds, aimed at improving taxpayer services.

While corporate tax collections rose slightly to ₹1.22 lakh crore, collections from non-corporate taxpayers declined. Experts link the slowdown to new tax slabs, lower personal tax rates, and increased corporate capital expenditure, which reduces taxable profits through higher depreciation claims

India Enters Top 100 in Global SDG Rankings

For the first time, India has secured a place among the top 100 countries in the UN Sustainable Development Goals (SDG) Index, ranking 99th in the 2025 edition with a score of 67—an improvement from 109th in 2024. The index tracks progress on the 17 SDGs set by the UN in 2015. India's neighbors Bhutan (74th), Nepal (85th), Bangladesh (114th), and Pakistan (140th) trail in rankings. The reportnotes that India has steadily improved its position over recent years, though global SDG progress remains slow, with only 17% of targets on track to be achieved by 2030.

NEWS

ECONOMIC POLICY

RBI Eases KYC Norms for Customer Convenience

The Reserve Bank of India (RBI) has relaxed Know Your Customer (KYC) regulations to simplify the process for bank account holders, particularly those categorized as ‘low risk’. Banks are now mandated to update KYC for such customers within one year or by June 2026, whichever comes later. The central bank has also rolled out a new digital facility, the Video-based Customer Identification Process (V-CIP), which enables individuals to complete KYC requirements via video call aimed at streamlining both customer onboarding and KYC information updation, reducing the need for physical visits to bank branches.

Union Government to wield quality control ‘stick’ to drive exports

In a significant policy shift, the Indian government has decided to scale back subsidies provided to export-oriented sectors, instead prioritizing regulatory measures aimed at improving product standards. The new strategy will rely on a “carrot and stick” approach, using *Quality Control Orders (QCOs)* to compel Indian industries to enhance their international competitiveness. The move reflects a broader vision to transition from incentive-driven growth to a standards-driven export ecosystem, aligning with global expectations and enhancing India’s reputation in international markets.

Anti-dumping duty to boost bare PCB output: Ind-Ra

The imposition of a 30% anti-dumping duty on bare printed circuit boards (BPCBs) by the Indian government is expected to significantly benefit domestic manufacturers in the near term, according to India Ratings and Research (Ind-Ra). The duty has already led to a sharp 10–15% rise in imported PCB prices, prompting local manufacturers to ramp up production and improve capacity utilization. While the electronics sector is adjusting to rising costs, Ind-Ra expects a moderate structural shift through increased domestic investment under the Make in India initiative. However, the continued reliance on imported copper-clad laminates (CCLs) which could threaten the long-term sustainability of these gains.

NEWS

FINANCIAL TECHNOLOGY

India’s fintech market to become $400 billion in next 3 years: Finance minister

India’s fintech sector is expected to grow over threefold to reach $400 billion by FY 2028–29, according to Finance Minister Nirmala Sitharaman. Speaking at the Digital Payments Awards 2025, she highlighted India’s global leadership in real-time digital transactions and emphasized the need for fintech players to innovate, scale globally, and expand into underserved regions under the “Make in India, Make for the World” vision.

RBI's new five-part documentary premieres on Jio Hotstar: ‘RBI Unlocked: Beyond the Rupee’

The Reserve Bank of India (RBI) has released a five-part documentary series titled *"RBI Unlocked: Beyond the Rupee" on JioCinema. Marking its 90th anniversary, the series offers rare insights into the RBI’s inner workings, including currency management, gold reserves, and economic crisis handling, aiming to raise public awareness about its critical role in the Indian economy.

PayU India reports Rs 5,778 crore revenue in FY25; remains operationally lossmaking

PayU India's payment division achieved breakeven in the second half of fiscal year 2025. Revenue grew due to deeper market penetration and value-added services. However, the company experienced full-year operational losses because of its credit business. PayU's credit division disbursed 1.1 billion dollars in loans. The company acquired Mindgate Solutions to enhance its payment infrastructure.

NEWS

INTERNATIONAL ECONOMICS

India Repositions Itself in Global Trade Amid Uncertainty

With rising global trade tensions and tariff shifts, India is facing both challenges and opportunities. The U.S., India's largest export market, is reviewing reciprocal tariffs, creating uncertainty for sectors like apparel, electronics, and MSMEs.

However, India's strong services exports, remittances, and forex reserves provide resilience. Experts suggest fast-tracking trade deals with the U.S., U.K., EU, and Australia, expanding PLI schemes, and improving anti-dumping measures to stay competitive.

Israel–Iran Crisis: A Challenge to India's Trade Stability

The ongoing conflict between Israel and Iran poses key risks for India's economic interests. Although direct trade with both countries has declined, the Strait of Hormuz remains vital, handling nearly 50% of India's oil and gas imports. Any disruption here could lead to higher energy prices, shipping costs, and inflation, directly impacting India's trade balance.

India's exports may also suffer due to increased freight and insurance costs, affecting global competitiveness. Strategic infrastructure projects like the Chabahar port and the India–Middle East–Europe corridor are now uncertain, threatening India's long-term trade and connectivity goals.

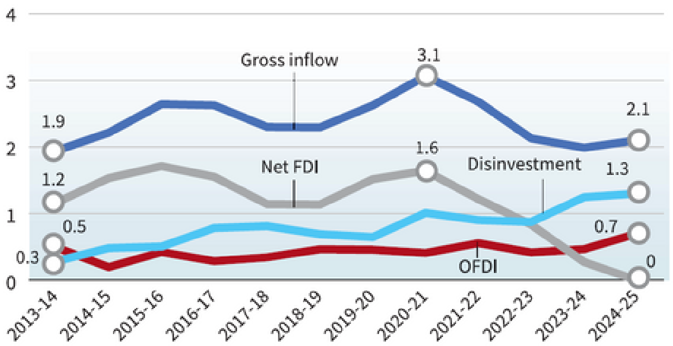
India–U.S. Trade Deal Stalls Over Dairy, Agriculture Issues

As the July 9 deadline for reimposition of U.S. reciprocal tariffs approaches, a final trade deal between India and the United States is still uncertain. Key sticking points are India's dairy and agriculture sectors, which are considered too sensitive for sudden policy changes.While both nations are keen on reaching a "mini deal" and later a broader Bilateral Trade Agreement (BTA), sources say India is not desperate, as similar deals are not being signed with other countries either.Meanwhile, geopolitical tensions—especially Iran's attacks on U.S. bases in Syria—have raised concerns about the impact on trade routes like the Strait of Hormuz, possibly increasing shipping costs.

DATA POINT

WHY HAS NET FDI INFLOW PLUMMETED?

Chart 1: The trends in FDI as a % of GDP (2013-14 to 2024-25)



Net FDI inflows into India dropped sharply by 96% to $353 million in FY25, driven by a surge in foreign investor exits through IPOs and stake sales, and a notable increase in outward investments by Indian firms. While gross FDI inflows actually rose by 14%, the sharp rise in repatriation led to a net decline. The Reserve Bank of India attributes this trend not to weakening investor confidence, but to capital rotation and increasing market maturity, reflecting India's evolving investment landscape and global integration.

.

ANALYSING INTERNET ACCESS AND DIGITAL SKILLS IN INDIA

Internet access in India has surged from around 19% in 2017 to nearly 47% by mid-2021, driven by the pandemic and digital initiatives. However, a stark urban-rural divide remains internet use is 60% in urban areas versus significantly lower in rural regions. Digital literacy is limited; only ~27% of youth (15–29) can reliably browse, use email, and transact online. Government efforts like Digital India, PMGDISHA, CSCs, and Internet Saathi aim to bridge these gaps, yet age, gender, education, and income disparities persist.

Chart 1: The chart shows the broadband connectivity of households according to the decile classes of Monthly Per Capita Expenditurem (in %)

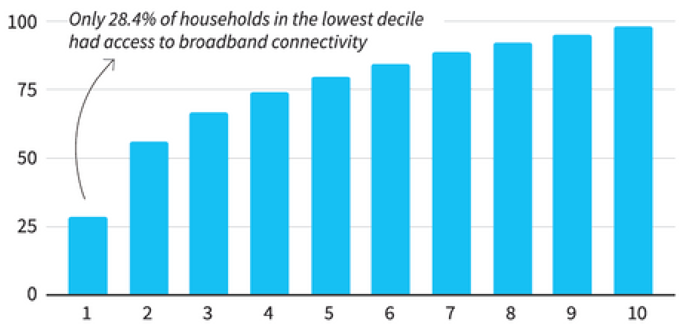
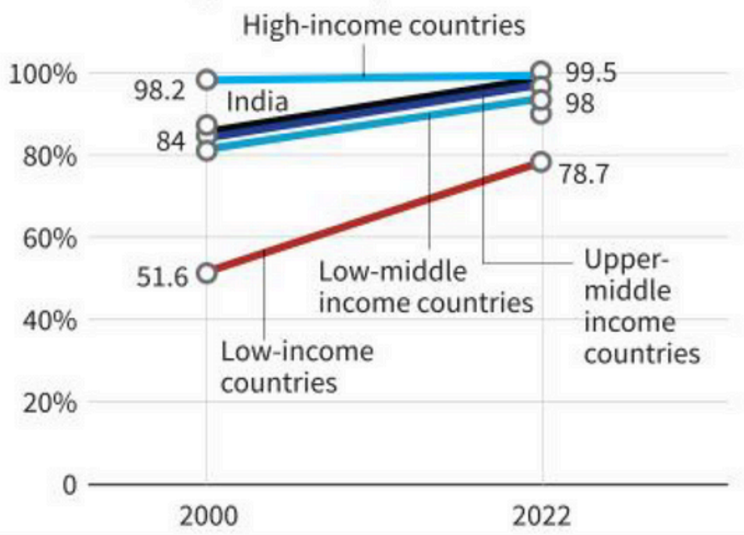


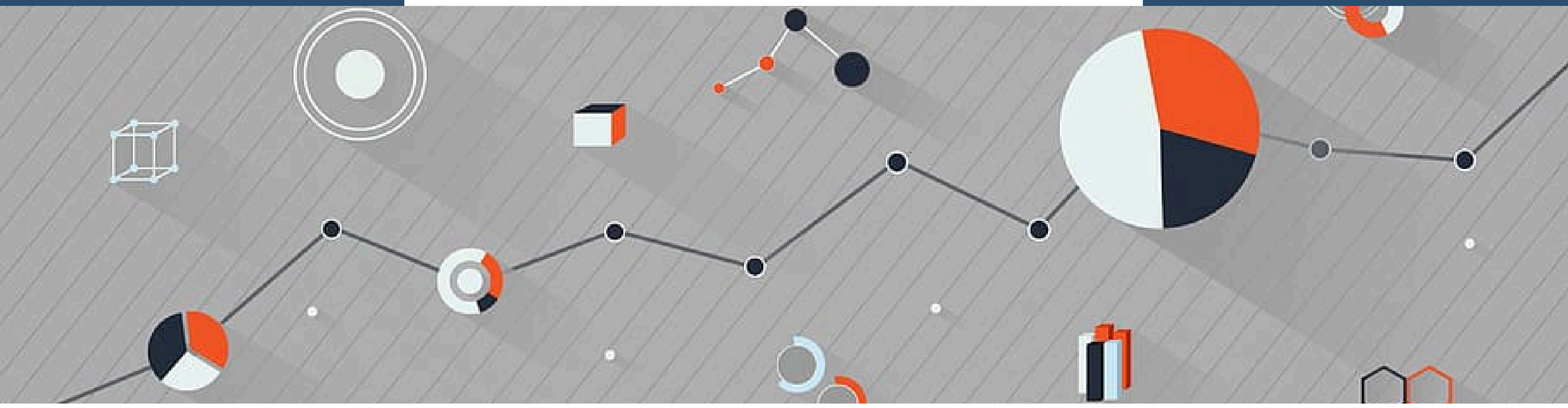
Chart 3: The share of the population using improved water sources (2000 to 2022)



TWO BILLION PEOPLE DONT HAVE SAFE DRINKING WATER

Around 2.2 billion people globally lack access to safe drinking water, and over 4.4 billion are without safely managed water services. This crisis is driven by climate change, poor infrastructure, contamination, and mismanagement. Rural areas and marginalized communities, especially women and children, are disproportionately affected. The lack of clean water increases vulnerability to diseases and hampers development. Urgent global action, improved water governance, and sustainable investments are essential to ensure universal access and meet global development goals.

SOURCE: THE HINDU BUSINESS LINE



ARTICLES OF THE MONTH

INCOME INEQUALITY

READ MORE

Relationship between Income Inequality and Economic Growth

-Priyanka Muchahary Manish Kumar Sharma

Examining the relationship between income inequality and economic growth across different countries from 1991 to 2022, it is found that a positive and significant relationship between income inequality and growth exists overall. However, an opposite relationship is observed for high- and low-middle-income countries. This suggests that studying the levels of inequality within countries in aggregate tends to overpower the negative impact overall. They should be studied separately based on the level of income. The findings further revealed the vital role of education in economic growth.

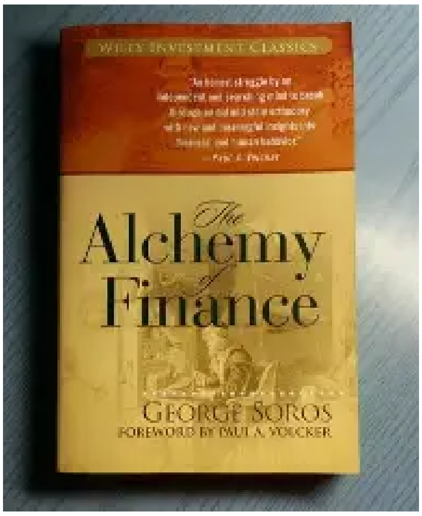
POVERTY

READ MORE

Flaky Numbers Offer Little Consolation

The World Bank's revised poverty estimates for India, based on updated 2022–23 consumption data and new global poverty lines, indicate a significant drop in extreme poverty—from 344 million in 2011 to 75 million in 2022. However, methodological changes in the survey, including expanded item coverage, altered data collection techniques, and welfare-based aggregates, affect comparability with earlier data. Additionally, underestimation of inequality due to limitations in capturing high-income consumption makes the figures less precise, urging cautious interpretation of the declining poverty trend.

BOOK RELEASES

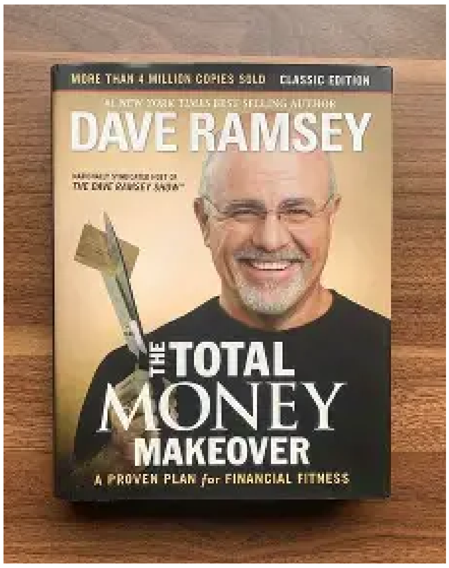


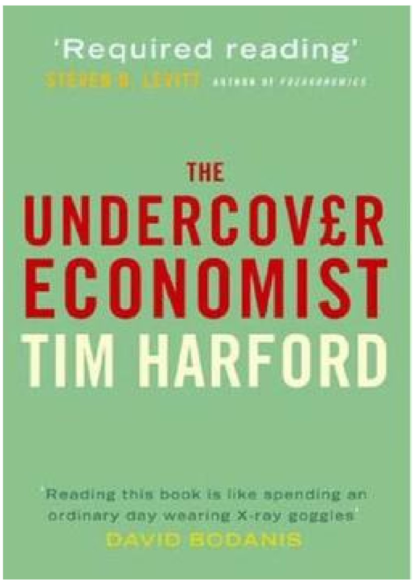
THE ALCHEMY OF FINANCE – GEORGE SOROS

This influential book presents George Soros's theory of reflexivity, which challenges the traditional view that markets tend toward equilibrium. Soros uses real trading diaries and market commentary to illustrate how investor perceptions can drive market fundamentals. It combines theoretical insights with practical investment experience from his time managing the Quantum Fund. The book remains essential reading for understanding how psychology and feedback loops shape financial markets.

THE TOTAL MONEY MAKEOVER – DAVE RAMSEY

This book lays out a proven plan for personal financial transformation, focusing on eliminating debt, building an emergency fund, and creating long-term financial security. Ramsey's approach is based on seven clear "baby steps" and emphasizes personal discipline and budgeting. It includes real-life success stories and motivational advice to help readers stay on track. Ideal for individuals looking to take control of their money with a straightforward, actionable system.





THE UNDERCOVER ECONOMIST – TIM HARFORD

Tim Harford uses engaging, real-world examples to explain the economic principles behind everyday life, from coffee prices to traffic jams. The book makes concepts like scarcity, incentives, and market failure accessible to general readers. With humor and clarity, Harford reveals how unseen economic forces influence our decisions. It's a great introduction for anyone curious about how economics operates in the background of daily life.

CBS ARTICLES

INDIA-MIDDLE EAST-EUROPE ECONOMIC CORRIDOR (IMEC): A VISION AT THE CROSSROADS OF PROMISE AND PERIL

-ALPHONS LAL

The India-Middle East-Europe Economic Corridor (IMEC), unveiled during the 2023 G20 Summit, is a strategic initiative aimed at enhancing trade and connectivity between India and Europe via the Middle East through multimodal infrastructure—including railways, ports, and digital networks. Designed as an alternative to the Suez Canal and a counterbalance to China's Belt and Road Initiative, IMEC involves partners like India, the EU, UAE, Saudi Arabia, and the U.S. It promises reduced transit time, green energy pipelines, and digital innovation. However, the project faces major hurdles such as geopolitical instability in the Middle East—especially the Israel-Hamas conflict—and infrastructure gaps in countries like Jordan and Saudi Arabia. Lack of a clear financial roadmap and opposition from non-participant nations like Turkey and Egypt further complicate progress. Still, IMEC symbolizes global cooperation and a shared vision for sustainable development. Its success hinges on political commitment, investment, regulatory coordination, and ensuring benefits reach local populations.

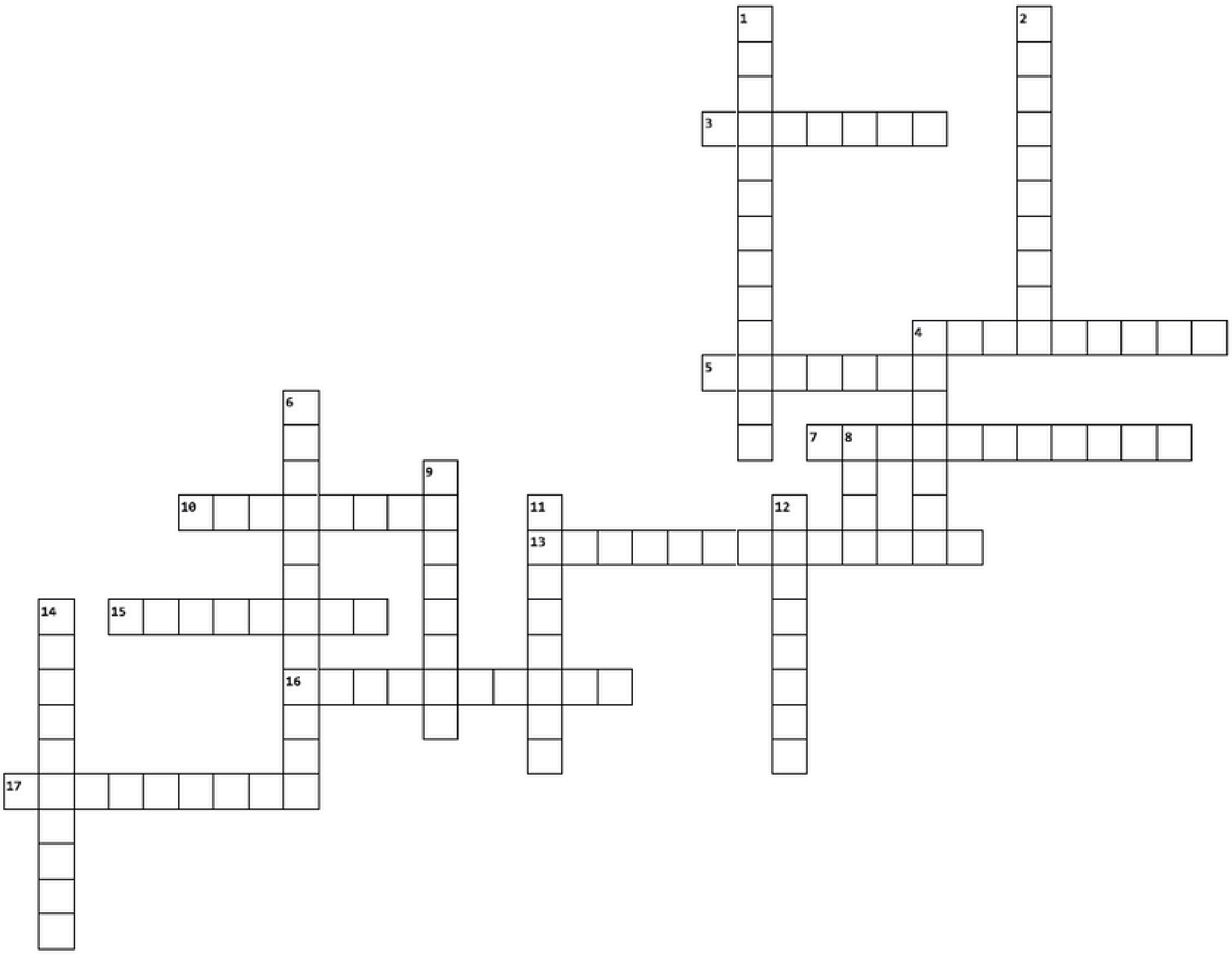
>>>READ MORE

""The economic progress of a nation is not measured by its wealth, but by the well-being of its people."

— Robert F. Kennedy

CROSSWORD

FINTURA VII - FUN IN FINANCE



Across

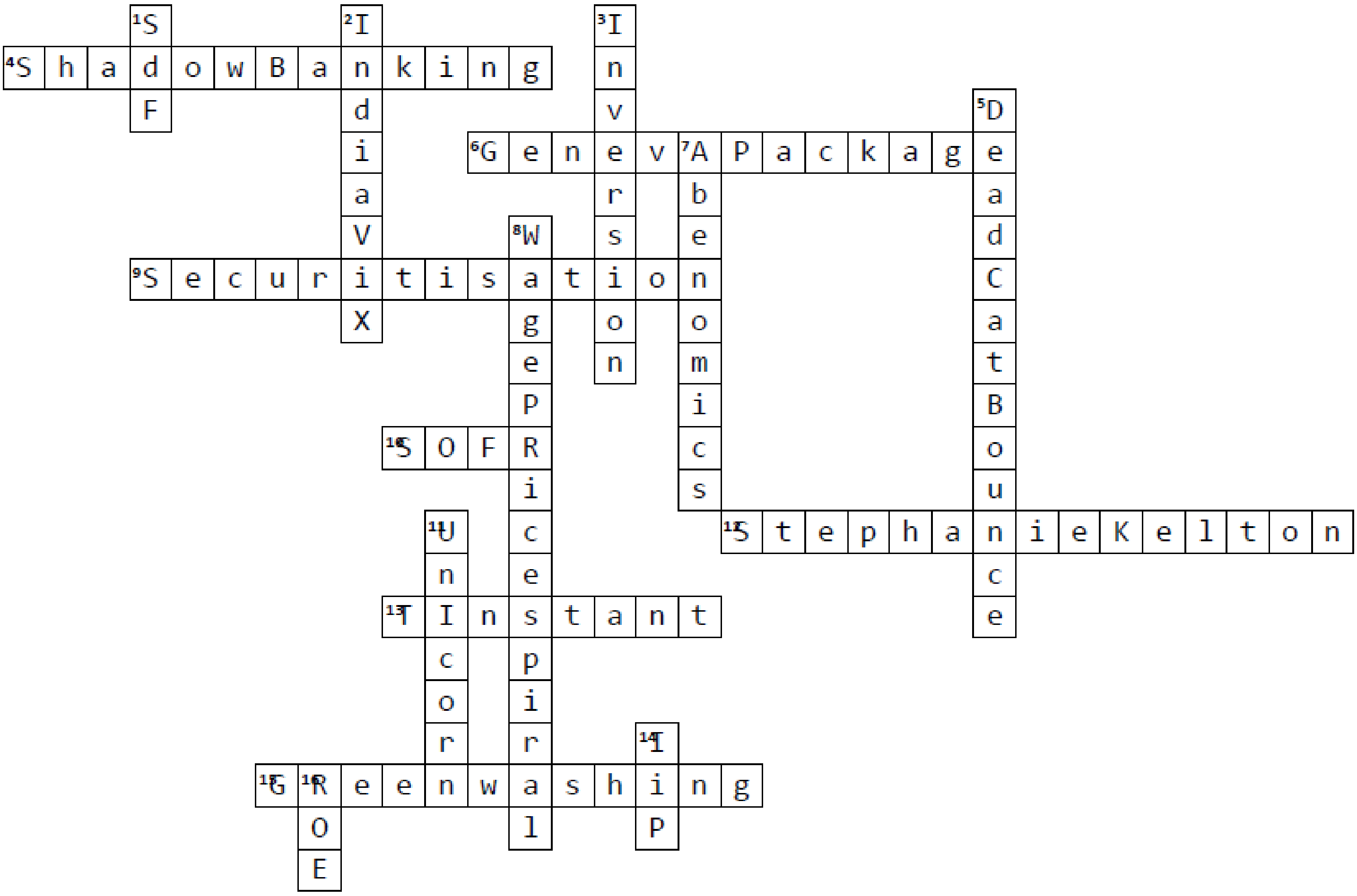
3. Market fear sentiment
4. Global capital inflow category
5. War-benefiting industry
7. Periodic portfolio reshuffle
10. Non-traditional public listing
13. Excessive IPO pricing
15. New equity capital raised
16. Sector diverging from index
17. Large-scale institutional exits

Down

1. Promoters selling shares at peak
2. Long-term asset holding
4. Valuation ratio using earnings
6. IPO pricing mechanism under scrutiny
8. Insider share sale
9. Surge past resistance
11. Shifting funds amid uncertainty
12. Brief dip in an uptrend
14. Temporary trading halt

SOLVED CROSSWORD

FINTURA VI- FUN IN FINANCE



Across

4. Lending outside traditional banks.
6. WTO's 2023 global trade reform pact.
9. The process of separating a company's assets to create new securities backed by cash flows.
10. LIBOR's replacement in global lending.
12. Economist behind Modern Monetary Theory.
13. Instant redemption system for mutual funds.
15. Misleading ESG claims by firms.

Down

1. RBI tool to absorb excess liquidity.
2. India's market volatility index.
3. Yield curve signal often preceding recession
5. Brief rally after sharp market fall.
7. Japan's ultra-loose monetary policy experiment.
8. Inflation-wage loop that fuels further inflation.
11. Startup valued over $1 billion.
14. Measures industrial output.
16. Profitability ratio for shareholder equity.

STUDENT ACHIEVERS

CBS LINE

VOL-II ISSUE-12

See you next month in your inbox
To receive the monthly newsletter,
Subscribe by clicking on the icon

Share your thoughts and feedback
with us through mail