

FEBRUARY 2025



MONTHLY NEWSLETTER



CENTRE FOR BUDGET STUDIES (CBS)
CUSAT

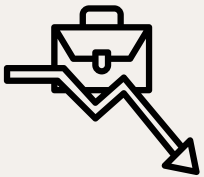
NEWS

MACROECONOMIC ANALYSIS



Fiscal Discipline: Gujarat, Odisha, WB & Maharashtra Lead the Way

A study by NCAER economists reveals that only four Indian states (Gujarat, Odisha, West Bengal and Maharashtra) have successfully reduced their debt-to-GSDP ratios over the past decade, while Punjab and Tamil Nadu have seen significant increases. Moreover, India's subnational debt, as a percentage of GDP is the highest among BRICS countries. The study suggests reassessing the Finance Commission's role, suggesting stricter fiscal oversight, potentially transferring state debt to the central government for enhanced fiscal discipline, and improving revenue mobilization through broadening the tax base and increasing property taxes.



India's Urban Slowdown to Linger, Revival Ahead

A recent report by Nuvama indicates that India's urban demand slowdown is expected to persist until the first quarter of FY26, with a revival anticipated in the second quarter. Key factors contributing to this sluggishness include high rental inflation and stagnant wage growth. However, fiscal measures introduced in the Union Budget and a recent rate cut by the RBI are projected to gradually improve the situation. In contrast, rural markets are exhibiting stronger growth, benefiting companies with a significant rural presence, such as Dabur and Berger Paints.



India's Growth Momentum to Continue: RBI

The RBI's monthly bulletin in February 2025 noted a sequential increase in economic activity in the second half of the fiscal year 2024-2025. This momentum is projected to continue, positioning India to maintain its status as the world's fastest-growing major economy in 2025-26, with GDP growth estimates ranging between 6.5% and 6.7%. High-frequency indicators, such as improved industrial activity and increased tractor sales, suggest a strong recovery, further supported by resilient rural demand and rising farm incomes. The effective capital expenditure-to-GDP ratio is expected to rise to 4.3% in 2025-26 from 4.1% in the previous year.

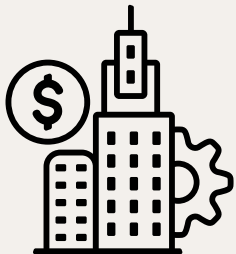
NEWS

ECONOMIC POLICY



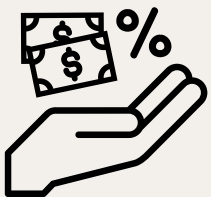
“Worst seems to be behind” ; Indian economy shows signs of recovery

Indian economy is showing signs of recovery after a weak third quarter of 2024, with improvements in new orders, agriculture exports, rural wages, IIP, steel production, auto sales, and tax collections, according to a BNP Paribas report. The NSO projects GDP growth at 6.4% for FY25, rising to 6.7% in the second half. Food inflation eased by Q4 2024, offering some relief. The Union Budget FY25-26 focuses on fiscal consolidation, with a 7.4% rise in capital expenditure and a fiscal deficit target of 4.4% of GDP for FY26.



Karnataka Industrial Policy 2025-30 and Global Investor Meet 2025

Karnataka's Global Investor Meet 2025 attracted investment proposals worth Rs. 10.27 trillion, focusing on renewable energy, core manufacturing, and infrastructure development. The state's Industrial Policy 2025-30 aims to create 2 million jobs by 2029 and boost manufacturing growth by 12% annually. Notably, 75% of investments are directed towards regions outside Bengaluru to promote balanced growth. Karnataka also signed MoU with Swiss companies to enhance global partnerships. The policy highlights sustainable growth strategies, fostering innovation and attracting international investments.



More interest rate cuts on way, signal MPC minutes

The Reserve Bank of India is expected to implement more interest rate cuts in the coming months to boost economic growth. The Monetary Policy Committee (MPC) has shifted its immediate focus from controlling inflation to fostering growth. The recent 25 basis points cut in the repo rate to 6.25% reflects this change, with further cuts likely. Major focus is to help accelerate economic expansion, potentially breaking ranks with price-focused peers in key developed markets, as fostering growth seemingly begins to outweigh inflation taming as an immediate priority for the Monetary Policy Committee (MPC).

NEWS

FINANCIAL TECHNOLOGY

Say Goodbye to Free UPI.. Google Set to Introduce Charges



Google Pay, a leading UPI platform, has introduced a convenience fee for bill payments, affecting users who previously enjoyed free transactions. The charges apply to payments via credit and debit cards, ranging from 0.5% to 1% of the transaction value, plus GST. This follows Google Pay's earlier ₹3 fee for mobile recharges. As UPI adoption grows, fintech firms aim for sustainable revenue. A PwC analysis notes stakeholders incur nearly 0.25% costs per UPI transaction.

PhonePe kicks off preparations for a potential IPO



PhonePe has initiated preparations for a potential public listing, two years after redomiciling from Singapore to India. The fintech firm aims to strengthen its presence in India's financial sector. It paid \$1 billion in capital gains taxes to complete the shift. CEO Sameer Nigam cited regulatory concerns, including NPCI's proposed market share cap, as challenges. If listed, PhonePe would be the third fintech firm after Paytm and Mobikwik to debut on Indian stock exchanges.

Hitachi Payment Services Invests In Spydra Technologies



Hitachi Payment Services has made a strategic minority investment in Spydra Technologies to advance Web 3.0, CBDC, and blockchain-powered payment solutions. This partnership, part of the Hitachi Payments Accelerator (HPX) Program, aims to enhance payment efficiency, security, and cross-border transactions. Hitachi's CEO, Anuj Khosla, emphasized blockchain's role in financial innovation, while Spydra's Manish Tewari highlighted its scalability and security. The collaboration aligns with India's push towards blockchain adoption in digital payments and financial inclusion.

NEWS

INTERNATIONAL ECONOMICS



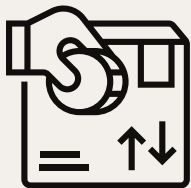
US Tariffs Shake Global Trade, Fuel Economic Uncertainty

The US has imposed a 25% tariff on steel and aluminum imports, affecting major suppliers like Canada, China, and Mexico. The EU plans to retaliate with tariffs on US goods, while the UK seeks diplomacy. A reciprocal tariff policy threatens Japan, India, and Brazil, potentially raising inflation. The Trump Administration shifts from semiconductor subsidies to tariffs, impacting Taiwan. Market uncertainty has led to fluctuating bond yields and currency values, reflecting fears of slowed economic growth.



Eurozone Stagnates as ECB Cuts Rates to Spur Growth

The eurozone economy stalled in Q4 2024, with no GDP growth, while the EU saw a slight 0.1% increase. Germany and France contracted, while Spain and Portugal surged. In response, the ECB cut interest rates by 25 basis points, citing easing inflation and weak manufacturing. ECB President Lagarde warned of global trade risks, including US tariffs. Further rate cuts are expected, potentially weakening the euro but boosting exports.

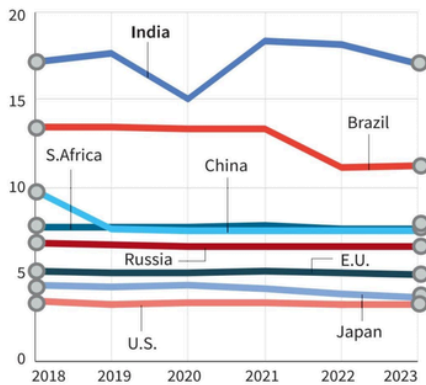


Japan's Recovery Slows, But Outlook Remains Positive

Japan's economy grew at an annualized 1.2% in Q3 but remains below pre-pandemic levels. While government consumption and exports reached new highs, household spending and investments lag. A recent consumer rebound was driven by a temporary tax break. Looking ahead, government support and a weak yen should boost demand and exports. However, persistent inflation and global trade barriers pose risks, potentially limiting a full recovery.

DATA POINT

AGRICULTURAL PROTECTIONISM PUSHES UP INDIA'S IMPORT TARIFF

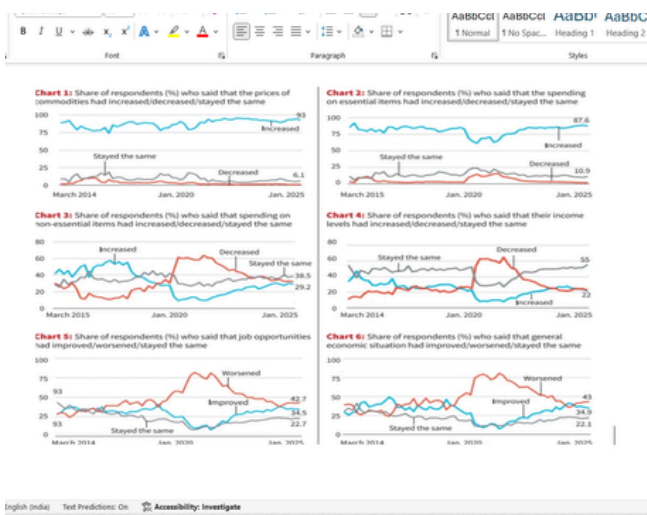
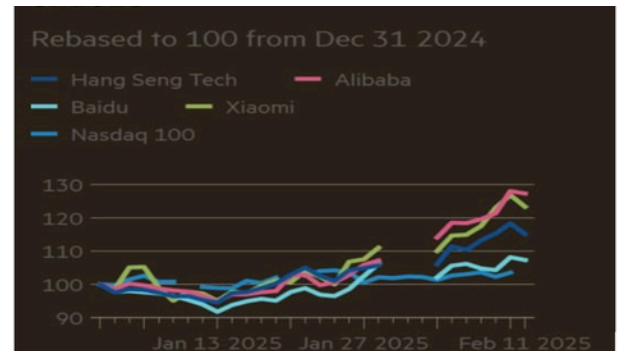


India's import tariffs are significantly higher than the US and other BRICS nations, averaging 17% in 2023 compared to the US's 3.3%. Agricultural tariffs exceed 30%, protecting domestic producers but drawing US criticism. Despite comparable tariff line numbers, India's agricultural duties are notably higher. The US threatens "reciprocal tariffs," potentially forcing India to reduce agricultural barriers in future trade negotiations. India's exports to the US are growing, and the US aims to increase its agricultural exports to India. High agricultural tariffs are maintained for food security and livelihood protection, but face pressure for reduction.

CHINA'S TECH STOCKS ENTER BULL MARKET AFTER DEEPSEEK BREAKTHROUGH

A benchmark for Chinese technology stocks has risen more than 20 per cent in the past month, entering a bull market as investors pile into the country's internet companies following DeepSeek's artificial intelligence breakthrough.

The Hang Seng Tech index, which tracks the 30 largest tech groups listed in Hong Kong, is up 25 per cent from its 2025 low on January 13. It has outpaced the Nasdaq 100's 4.4 per cent increase and a 0.5 per cent decline for the "Magnificent Seven" US tech stocks over the past month..



A 11-YEAR HIGH OF 55% URBAN RESIDENTS REPORT STAGNANT INCOME IN 2025

Urban consumers in India are facing economic challenges as 55% reported stagnant income levels in January 2025, marking an 11-year high. Despite a slight easing of retail inflation to 4.31%, concerns over stagnant incomes and job opportunities are overshadowing any optimism about reduced expenses. The Reserve Bank of India's Consumer Confidence Survey, covering 6,081 respondents across 19 major cities, revealed that 93% reported an increase in commodity prices, though this was the lowest since July 2024. Spending on essential items increased for 87.6% of respondents, the lowest since September 2024. Furthermore, 42.7% reported a decline in job opportunities, and 43% felt the overall economic situation had worsened. These data points highlight growing financial pressures and a pessimistic economic outlook among urban residents.



ARTICLES OF THE MONTH

FINANCE AND ADVANCED TECHNOLOGY

>>> READ MORE

Governance Challenges in the Use of Advanced Technology in Financial Intermediation

-Avdhesh Kumar Shukla, Snigdha K, Shubham Mehta,
Vijay Singh Shekhawat

The growth of the finance sector is marked by the proliferative adoption of advanced technology, including cloud computing, robotic process automation, AI & ML. However, with new trends come new threats. The burgeoning use of technology poses a host of governance and policy challenges in terms of regulatory compliance, risk mitigation, and systemic stability. This article explores the governance challenges faced by financial entities, examining regulatory frameworks, ethical considerations, and practical implications for stakeholders in financial intermediation.

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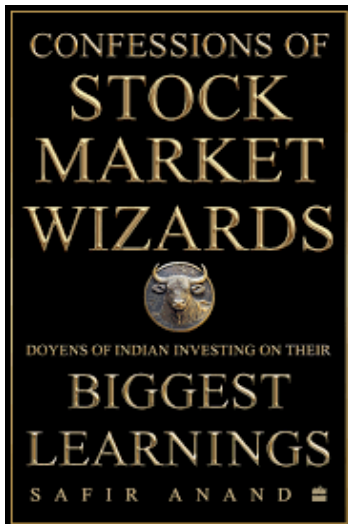
Growth Divergence between Indian States

-Taniya Ghosh, Kaustubh

Over the last few years, there has been rising inequality among Indian states in terms of per capita gross domestic product. By examining the convergence or divergence between 20 major Indian states from 2000 to 2019, we find that the differences in productivity growth rates, as well as different steady states, are the drivers of states' increasing per capita GSDP inequality. The population growth rate, the bank credit to GSDP ratio, and the shares of agriculture and industry in GSDP contribute to the differences in steady states across states.

INEQUALITY AND GROWTH

BOOK RELEASES

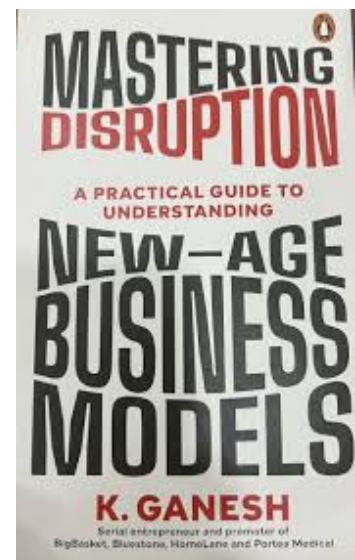


CONFESSIONS OF STOCK MARKET WIZARDS - SAFIR ANAND

Confessions of Stock Market Wizards offers a rare glimpse into the investing missteps of India's top investors, including Ramesh Damani, Samir Arora, and Vijay Kedia. Safir Anand compiles candid confessions of errors in judgment—whether omissions, commissions, or misguided bull-market decisions—providing valuable lessons for investors. The book highlights the importance of resilience, adaptability, and continuous learning in the stock market. Engaging and insightful, it is a must-read for anyone looking to understand the nuances of investing beyond just success stories.

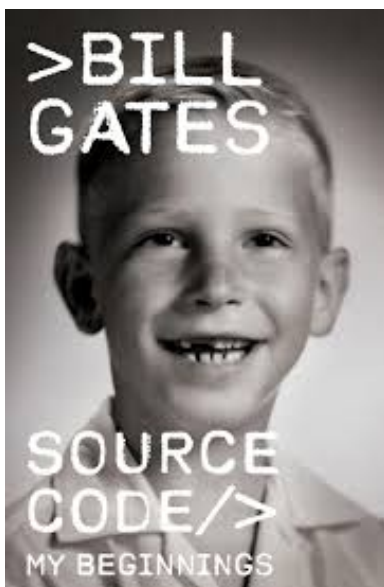
MASTERING DISRUPTION: A PRACTICAL GUIDE TO UNDERSTANDING NEW-AGE BUSINESS MODELS

Mastering Disruption is a timely guide to navigating the rapidly evolving business landscape driven by innovation and technological change. The book explores emerging business models and strategies that help companies and professionals stay competitive. It provides valuable insights and frameworks for adapting to disruption, ensuring long-term success. With industries constantly shifting, this book serves as a crucial resource for those looking to stay ahead of trends and leverage new opportunities in an increasingly dynamic business environment.



SOURCE CODE: MY BEGINNINGS - BILL GATES

In Source Code, Bill Gates offers a candid and personal account of his early life, from his childhood in Seattle to his formative years in computing. He reflects on his family, friendships, and the experiences that shaped his passion for technology and business. The book explores his decision to drop out of Harvard to build Microsoft with Paul Allen and his early interactions with Steve Jobs, Wozniak, and Ballmer. This inspiring memoir provides insight into Gates' mindset, ambition, and the foundation of his success.



CBS ARTICLES



TRUMP 2.0: WHAT HIS COMEBACK MEANS FOR THE INDIAN ECONOMY

ANISHA RAPHEAL

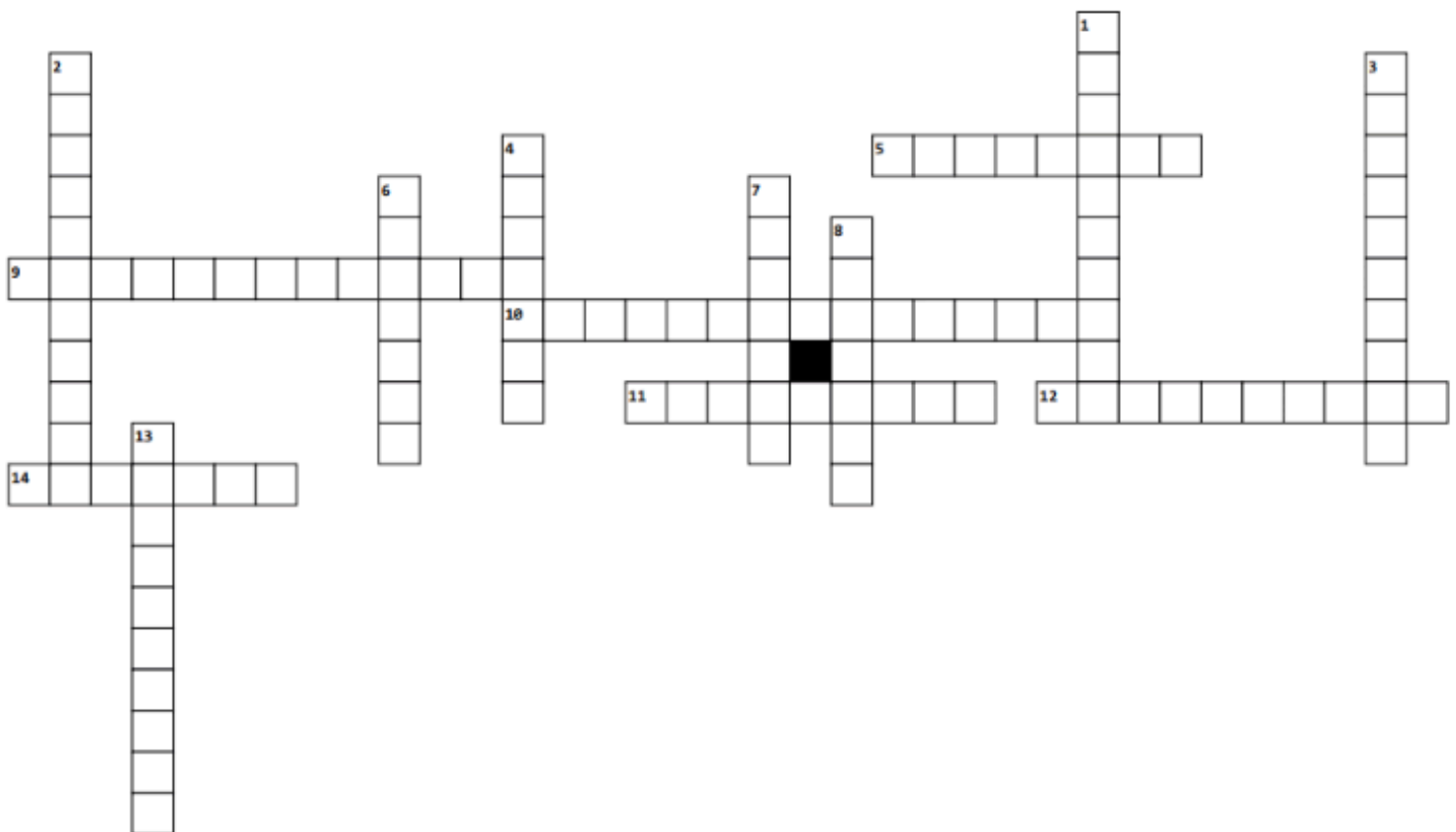
Donald Trump's return to the White House in 2024 has sent ripples across the global economy, and India is no exception. As the world's fifth-largest economy and a major trade partner of the U.S., India finds itself at a crucial juncture. Will Indian companies face obstacles as a result of Trump's "America First" policies, or will they be able to work together economically? Even if his prior administration was characterised by tougher immigration laws and restrictive trade policies, his pro-business views and emphasis on deregulation may also attract new investment prospects. With India's economic ambitions soaring, the impact of Trump 2.0 could be a game-changer in shaping the country's trade, technology, and investment landscape.

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"In the midst of chaos, there is also opportunity— Sun Tzu ."

CROSSWORD

FINTURA III - FUN IN FINANCE



Across

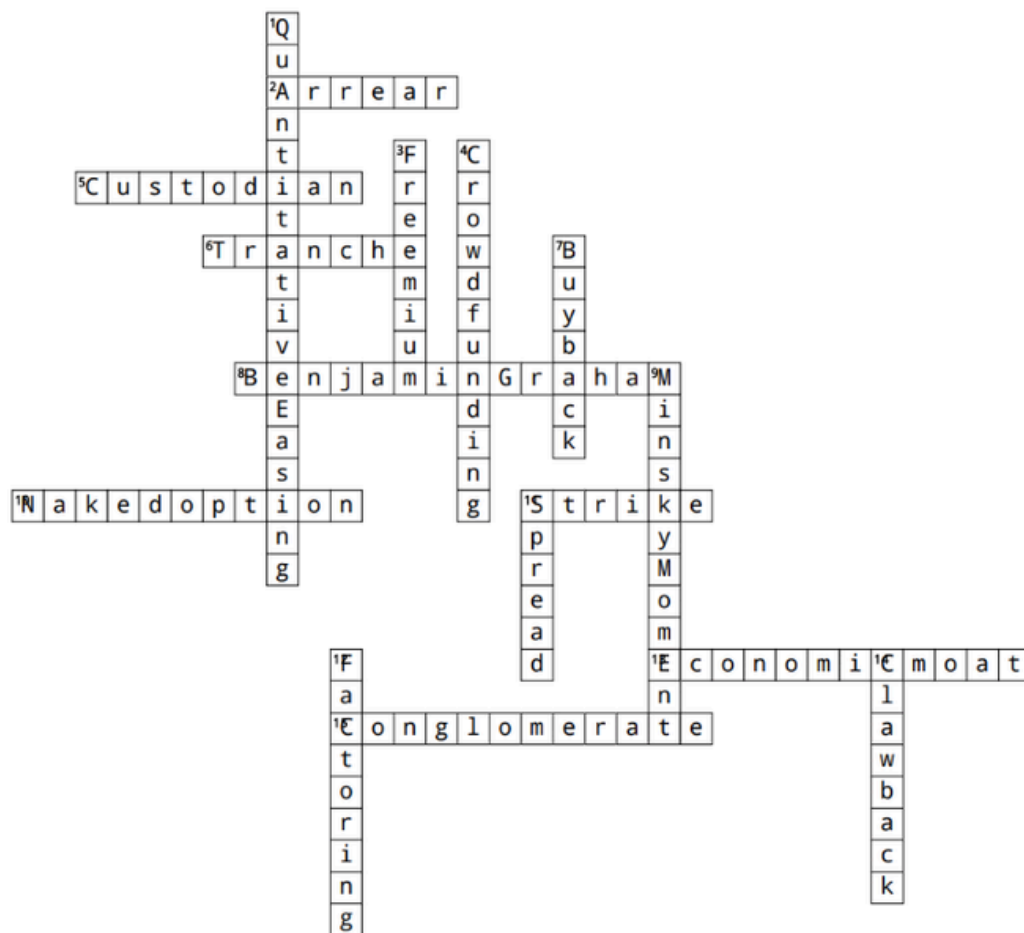
- 5. Loan for poor credit scores.
- 9. Difference between portfolio returns and its benchmark.
- 10. Rating indicating low credit risk.
- 11. Trust relationship involving asset management.
- 12. Increase in the number of outstanding shares.
- 14. Failure to repay a loan.

Down

- 1. Debt that is subordinate to senior note.
- 2. Security that can be exchanged.
- 3. Measure of a company's short-term liquidity.
- 4. Measure of company's financial leverage.
- 6. Security giving purchase rights.
- 7. Cost of insurance.
- 8. Fixed payment made at intervals.
- 13. Range of income subject to a certain tax rate

SOLVED CROSSWORD

FINTURA II - FUN IN FINANCE



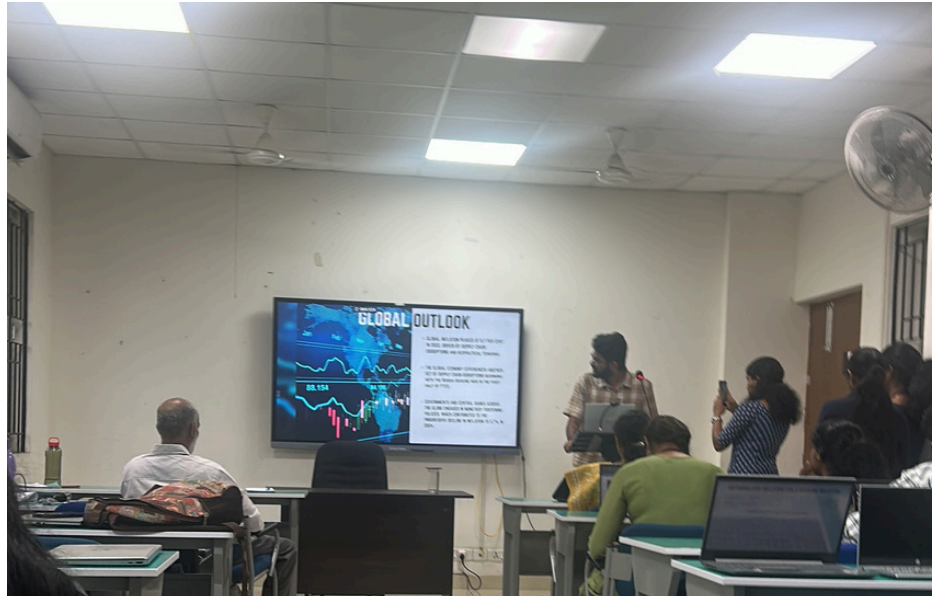
ACROSS

2. UNPAID DEBT OR OBLIGATION
5. ASSET SAFEKEEPING SERVICE
6. A SEGMENT OF A LARGER FINANCIAL ARRANGEMENT
8. DEAN OF WALL STREET
10. UNHEDGED OPTIONS SALE
11. PRICE AT WHICH OPTION IS EXERCISED
13. COMPANY WITH LONG TERM SUSTAINABLE COMPETITIVE ADVANTAGE
15. DIVERSIFIED BUSINESS ENTITY

DOWN

1. CENTRAL BANK ASSET BUYING
3. FREE BASIC SERVICES AND PAID ADVANCED SERVICES
4. RAISING CAPITAL COLLECTIVELY
7. SHARE REPURCHASE
9. SUDDEN COLLAPSE IN ASSET PRICES
11. DIFFERENCE BETWEEN TWO PRICES OR RATES
12. ACCOUNTS RECEIVABLE SELLING
14. RETRIEVING PREVIOUSLY PAID BONUSES

CBS SCOOP



ECONOMIC SURVEY UNION AND STATE BUDGET 2025-26

The Centre for Budget Studies hosted an insightful Discussion and Presentation on Union and State Budgets 2025-26 on February 10, 2025. Bringing together students, research scholars, and faculty members, the event served as a platform for in-depth analysis and discussion on the key economic policies shaping the nation and the state. Dr. Muraleedharan S. graced the occasion as the chief guest, while Dr. Santhosh Kumar P.K., Director of CBS, delivered the welcome address, setting the stage for a thought-provoking exchange of ideas.

The program featured two sessions—the first focused on the Economic Survey 2024-25 and the Union Budget 2025-26, where students, divided into 13 groups, presented insights into different chapters of the Economic Survey, along with two additional groups analyzing the budget's impact on individuals and the economy. The second session was dedicated to the Kerala Budget 2025-26, presented by PhD scholars Anjali Haridas and Ajay Rajeev, who provided a meticulous and well-researched evaluation of the state's fiscal priorities. Throughout the sessions, Dr. Muraleedharan S., Dr. Haseena Akbar, and Dr. Elizabeth Joy engaged the teams with insightful questions and offered constructive feedback to refine their presentations.

The Economic Survey 2025, released ahead of the Union Budget, projected GDP growth at 6.5%, driven by investment-led expansion, financial sector stability, and advancements in the digital economy. It highlighted inflation control, industrial growth under the Production-Linked Incentive (PLI) scheme, and infrastructure development. The Union Budget 2025-26, presented in Parliament by the Finance Minister, emphasized fiscal prudence, tax reforms, increased capital expenditure, and measures to boost employment and entrepreneurship. Meanwhile, the Kerala Budget 2025-26 focused on strengthening social welfare schemes, infrastructure development, and climate resilience initiatives, reflecting the state's commitment to sustainable and inclusive growth. The event concluded with a comprehensive budget analysis by Dr. Muraleedharan S., who provided critical insights into the economic impact of the policies and their future implications.

CBS SCOOP

Union Budget 2025-26: A Blueprint for Growth or a Balancing Act?

The Union Budget 2025-26, presented by Finance Minister Nirmala Sitharaman, focuses on inclusive growth under the Viksit Bharat vision, emphasizing agriculture, MSMEs, employment, digital innovation, and women's empowerment. The gender budget allocation has increased to 8.8% (₹4.49 lakh crore), the highest in two decades, benefiting 49 ministries and 12 new sectors, including railways and food processing. Women's workforce participation has risen to 42% (2023-24), yet challenges like gender pay gaps, job insecurity, and lack of maternity benefits persist. Government initiatives such as Skill India, PM Vishwakarma Yojana, and e-Shram portal aim to formalize and empower women in the workforce.

The budget also prioritizes education, AI research, healthcare, and infrastructure to ensure sustainable economic growth. While fiscal consolidation (4.4% deficit) remains a focus, successful implementation will determine its impact on India's economic transformation.

>>> [READ MORE](#)

Kerala Budget Analysis

The Kerala Budget 2024, presented by Finance Minister K. N. Balagopalan, balances fiscal discipline with growth-focused initiatives in fintech, AI, and infrastructure. A major highlight is the Vizhinjam Port Development, alongside the Vizhinjam-Kollam-Punalur Growth Triangle and other key projects to boost economic activity. The establishment of IT parks in Kannur and Kollam aims to enhance employment opportunities.

Despite its forward-thinking approach, Kerala's non-development expenditure (₹22,927 per capita) surpasses development spending, unlike any other state. While higher taxes on older vehicles support environmental sustainability, the increased tax on electric vehicles contradicts green goals. Additionally, concerns persist regarding price stability, education reforms, and student migration, which remain unaddressed. Overall, the budget lays a foundation for long-term economic growth, but better financial management and targeted reforms are essential for balanced progress.

>>> [READ MORE](#)

STUDENT ACHIEVERS



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CUSAT

CONGRATULATIONS!



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