

Monthly Policy Review

February 2025

Highlights of this Issue

First half of Budget Session concludes (p. 2)

The President's Address was discussed and the Union Budget was presented. The second half will be held from March 10, 2025 to April 4, 2025.

MPC reduces repo rate to 6.25% (p. 2)

The MPC also decided to reduce the standing deposit facility rate to 6%. It decided to continue to focus on maintaining inflation within target of 4% while supporting growth.

GDP grew by 6.2% in third quarter of 2024-25 (p. 2)

Public administration, defence and other services is estimated to grow by 8.8%, followed by financial, real estate and professional services (7.2%). In the third quarter of 2023-24, GDP had grown by 9.5%.

Union Budget 2025-26 presented (p. 3)

The government proposes to spend Rs 50,65,345 crore in 2025-26, an increase of 7.4% over the revised estimate for 2024-25. The fiscal deficit is estimated at 4.4% of GDP, lower than the revised estimate for 2024-25 (4.8%).

Income-Tax Bill introduced in Lok Sabha (p. 3)

The Bill seeks to replace the Income-Tax Act, 1961. It retains most of the provisions of the Act. The Bill has been referred to a Select Committee of Lok Sabha.

CBSE issues draft policy to conduct two board exams in a year for class 10 (p. 4)

Class 10 exams will be held twice a year between: (i) February 17 and March 6, and (ii) May 5 to May 20.

Bill to set up a university for the co-operatives sector introduced in Lok Sabha (p. 5)

The Institute of Rural Management, Anand will be established as the "Tribhuvan" Sahkari University. The university will provide education and training in the co-operative sector.

Protection of Interests in Aircraft Objects Bill, 2025 introduced in Rajya Sabha (p. 5)

The Bill gives legal effect to an international convention dealing with securing rights to assets such as aircrafts in case of default.

March 3, 2025

Parliament

Atri Prasad Rout (atri@prsindia.org)

First half of Budget Session concludes

The first half of Budget Session of Parliament was held from January 31, 2025 to February 13, 2025. The second half will be held from March 10, 2025 to April 4, 2025.

The session began with the President address to both Houses on January 31, 2025. The Economic Survey 2024-25 was tabled on the same day. The Union Budget was presented on February 1, 2025.

Four Bills have been listed for introduction, consideration and passing during this session. Of these, the “Tribhuvan” Sahkari University Bill, 2025 was introduced in Lok Sabha on February 3, 2025, and the Protection of Interests in Aircraft Objects Bill, 2025 was introduced in Rajya Sabha on February 10, 2025. The Income-tax Bill, 2025 was introduced in Lok Sabha on February 13, 2025 and referred to a Select Committee of Lok Sabha.

Of the Bills pending in Parliament, 12 have been listed for consideration and passing. These include: (i) the Waqf (Amendment) Bill, 2024, (ii) the Merchant Shipping Bill, 2024, (iii) the Railways (Amendment) Bill, 2024, (iv) the Oilfields (Regulation and Development) Amendment Bill, 2024, and (v) The Boilers Bill, 2024.

For more details on the legislative business to be taken up during the session, please see [here](#).

Macroeconomic Development

Tushar Chakrabarty (tushar@prsindia.org)

MPC reduces repo rate to 6.25%

The Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI) reduced the policy repo rate (the rate at which RBI lends money to banks) from 6.5% to 6.25%.¹ Other decisions of the Committee include:

- Standing deposit facility rate (the rate at which RBI borrows from banks without collateral) has been reduced from 6.25% to 6%.
- The marginal standing facility rate (the rate at which banks can borrow additional money from RBI) and the bank rate (rate at which RBI buys bills of exchange) have been reduced from 6.75% to 6.5%.

The MPC decided to continue with a neutral stance. It also decided to continue to focus on maintaining inflation within target of 4% while supporting economic growth.

GDP grew by 6.2% in third quarter of 2024-25

India’s GDP (at constant prices) grew by 6.2% in the third quarter (October-December) of 2024-25, slower than growth of 9.5% observed in the corresponding quarter of 2023-24.² In the second quarter of 2024-25, GDP had grown by 5.6%.

Figure 1: Quarterly growth in GDP (%, year-on-year)



Sources: MoSPI; PRS.

According to the Second Advance Estimates, GDP is estimated to grow by 6.5% in 2024-25, broadly similar to a growth of 6.4% as per the First Advance Estimates.³ GDP growth in 2023-24 has been revised from 8.2% to 9.2%.

GDP across sectors is measured in terms of Gross Value Added (GVA). In the third quarter of 2024-25, public administration, defence and other services is estimated to grow by 8.8%, followed by financial, real estate and professional services (7.2%), and construction (7%).

Table 1: Growth in GVA across sectors (%, year-on-year)

Sector	Q3 2023-24	Q2 2024-25	Q3 2024-25
Agriculture	1.5%	4.1%	5.6%
Mining	4.7%	-0.3%	1.4%
Manufacturing	14.0%	2.1%	3.5%
Electricity	10.1%	3.0%	5.1%
Construction	10.0%	8.7%	7.0%
Trade	8.0%	6.1%	6.7%
Financial Services	8.4%	7.2%	7.2%
Public Services	8.4%	8.8%	8.8%
GVA	8.0%	5.8%	6.2%
GDP	9.5%	5.6%	6.2%

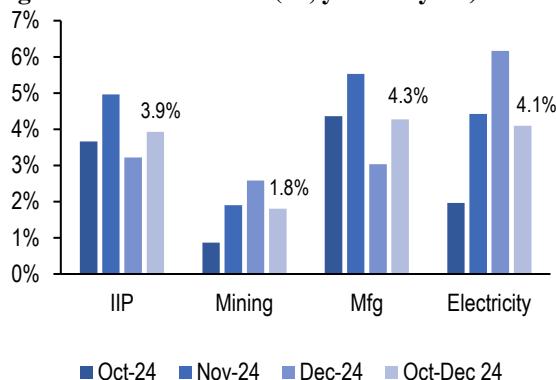
Note: GVA is GDP without net taxes on products.

Sources: MoSPI; PRS.

Industrial production grew by 3.9% in third quarter of 2024-25

The Index of Industrial Production (IIP) grew by 3.9% in the third quarter (October-December) of 2024-25, slower than the same period in 2023-24 (6.1%).⁴ Mining increased by 1.8% in the third quarter of 2024-25 as against an increase of 8.2% in the corresponding period of 2023-24. Manufacturing increased by 4.3% while electricity increased by 4.1% in the third quarter of 2024-25. Note that manufacturing has a 78% weightage in the IIP, which is followed by mining (14%) and electricity (8%).

Figure 2: Growth in IIP (%, year-on-year)



Sources: MoSPI; PRS.

Finance

Union Budget 2025-26 presented

Shrusti Singh (shrushi@prsindia.org)

The Finance Minister, Ms. Nirmala Sitharaman presented the 2025-26 Union Budget on February 1, 2025.⁵ Key highlights of the budget include:

- Expenditure:** The government is estimated to spend Rs 50,65,345 crore in 2025-26, 7.4% higher than the revised estimate of 2024-25.
- Receipts:** Receipts (other than borrowings) in 2025-26 are estimated to be Rs 34,96,409 crore, 11.1% higher than the revised estimate of 2024-25 (Rs 31,46,960 crore).
- GDP:** The government has estimated a nominal GDP growth rate of 10.1% in 2025-26 (i.e., real growth plus inflation).
- Deficits:** Revenue deficit in 2025-26 is targeted at 1.5% of GDP, lower than the previous year (1.9% of GDP). Fiscal deficit is targeted at 4.4% of GDP, also lower than the previous year (4.8% of GDP).
- Tax Proposals:** Tax slabs under the new tax

regime have been modified. Annual income of up to Rs 12 lakh will receive 100% rebate on the taxable income. Limits for TDS and TCS have been enhanced. Certain tax exemption to startups and IFSCs have been extended.

- Policy Proposals:** The FDI limit for the insurance sector will be increased from 74% to 100% for companies which invest their entire premium in India. Guarantee cover for loans to MSMEs and startups will be enhanced. Definition of MSMEs will be revised. Nuclear energy laws will be amended to attract private participation. A mission will be launched for development of small modular reactors. Jan Vishwas 2.0 Bill will be introduced to decriminalise certain offences across laws. A high-level committee will be set up to suggest regulatory reforms. A scheme will be launched to improve crop diversification and agricultural productivity. Kisan Credit Card limit will be enhanced.

Table 2: Union Budget highlights (in Rs crore)

	Actuals 2023-24	2024-25 RE	2025-26 BE	% change from 24- 25 RE to 25-26 BE
Total Expenditure	44,43,447	47,16,487	50,65,345	7.4%
Total Receipts*	27,88,804	31,46,960	34,96,409	11.1%
Revenue Deficit	7,65,216	6,10,098	5,23,846	-14.1%
% of GDP	2.6%	1.9%	1.5%	
Fiscal Deficit	16,54,643	15,69,527	15,68,936	0.0%
% of GDP	5.6%	4.8%	4.4%	

Note: *Excluding borrowings.

Source: Union Budget documents 2025-26; PRS.

For an analysis of the Union Budget 2025-26, see [here](#).

Income Tax Bill introduced in Lok Sabha

Tushar Chakrabarty (tushar@prsindia.org)

The Income-Tax Bill, 2025 was introduced in Lok Sabha.⁶ It seeks to replace the Income-Tax Act, 1961.⁷ The Bill retains most of the provisions of the 1961 Act. Tax rates and regimes for individuals and corporations remain unchanged. Most definitions have also been retained. There are no changes in offences and penalties. The Bill proposes April 1, 2026 as the date of its commencement. It has been referred to a Select Committee of Lok Sabha. Key changes include:

- Power to frame schemes:** The Act provides for faceless collection of information and assessment of tax cases. The Bill retains these provisions. It also seeks to empower the central government to frame new schemes for greater efficiency, transparency, and accountability. This may be done by: (i)

eliminating the interface with the assessee through technology and (ii) optimising resource utilisation through economies of scale and functional specialisation. The schemes framed by the central government must be laid before Parliament.

- **Undisclosed income:** Under the Act, undisclosed income for assessing search cases is defined to include money, bullion, jewellery, or other valuable articles. The Bill expands this definition to include virtual digital assets. These include any code, number, or token generated cryptographically and provide a digital representation of value exchanged. This change has also been proposed in the Finance Bill, 2025.
- **Virtual digital space:** The Act allows income tax authorities to enter and search buildings and break open locks. This can be done if certain documents or books of accounts are not produced by a person for whom a summons has been issued under the Act. The Act also empowers the authorities to inspect electronic documents. The Bill retains these provisions and also allows authorities to gain access of a virtual digital space during search and seizure proceedings. The authorities will have power to gain access by overriding any required access code. The Bill defines virtual digital space as an environment, area, or realm that is constructed and experienced through computer technology. It includes email servers, social media accounts, online investment and trading accounts, and websites for storing details of assets.

For a PRS summary of the Bill, see [here](#).

Comments invited on proposal for waiver of foreclosure charges for business loans to individuals and MSMEs

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The Reserve Bank of India (RBI) issued a draft circular on levy of foreclosure charges/ pre-payment penalties on loans.^{8,9} RBI noted divergent practices amongst regulated entities (such as banks and non-banking financial companies) in loans sanctioned to micro and small enterprises (MSEs). These relate to the levy of foreclosure charges/pre-payment penalties. Restrictive clauses in loan contracts also discourage borrowers from switching to another lender to avail better service or lower interest rates.

RBI has now proposed that regulated entities must not levy any charges/penalties in case of foreclosure/pre-payment of floating rate business

loans given to individuals and MSEs. For MSEs, this will be applicable up to aggregate sanctioned limit of Rs 7.5 crore per borrower. Pre-payment of such loans will be allowed without any minimum lock-in period.

Comments are invited by March 21, 2025.

Skill Development

Rutvik Upadhyaya (rutvik@prsindia.org)

Cabinet approves continuation of the Skill India Programme

The Union Cabinet approved the continuation of the Skill India Programme.¹⁰ The programme comprises three schemes: (i) Pradhan Mantri Kaushal Vikas Yojana, which imparts skill development through short-term and on-the-job training, (ii) Pradhan Mantri National Apprenticeship Promotion Scheme, which provides financial support for training and remunerating apprentices engaged with an establishment, and (iii) Jan Shikshan Sansthan Scheme, which aims to make vocational training accessible to disadvantaged groups.

The Skill India Programme will be implemented till 2026, with an outlay of Rs 8,800 crore between 2022-23 and 2025-26.

Education

Rutvik Upadhyaya (rutvik@prsindia.org)

CBSE issues draft policy to conduct two board exams in a year for Class 10

The Central Board for Secondary Education (CBSE) issued the “Draft Scheme for Two Examinations for Class X from 2026”.¹¹ The draft policy has been issued in line with the National Education Policy, 2020, which recommended allowing students to take up to two board exams in a year.¹² This intends to reduce exam-related pressure by giving students an option to improve their scores in the second attempt.

According to the draft, CBSE board exams for class 10 will be held twice a year between: (i) February 17 to March 6 and (ii) May 5 to 20. Syllabus and examination centres for both exams will remain the same. Passing documents for all students will be released after results of the second exam are out. However, results of the first exam will be available on DigiLocker, and can be used

for Class 11 admissions if the student does not wish to appear for the second examination.

Students who do not qualify for class 11 admissions based on results of the first exam can be allowed in class 11 and their admission will be finalised based on the result of the second exam.

Tribhuvan Sahkari University Bill, 2025 introduced in Lok Sabha

The “Tribhuvan” Sahkari University Bill, 2025 was introduced in Lok Sabha.¹³ The Bill seeks to establish the Institute of Rural Management Anand, Gujarat (IRMA) as the “Tribhuvan” Sahkari University. Currently, IRMA is registered as a society. The Bill places IRMA as a school within the university. The Bill states that the autonomous identity of IRMA will be preserved within the institutional framework of the University. Key features of the Bill include:

- **Objectives of the University:** The University will provide education, training, and capacity building in the cooperative sector and undertake R&D activities in related areas. It will offer degree programs, distance learning and e-learning courses, and develop centres of excellence in co-operative sector.
- **Governance of the University:** The University will have a Vice-Chancellor, who will be the principal executive and academic officer of the University. The Vice-Chancellor will be appointed by the central government for a term of three years, and will be eligible for re-appointment for another two years. The Vice-Chancellor will head the Executive Council which will be the principal executive body of the University. The central government will specify details for the constitution of the Council, its powers and functions, and terms of office of its members.
- The University will have a Governing Board which will be responsible for reviewing broad policies and programmes of the University, and nominating members to its various administrative councils. The Board will be headed by the Chancellor, who will be a person of eminence, appointed by the central government. The Chancellor will have a term of five years. The Governing Board will also comprise: (i) secretaries of central ministries related to the co-operative sector, (ii) eminent persons in field of co-operatives and (iii) heads of Boards such as NABARD, National Dairy Development Board and National Fisheries Development Board.

For a PRS Summary of the Bill, see [here](#).

Civil Aviation

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Protection of Interests in Aircraft Objects Bill, 2025 introduced in Rajya Sabha

The Protection of Interests in Aircraft Objects Bill, 2025 was introduced in Rajya Sabha.¹⁴ The Bill seeks to give legal effect to the following international agreements: (i) Convention on International Interests in Mobile Equipment (also known as Cape Town Convention of 2001), and (ii) Protocol to the Convention on International Interests in Mobile Equipment on Matters specific to Aircraft Equipment.^{15,16} India had acceded to these in 2008. The Convention and Protocol aim to bring uniformity in securing rights for high-value assets such as aircrafts, helicopters, and engines in case of default. Key features of the Bill include:

- **Obligations of debtors:** Debtors must submit records of dues to the Directorate General of Civil Aviation (DGCA). A debtor is a person who has taken an aviation asset under a lease or, conditional purchase agreement, or pledged an asset under a security agreement.
- **Remedies in case of default:** The Convention gives creditors certain remedies in case of default by a debtor. The remedies include the right to take back possession of the asset within a period of two calendar months or a mutually agreed upon period, whichever is earlier. The Bill states that before exercising any remedy, the creditor must notify DGCA about the occurrence of default.
- **Detention of assets by government agencies:** The following entities will continue to have the right to detain an asset if dues for services related to that asset remain unpaid: (i) central government, (ii) any other entity providing public services in India, or (iii) an inter-governmental organisation of which India is a member.

For a PRS Summary of the Bill, see [here](#).

External Affairs

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Prime Minister visits USA and France for bilateral talks

Prime Minister Mr. Narendra Modi visited USA and France for bilateral talks. Key areas of cooperation agreed during these visits are as follows:

USA

- **Trade:** India and USA set a target to double bilateral trade by 2030 to USD 500 billion.¹⁷ They will negotiate the first tranche of mutually beneficial bilateral trade agreement by 2025. The two countries agreed on enhancing trade by increasing: (i) USA's export of industrial goods to India, (ii) India's export of labour-intensive manufactured products to USA, and (iii) trade in agricultural goods.
- **Defence:** India and USA will sign a new ten-year framework for defence partnership in 2025. USA will expand defence sales and co-production with India. India will look to procure items such as anti-tank guided missiles, infantry combat vehicles, and maritime patrol aircrafts.¹⁷ Both countries also agreed to open negotiations on reciprocal defence agreements to ensure alignment in procurement systems.¹⁷

¹ Resolution of the Monetary Policy Committee (MPC) February 5 to 7, 2025, Monetary Policy Statement, 2024-25, Reserve Bank of India, February 7, 2025, <https://rbidocs.rbi.org.in/rdocs/PressRelease/PDFs/PR2094189B0DF105514A28A2FA834330E94B26.PDF>.

² Press Note on Second Advance Estimates of Annual Gross Domestic Product for 2024-25, Ministry of Statistics and Programme Implementation, February 28, 2025, https://www.mospi.gov.in/sites/default/files/press_release/PRESS-NOTE-ON-SAE-2024-25-Q3-2024-25-FRE-2023-24-and-FE-2022-23-M.pdf.

³ Press Note on First Advance Estimates of Gross Domestic Product for 2024-25, Ministry of Statistics and Programme Implementation, January 7, 2025, <https://static.pib.gov.in/WriteReadData/specifcdocs/documents/2025/jan/doc202517482201.pdf>.

⁴ India's Index of Industrial Production records growth of 3.2% in December 2024, Ministry of Statistics and Programme Implementation, February 12, 2025, <https://static.pib.gov.in/WriteReadData/specifcdocs/documents/2025/feb/doc202512499901.pdf>.

⁵ Union Budget of India, 2025-26, <https://www.indiabudget.gov.in/>.

⁶ The Income-Tax Bill, 2025, Lok Sabha, <https://sansad.in/getFile/BillsTexts/LSBillTexts/Aasinroduced/Income%20tax213202522837PM.pdf?source=legislation>.

⁷ The Income-Tax Act, 1961, <https://incometaxindia.gov.in/documents/income-tax-act-1961-amended-by-finance-no.-2-act-2024.pdf>.

⁸ Responsible Lending Conduct – Levy of Foreclosure Charges/ Pre-payment Penalties on Loans, Reserve Bank of India, February 21, 2025, <https://rbidocs.rbi.org.in/rdocs/Content/PDFs/LEVY21022025AB70CEA0786742FCAE18FE41F0CCF9B9.PDF>.

▪ **Energy:** Both countries agreed to deepen trade in the energy sector, and establish USA as the leading supplier of crude oil and petroleum to India.¹⁷ Nuclear reactors designed in USA will be built in India through large scale localisation and possible technology transfer.¹⁷

▪ **Technology:** A new initiative will be launched to promote collaboration in areas of critical and emerging technologies such as defence, AI, quantum, critical minerals, biotechnology, energy, and space.¹⁷ A roadmap to accelerate AI infrastructure will be formulated.

France

- **Technology:** India and France signed a declaration on AI.^{18,19} The two countries agreed to set up a framework to ensure that AI: (i) is developed in global interest, (ii) respects human rights and privacy, and (iii) promotes linguistic and cultural diversity.¹⁸ They also declared shared intent to: (i) collaborate in areas of advance and small modular reactors, and (ii) set up the Indo-French Centre of Digital Sciences.²⁰
- **Defence:** India and France agreed to deepen cooperation in R&D in defence.

⁹ RBI invites comments on the draft circular on 'Responsible Lending Conduct – Levy of Foreclosure Charges/ Pre-payment Penalties on Loans', Reserve Bank of India, February 21, 2025, <https://rbidocs.rbi.org.in/rdocs/PressRelease/PDFs/PR2231A26639353FA43A38221BBF2BBE786C9.PDF>.

¹⁰ "Cabinet Approves Continuation and Restructuring of Skill India Programme", Cabinet, Press Information Bureau, February 7, 2025, <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=2100845>.

¹¹ "Draft Scheme for Two Examinations for Class X from 2026", Central Board for Secondary Education, February 25, 2025, https://www.cbse.gov.in/cbsenew/documents/SCHEME_BOARD_EXAMS_POLICY_25022025.pdf.

¹² National Education Policy, Ministry of Education, https://www.education.gov.in/sites/upload_files/mhrd/files/NEP_Final_English_0.pdf.

¹³ The Tribhuvan Sahkari University Bill, 2025, https://prsindia.org/files/bills Acts/bills_parliament/2025/Tribhuvan_Sahkari_University_Bill_2025.pdf.

¹⁴ The Protection of Interests in Aircraft Objects Bill, 2025, https://prsindia.org/files/bills Acts/bills_parliament/2025/Protection_of_Interests_in_Aircraft_Objects_Bill_2025.pdf.

¹⁵ Convention on International Interests in Mobile Equipment, 2001, https://www.icao.int/sustainability/Documents/CPTConvention_AnnexA.pdf.

¹⁶ Protocol to the Convention on International Interests in Mobile Equipment on Matters specific to Aircraft Equipment, 2001, https://www.icao.int/sustainability/Documents/CPTConvention_Protocol_AnnexB.pdf.

¹⁷ "India-U.S. Joint Statement", Ministry of External Affairs, February 13, 2025, <https://www.meia.gov.in/bilateral-documents.htm?dtl/39066>.

¹⁸ India – France Joint Statement on the visit of Shri Narendra Modi, Hon’ble Prime Minister of India to France (10-12 February 2025), Ministry of External Affairs, February 12, 2025,
<https://www.meaindia.gov.in/outgoing-visit-detail.htm?dtl/39071/India+-+France+Joint+Statement+on+the+visit+of+Shri+Narendra+Modi+Honble+Prime+Minister+of+India+to+France+1012+February+2025.>

¹⁹ “India-France Declaration on Artificial Intelligence”, Ministry of External Affairs, February 12, 2025,
https://www.meaindia.gov.in/bilateral-documents.htm?dtl/39034/IndiaFrance_Declaration_on_Artificial_Intelligence_February_12_2025.

²⁰ “Prime Minister holds bilateral talks with President of France”, Ministry of External Affairs, February 12, 2025,
https://www.meaindia.gov.in/press-releases.htm?dtl/39030/Prime_Minister_holds_bilateral_talks_with_President_of_France_February_12_2025.

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