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India's UPI sees phenomenal growth as digital payments soar

India's Unified Payments Interface (UPI) stood out as the most popular digital payment method, reporting a remarkable rise in transactions in 2024. Throughout the year, India pushed for its international expansion and domestic adoption for everyday purchases. Introduced in 2016, UPI offers instant money transfers and is a single mobile application for accessing different bank accounts. "Hands down, UPI remains the backbone of India's digital payments ecosystem," Raj Kapoor, founder of India Blockchain Alliance (IBA), told CoinGeek. "As of 2024, UPI processed over 12 billion transactions monthly, with a year-on-year growth of 25%, crossing ₹15 trillion (\$180 billion) in transaction value per month. With 75% of the population in Tier-I and Tier-II cities using UPI, expansion is now focused on Tier-III cities, rural areas, and international corridors," Kapoor added. The UPI has seen a tenfold increase in volume over the past four years, from 12.5 billion transactions in 2019-2020 to 131 billion transactions in 2023-24, or 80% of all digital payment volumes.

Top Story 2

India considers cutting personal income tax to lift consumption

India is exploring a potential income tax reduction for individuals earning up to 1.5 million rupees (\$17,590) annually in the upcoming February budget. This initiative aims to provide substantial relief to the middle class and stimulate consumer spending, fostering economic growth. If implemented, this measure could positively impact tens of millions of taxpayers, particularly urban residents grappling with high living costs. The proposal focuses on the 2020 tax regime, which offers simplified rates of 5% to 20% for annual incomes between 300,000 and 1.5 million rupees, compared to the 30% rate for higher earnings. This system presents an alternative to the legacy plan, trading tax exemptions on housing and insurance for lower rates. While discussions about the specifics are ongoing, this potential tax adjustment underscores the government's commitment to supporting middle-class families and bolstering economic resilience.

Investment

The India-UAE Bilateral Investment Treaty Came into Effect

India signed a landmark defense agreement with the United States in October 2024 to acquire 31 MQ-9B drones in a deal valued at \$3.5 billion. The procurement, aimed at enhancing India's defense preparedness, is particularly significant given the nation's ongoing focus on countering challenges posed by China. This milestone agreement, finalized after eight years of negotiations and approvals from two U.S. administrations, also involved India leasing two drones during the deliberative process. On the U.S. side, the deal required congressional approval, underscoring its strategic importance. Under the agreement, 15 drones will be deployed to the Indian Navy, while the remaining 16 will be divided between the Indian Army and the Air Force. The MQ-9B drones, known for their high-altitude, long-endurance capabilities, are expected to significantly bolster India's reconnaissance and operational capabilities.

Digitalization

Transforming Transactions: India's Digital Payment Revolution

India's digital payment landscape has evolved rapidly, spearheaded by UPI, with innovations like biometric payments leading the way. As UPI becomes a global model, innovations such as conversational payments drive growth, while cross-border transactions and central bank digital currencies transform financial systems. India's digital payments sector has seen remarkable transformation, largely driven by the skyrocketing success of the Unified Payments Interface (UPI). Policymakers have crafted an unrivaled payment ecosystem, offering consumers unprecedented ease of transaction. The year 2024 brought substantial changes: innovations like conversational voice payments, credit lines, and UPI Circle emerged, aiming to enhance user convenience and digital payment adoption. UPI's global status gains steam, inspiring countries across Asia, Africa, and South America to replicate systems, with implementations expected by 2027.

Banking

Banks' profitability improves for 6th year in row in FY24: RBI report

Profitability of banks improved for the sixth consecutive year in 2023-24 and their gross bad debts or NPAs declined to a 13-year low of 2.7 per cent. India's strong macroeconomic fundamentals have boosted the performance and soundness of the domestic banking and nonbanking financial sectors. Banks profitability rose for the sixth consecutive year in 2023-24 and continued to rise in H1:2024-25 with the return on assets (RoA) at 1.4 per cent and return on equity (RoE) at 14.6 per cent. Asset quality improved, with the gross non-performing assets (GNPA) ratio falling to its lowest in 13 years at 2.7 per cent at end-March 2024 and 2.5 per cent at end-September 2024, it said. Banks' capital position remained satisfactory, as reflected in key parameters like leverage ratio and capital to risk weighted assets ratio (CRAR). Further, strong credit expansion by NBFCs was accompanied by further strengthening of their balance sheets, improvement in credit quality and profitability, and satisfactory capital buffers.

Economic

India's GDP growth seen at 6.5% in FY25, FY26

India's economy is poised for robust growth of 6.5% in both the current and upcoming financial years, according to an EY report. While the July-September quarter saw a temporary moderation in growth at 5.4%, this reflects a period of adjustment in private consumption and investment trends. Despite the slowdown in gross fixed capital formation, growth in this segment still stood at 5.4%, indicating a foundation for recovery. The report highlights opportunities for revitalizing private investment demand and enhancing government investment expenditure, which are key drivers for long-term economic strength. India's sustained growth projections underscore the resilience of its economy, supported by strategic reforms and a vibrant consumer base. As private and public investment dynamics evolve, the country remains on track for steady expansion and continued global competitiveness.

Currency	Rate (Rs)	Change	Index	Change	
USDINR	84.453	0.188	NIFTY 50	23,903.00	152.8
EURINR	89	0.012	BSE Sensex	78,875.16	403
GBPINR	106.976	0.216			
JPYINR	0.539	0.0005			