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Summary

Economics

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STUDENT NOTE

Dear Students,

- To support you, we have **distilled essential information from VisionIAS Mains 365 resources,** renowned for their comprehensive coverage of current affairs.
- The summary of Mains 365 provides a **comprehensive overview of key political developments,** their significance, concerns, significant judgments, and essential constitutional provisions relevant for your UPSC Mains answers.
- This summary helps you **revise key topics quickly and effectively.**
- Utilize these insights to enhance your preparation and **ensure a strong performance in the UPSC Mains examination.**

1. INDIAN ECONOMY

1.1 India's Structural Transformation

Why in the news?

IMF released a Working Paper titled '**Advancing India's Structural Transformation and Catch-up to the Technology Frontier**'.

More on News:

Structural Transformation: Transition of an economy from low productivity and labour-intensive economic activities to higher productivity and skill intensive activities.

Steps Taken for Structural Reforms

- **Tax reforms** GST and corporate tax rationalization for fostering competitiveness **, address rising inequality.**
- **Production-Linked Incentive (PLI) scheme to** attract investments in key sectors.
- **Insolvency and Bankruptcy Code (IBC) to** improve the credit culture and **resource allocation** mechanism**.**
- **Labour reforms (four codes)** To enhance **Ease of Doing Business.**
- **Expansion of country's digital infrastructure** e.g. Bharat Net, India Stack, etc.

Key Issues Highlighted by paper in India's structural Transformation:

- **Sectorial Imbalance:** Agriculture still accounts for 42% of employment.
- **Uneven tech-adoption by industries:** Services outperformed manufacturing in tech-adoption.
- **Rise of low skill jobs:** Construction sector rises with about 12 percent of workers in 2019.
- **Low Productivity:** Labour in 2019-20 in manufacturing and services were over **4.5 times more productive than in agriculture.**
- Paper estimates that India needs **at least 143-324 million jobs** by 2050.

Key Policy Recommendations:

- **Strengthening Education and Skilling:** India's labor force has fewer years of formal education than peers **(ASER, 2023).**
- **Advancing Labor Market Reforms:** Loosen restrictive employment protection legislation to **enhance labor market flexibility**.
- **Fostering Trade Integration:** E.g. signing bilateral trade agreements, removing tariff and non-tariff restrictions.
- **Removing Red Tape:** It can spur private sector growth, leading to more job creation.
- **Continued Public investment Push such as** stronger physical public infrastructure etc.
- **Others: Strengthening Social Safety Net, Facilitating Access to Credit** for small and medium enterprises, etc.

Conclusion

A balanced structural transformation is vital for India to sustain high growth, generate quality jobs, and harness its demographic dividend through timely policy interventions.

2. GROWTH AND DEVELOPMENT

2.1 Household Consumption Expenditure Survey (HCES), 2023-24

Household Consumption Expenditure Survey (HCES), 2023-24

Important Findings of HCES: 2023-24

- Average Monthly Per Capita Expenditure (MPCE):
  - **Rural:** ₹4,122 (₹4,247 with imputed benefits)
  - **Urban:** ₹6,996 (₹7,078 with imputed benefits)
- **Growth in MPCE: Increased** by 9% in rural and 8% in urban areas from 2022-23.
- **Urban-Rural Gap:** Reduced from 84% (2011-12) to 70% (2023-24), indicating rural consumption growth.
- **Increased Spending on Non-Food Items:** Non-food items dominate expenditure (53% rural, 60% urban).
  - Percentage **share of food** in average monthly expenditure had **fallen.**
- **Consumption Inequality:** Gini coefficient declined to 0.237 (rural) and 0.284 (urban), reflecting reduced income disparity

About Household Consumption Survey Expenditure (HCES)

- **Aim:** To capture detailed data on household consumption and expenditure patterns, essential for analysing living standards and well-being across India.
- **Conducted by: National Sample Survey Office (NSSO)** at regular intervals,
- **Key Objectives of HCES**
  - **Consumption Patterns:** Captures data on household consumption **of goods and services,** reflecting living standards and well-being.
  - **Consumer Price Indices:** Facilitates the development of **weighing diagrams for Consumer Price Indices (CPI),** crucial for economic analyses.
  - **Economic Indicators:** Provides a basis for revising the base year for macroeconomic indicators such as GDP and CPI.

2.2 Northeast as 'Frontrunner of Growth'

Why in the News?

Recently, Prime Minister of India inaugurated the **Rising North East Summit 2025**.

Key highlights of focus sectors of NER in the Summit to showcase it as Frontrunner of Growth

Sectors	Highlights
Textiles, Handlooms & Handicrafts	**NER** is a hub for sustainable textiles and handicrafts, features Assam's GI-tagged Muga silk, Nagaland's tribal shawls, Tripura's bamboo crafts etc.
Renewable Energy	It holds **over 60 GW** of exploitable conventional hydropower potential (**40%** of India's total).
IT & ITES	Rapid IT infrastructure development. E.g. **100-acre IT Park** in Assam, **IT SEZ** at **Imphal** etc.
Infrastructure and Logistics	**In FY 2024–25,** 78 km of NH were built with bridges like **Dhola-Sadiya** and **Bogibeel** further enhances connectivity. **Air connectivity** has been improved with 17 airports (up from 9 in 2013).
Education	**High literacy:** Mizoram (91.3%), Tripura (87.2%), Nagaland (80.1%)
Agriculture	**Rich agro-biodiversity** and climate support organic & high-value crops (Assam tea, Joha rice, Kachai lemon, kiwi, pineapple).
Sports	**Indigenous sports** (archery, thang-ta, polo etc).

Challenges in the North-Eastern Region

- **Poor connectivity:** E.g. **Narrow Siliguri Corridor (or Chicken Neck).**
- **Insurgency and armed conflicts: For e.g.,** NSCN-IM demands "**Greater Nagalim**" etc.
- **Narco terrorism:** Porous border with **Golden Triangle (Myanmar, Laos, Thailand)** countries.
- **Human Rights violations:** Supreme Court, NHRC etc.
- **Environmental vulnerabilities: For e.g.,** Annual **Brahmaputra floods** displace lakhs in Assam.

Initiatives for Development of NER

India	International
• **North East Special Infrastructure Development Scheme (NESIDS).** • **Act East Policy.** • **Prime Minister's Development Initiative for North East Region (PM-DevINE)** • **Mission Organic Value Chain Development for North East Region (MOVCDNER)**	• **Regional connectivity projects:** Kaladan Multi Modal Transit Transport Project, IMT (India-Myanmar-Thailand) Trilateral Highway, etc. • **Act East Forum (AEF):** Led by India and Japan. • **SASEC (South Asia Subregional Economic Cooperation)**

Way Forward

- **Diversify access routes: For e.g. Hili (**WB**)–Mahendraganj (**Meghalaya**) transnational corridor.**
- **Reduce insurgency**: E.g. Tripura's rehabilitation model reduced insurgency.
- **Address illegal migration and border security:** By improving border management.
- **Improving Integration of NER with rest of India: Prevent discrimination and racial attacks (Bezbaruah Committee).**

Conclusion

NER's strategic location, cultural diversity, and resources offer vast potential. Bridging connectivity gaps and ensuring peace can make it a hub of inclusive, sustainable growth.

2.3 Middle Income Trap

Why in the News?

India needs to **grow by 7.8% on average** over the next 22 years to become **High-Income Country (HIC) by 2047:WB.**

What is Middle Income Trap?

- It refers to a situation wherein **rapidly growing economies stagnates at middle-income levels and fails to graduate into** the ranks of **high-income countries.**
- World Bank classifies Economies having per capita Gross National Income between US$ 1,135 and US$13,846 as MIC.

What makes India vulnerable to Middle Income Trap?

- **Untapped Human Capital:** Only ~51% graduates are employable. India's R&D investment stands at just 0.64% against 2.4% by China.
- **Rising Income inequality:** India's **top 1% own 22.6% of income**.
- **Stagnated Industrialisation:** India has leapfrogged from an agricultural to **a services sector, with the manufacturing share generally remaining below 20%.**
- **Declining Private Investment:** Private investment has **fallen as a share of GDP.**

Way Ahead

The World Bank report suggests countries aiming for high-income status should follow the 3i strategy:

Investment (1i) for lower-income countries	Investment + Infusion (2i) for Lower MICs	Investment + Infusion + Innovation (3i) For Upper MICs
Improve the investment climate to increase domestic and foreign investment.	A good **investment climate with measures deliberately designed to bring new ideas from abroad and diffuse them across the economy.**	It should **expand its efforts to become an innovation economy.**

Conclusion

India and other MICs need to adopt well-sequenced policies tailored to their developmental stage to move up the income ladder and avoid middle-income trap.

2.4 Poverty in India

2.4.1 India's Poverty Measurement Framework

Why in the news?

India's poverty measurement framework needs urgent revision to reflect rising living standards according to a recent Study.

Key Findings

- **Poverty headcount ratio (HCR):** At the **$1.90 PPP** poverty line, **dropped from ~ 12% in 2011-12 to 1% in 2023-24.**
- **Poorest households:** Saw significantly higher growth in consumption expenditures than wealthier households.
- **Existing official poverty lines:** Are outdated and don't reflect current deprivation.

The Study Proposes Two New Relative Poverty Thresholds:

- **Relative Poverty Line Based on the 33rd Percentile of Consumption**: Instead of using a fixed poverty line, Poverty is defined based on the spending of the **bottom 33% of the population.**
- **Relative Poverty Line Based on Income**: In Europe, poverty is defined as **60% of the median income** (Middle income level when all incomes are arranged in order).
  - Applying this method to India, **16.5% of the population** was below this **threshold in 2023-24.**

New Poverty Line Significance:

- **Reflects updated consumption** patterns, addressing current deprivation.
- **Ensures poverty thresholds adjust** automatically with economic growth.

Conclusion

The study underscores the urgent need to revise India's poverty measurement framework. Adopting relative poverty thresholds offers a more accurate and dynamic assessment of deprivation in today's economy.

2.4.2 Urban Poverty

Why in the News?

Odisha government launched **'SAHAYOG'** to improve urban poor access to welfare schemes.

Current Status of Urbanization and Urban Poverty in India

- **Urban** population **doubled** from **17.29% (1951) to 31.16% (2011).**
- **Over 50%** of India's population (877 million) will be **urban by 2050 (UN).**

Reasons for the persistence of Urban Poverty

- **Unplanned urbanization** and policy exclusion.
- **Pressure on megacities** due to underdeveloped smaller cities.
- **Migrants without ID proof** miss out on welfare.
- **Inter-generational poverty cycle** due to lack of education and jobs.

Government Initiatives

- **One Nation One Ration Card:** Aadhaar-based portability ensuring food security for migrants.
- **Swachh Bharat Mission-Urban 2.0:** Sanitation scheme for construction and management of latrines.
- **PMAY-Urban:** Housing for EWS/LIG/MIG categories and slum dwellers.
- **DAY-NULM:** Self-employment and skilled wage opportunities for urban poor.
- **Others:** AMRUT 2.0, Smart Cities Mission, PM SVANidhi**.**

Way Forward

- **Inclusive Urbanization:** Decentralized governance with people's participation.
- **Tier-II/III Development:** Reduce migration through better infrastructure.
- **Sustainability:** Focus by Urban Local Bodies, e.g., Indore's sanitation model.
- **Empowerment:** Boost skills and labor-intensive sectors.
- **Targeted Welfare:** Fix inclusion errors, improve portability and tracking.

Conclusion

With cities expected to contribute **75% of GDP and 60% of emissions by 2050,** tackling urban poverty is essential for sustainable growth and achieving the **vision of a $5 trillion economy.**

2.5 Economic Indicators

2.5.1 GDP Base Year Revision

Why in the News?

The government has formed an advisory Committee **on National Accounts Statistics (NAS)** to update the GDP base year from the existing 2011-12 to 2022-23.

What is Base Year?

- It's the reference year for calculating real (inflation-adjusted) GDP.
  - For example: If 2011-12 is the base year, GDP for other years is adjusted to match 2011-12 prices.

Need to Update the GDP Base Year

- **Removing Inflation Effects:** Outdated base years can overestimate GDP by ignoring rising prices.
- **Enhances Data Quality:** Includes new data from digitization, enhances more reliable data use, etc.
- **Global Comparison:** Aids in comparing GDP with other countries.
- **Other Reasons:** Adapts to post-pandemic dynamics, supports policymaking, etc.
- **Impact matrices** like Industrial Production (IIPs), the Wholesale Price Index (WPI), CPI.

About GDP

- **Nominal GDP:** At current prices, includes inflation.
- **Real GDP:** Adjusted for inflation using base year.
- **Limitations:** Ignores inequality, non-market activity, informal economy, and environmental impacts.

Conclusion

Revising the GDP base year to 2022–23 will enhance data accuracy, reflect current economic realities, and improve global comparability.

2.5.2 WPI Base Year Revision

Why in the News?

The Government has formed a **Working Group** led by Prof. Ramesh Chand to **revise the WPI base year** from 2011–12 to 2022–23.

About WPI

- Measures average price change of goods at the first point of bulk sale.
- Released by the Office of the Economic Adviser, DPIIT.
- Calculated as a weighted average of 697 commodities grouped into:
  - Primary Articles (22.618)

- Fuel and Power (13.152)
- Manufactured Products (64.230)

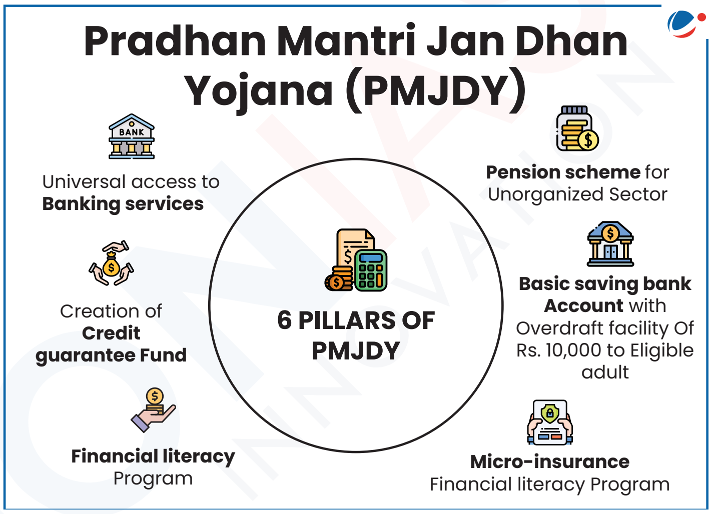
About Producer Price Index (PPI): It measures the **average change in the price a producer receives** for his goods/services sold in the **domestic market/ exports.**

Conclusion

Revising WPI and shifting to PPI can offer a more accurate and globally relevant inflation measure, supporting better policy and economic decision-making.

2.6 Financial Inclusion

2.6.1 10 Years of PMJDY



Why in the news?

India marked the **10th anniversary of Pradhan Mantri Jan Dhan Yojana (PMJDY).**

About PMJDY

- A **National Mission for Financial Inclusion** and the world's largest such scheme.
- **Objective:** Ensure affordable access to savings, remittance, credit, insurance, and pension.
- **Ministry:** Ministry of Finance (Department of Financial Services).
- **Key Pillars:**
  - Banking the unbanked.
  - **Securing the unsecured:** RuPay insurance cover increased to ₹2 lakhs (post-Aug 2018).
  - **Funding the unfunded:** Micro-insurance, overdrafts, pensions, micro-credit.

Key-achievements under PMJDY

- **Account Growth:** Accounts rose from 14.72 crore (2015) to 53.13 crore (Aug 2024).
- **Digital Push:** 36.14 crore RuPay cards issued, supporting cashless transactions.
- **Rural Coverage:** Nearly 100% villages mapped with banking outlets within 5 km.
- **Deposits Growth:** Average deposits rose 4.12 times; total deposits over ₹2.3 lakh crore.
- **Zero-Balance Accounts:** Reduced from 8.52 crore (2015) to 4.26 crore.

Conclusion

PMJDY has transformed India's financial landscape by deepening inclusion, enabling digital access, and reducing financial disparity across regions.

2.6.2 50 Years of Microfinance

Why in the News?

SEWA Bank, started in 1974 in Gujarat, marks 50 years of microfinance institutions (MFIs) in India.

What is microfinance?

- Microfinance, also called microcredit, is a banking service targeting poor households and small enterprises in rural areas.

Significance of microfinance in India

- **Poverty Alleviation:** SHG Bank Linkage Programme empowers 17.8 crore households.
- **Entrepreneurship:** 46% of loans go to families earning below ₹20,000/month.
- **Women Empowerment:** 88% SHGs are women-led, e.g., Kudumbashree in Kerala.
- **Financial Inclusion:** MFIs reached 140 million families by FY 2024.
- **Social Impact:** Initiatives like Ujjivan's "Chote Kadam" improved healthcare facilities.

Challenges in Microfinance in India

- **Over-Indebtedness:** 8–10% AUM linked to borrowers with 4+ lenders; high interest rates.
- **Regulation Issues:** Multiple regulators for different MFI types.
- **Default Risk:** No collateral increases NPAs.
- **Sustainability:** Few MFIs are profitable, making long-term impact difficult.

Initiatives Undertaken to Promote Microfinance

- **SHG-Bank Linkage:** Promotes production-based lending among SHGs.
- **MUDRA Yojana:** Offers collateral-free micro credit up to ₹20 lakh for small businesses.
- **NBFC-MFI Flexibility:** RBI (2014) allowed NBFC-MFIs to act as Business Correspondents.
- **RBI Framework (2022):** Defined microfinance loans and repayment norms.
- **NABARD Refinance:** Provides long-term financial support to MFIs.

Way forward

- Cap lenders to 3 and outstanding loans to ₹2 lakh.
- Classify MFIs by sector for holistic development.
- Promote financial literacy and insurance penetration.
- Learn from successful southern state models.

Conclusion

India's **50-year microfinance journey** showcases its impact on poverty, inclusion, and women's empowerment. A sustainable, tech-enabled, and well-regulated future is key to expanding this impact.

2.7 Inequality

2.7.1 Regional Disparity in Development

Why in the News?

A working paper by the Economic Advisory Council to the PM highlights uneven growth among Indian states from 1960–61 to 2023–24.

Key trends highlighted in working paper

- **Per Capita Income Disparity:** Western and Southern states like Delhi, Telangana, and Karnataka have much higher income—Delhi's is 250.8% of the national average.
- **Southern GDP Dominance:** Southern states contributed over 30% of GDP in 2023–24.
- **Maritime States Outperform:** Maritime states, except West Bengal, showed better economic performance.
- **Lagging Eastern States:** Bihar remains behind, though its relative position has stabilized

Way Ahead to Reduce Regional Disparity in Growth

- **Tailored Regional Programs:** Focused interventions like Hilly and Drought Area Development.
- **Performance-Based Funding:** Link funds to development outcomes.
- **Strengthen Governance:** Better administration to attract investment and utilize resources.
- **Balanced Infrastructure:** Improve power, transport, telecom, and irrigation.
- **Agriculture Investment:** Build linkages in lagging regions for inclusive growth.

Conclusion

Balanced regional development needs innovation, investment, strong governance, and efficient resource use, enabled by competitive and cooperative federalism.

2.8 Rural Development

2.8.1 Role of Technology in Rural Growth

Why in the news?

Rural Technology Action Group (RuTAGe) Smart Village Center (RSVC) launched in Mandaura, Haryana.

About RSVC

- RSVC was **developed under aegis of Office of Principal Scientific Adviser (PSA)**.
- It aims to **integrate cutting-edge technologies with rural needs**.
- PSA conceptualized RuTAGe in 2003-04.

Key Features of RSVC Model

- **Physical Presence**: Offers **long-term tech support at Panchayat level**, etc.
- **Market Access**: Emphasizes collaboration with platforms like **ONDC, Amazon, etc.**
- **Scalability**: Plans for 20 more centers and focus on women-led "Techpreneurs."

Role of Technology in Rural Growth

- **Agricultural Innovation**: **e-NAM** helps farmers access better markets and pricing.
- **Entrepreneurship:** E-commerce and 3D printing empower small businesses.
- **Education**: PM e-VIDYA, SWAYAM improve digital learning access.
- **Financial Inclusion**: DBT and PMJDY enable transparent, direct transfers.
- **Water Management**: Aquifer mapping improves efficient water use in farming.

Government Initiatives to Promote Technology in Rural Areas

Technological Advancement for Rural Areas (TARA)
Part of Skill Enhancement Education and Development Program to support science based organizations to imple-ment technology solutions for rural live-lihoods

E-Shram Platform
Provides unorganized workers access to benefits and social security

National Optical Fibre Network
Connects state capitals, districts, and 2.5 lakh gram panchayats to improve internet bandwidth and connectivity

Digital Land Records Modernization Programme
Modernizes land records and develops system for managing land information with state-specific requirements

Conclusion

RSVC represents a key initiative to link innovation with rural needs, **enabling inclusive growth** through scalable tech, market integration, and local empowerment.

2.9 Land Reform

2.9.1 Digitization of Land Records

Why in the News?

The Rural Development Minister announced that 95% of rural land records have been digitized since 2016 under the Digital India Land Records Modernization Programme (DILRMP).

About Digital India Land Records Modernization Programme (DILRMP)

- **Launched:** In **2016** by revamping the National Land Records Modernization Programme.
- **Ministry: Central Sector Scheme** under the **Department of Land Resources, Ministry of Rural Development.**
- **Aim**: To **replace** the **manual presumptive land-title system** with a **digital conclusive land titling system**.
- **Key Initiatives under DILRMP**: Bhu-Aadhar, National Generic Document Registration System, e-Court integration, Bhoomi Samman.

Need for Digitization of Land Records

- **Disputes:** Over 60% of litigation is land-related; forgery and Benami ownership are common.
- **Administrative Inefficiency:** Complex record updating promotes corruption.
- **Outdated Mapping:** Poor ground reality reflection.
- **Public Service Delivery:** PM-Kisan support depends on accurate records.

- **Revenue Administration:** Vital for local property tax and financing.

Other initiative for land digitalisation

- **SVAMITVA:** It provides legal ownership of rural residential land using drone-based surveys.

Challenges in the digitalisation of land

- **Presumptive land titling:** No legal guarantee; only sales deeds are registered.
- **In silos approach of Departments**: Disjointed data between registration, survey, and revenue.
- **Legal provisions related to registration**:Some land transfers aren't mandatorily registered.
- **Others**: Legacy data issues, infrastructure gaps, resistance to change.

Conclusion

Conclusive land titling backed by legal reforms, tech integration, and capacity building is key to a transparent, accurate, and efficient land records system.

2.10 Nobel Prize in Economics: Institutions & Prosperity

Why in the news?

The 2024 Nobel Prize in Economics was awarded to **Daron Acemoglu, Simon Johnson, and James A. Robinson** for studying how institutions shape prosperity.

Key Highlights of their research

- **Colonial legacy:** Institutions from colonization led to a "reversal of fortunes," where poorer regions became richer.
- **Influencing Factors:** Settler mortality and population density affected the nature of colonial institutions.
- **Institutional Traps**: Extractive systems hinder progress, but reforms can lead to democracy and reduce poverty.

Role of Economic and Political Institutions in Shaping National Prosperity

- **Property Rights:** Institutions like Article 300A protect ownership.
- **Investment Incentives:** Inclusive institutions promote entrepreneurship (e.g., NIF).
- **Sustainability:** Institutions regulate resource use (e.g., NGT).
- **Regulations:** Encourage innovation and fair competition (e.g., CCI).
- **Governance:** Ensure rule of law and reduce corruption (e.g., CVC).
- **Inclusiveness:** Democratic processes improve policy-making (e.g., TAC).
- **Conflict Resolution:** Promote stability and growth (e.g., NALSA, Lok Adalats).

Conclusion

Economic and political institutions are central to national prosperity. Secure rights, investment incentives, and good governance foster inclusive and sustained growth.

3. EMPLOYMENT, LABOUR, AND SKILL DEVELOPMENT

3.1 Revamped Periodic Labour Force Survey (PLFS)

Why in the News?

National Statistics Office (NSO) has revamped Periodic Labour Force Survey (PLFS) from January 2025.

About Periodic Labour Force Survey (PLFS)

- **Conducting agency:** National Statistics Office (NSO)
- **Ministry: Introduced in 2017 by** Ministry of Statistics and Programme Implementation
- **Objectives:**
  - Provide quarterly employment/unemployment estimates in urban and now rural areas under **'Current Weekly Status' (CWS).**
  - **Provide annual estimates** under both CWS and 'Usual Status' (ps+ss).

Key changes in PLFS Introduced:

- **Monthly national-level labour market indicators** introduced.
- **Quarterly estimates** extended to rural areas.
- **Annual reporting** shifted to calendar year from 2025.
- **Sample size** increased by 2.65 times.
- Districts made **primary geographical units.**
- **More detailed data** on education, land, and household income.

Other methodologies/Reports to compute Employment related indicators in India

- **Employment Market Information Programme**
- **ILO reports**
- **Census (**main and marginal workers)
- **Labour Bureau Surveys & Annual Survey of Industries (ASI)**

Issues with methodologies to compute Employment related indicators in India

- **Inconsistencies in data:** Due to differences in sampling methods, survey timing etc.
- **Relaxed criteria:** CWS counts individuals as employed if they worked ≥1 hour in the preceding week.
- **Unmatching definition:** The Indian definition of employment does not meet international standards.
- **Restrictive nature of Many Surveys:** Quarterly Employment Survey (QES) lack employment data.
- **Previous sample size** (2.72 lakh households) inadequate.

Conclusion

The revamped PLFS boosts the depth and timeliness of labour data. Harmonized definitions and tech adoption will be key for a more robust employment data system.

3.2 Stagnant Wages

Why in the News?

Despite rising employment across sectors, wage growth in India has not kept pace with inflation.

Status of Stagnant Wages

- **PLFS (Periodic Labour Force Survey) Annual Report 2023-24:**
  - **Worker-population ratio** rose from 34.7% (2017–18) to 43.7% (2023–24), showing job growth.
  - **Real wages** rose for casual workers, but remained stagnant for regular salaried workers due to inflation.
- **Economic Survey 2023-24:**
  - **Corporate profits** rose 22.3% in FY24, while employment grew only 1.5%.
  - **Entry-level wages** in IT saw stagnation despite stable EBITDA margins (22%) over four years.

Concerns

- **Economic Slowdown Risk:** Stagnant wages reduce demand, potentially slowing growth.
- **Income Inequality:** Profit gains concentrated in large firms raise equity concerns.

Conclusion

Balancing profits with wage growth is key to sustaining demand and economic stability. A fair labour-capital distribution supports long-term growth and social cohesion.

3.3 Gig Economy

Why in the News?

Recently Governor of Karnataka has promulgated the **Karnataka Platform-Based Gig Workers (Social Security and Welfare) Ordinance, 2025.**

Key Features

- Establishment of a **Welfare Board** and **dedicated fund** with contributions from aggregators, gig workers, and the government.
- **Rights-based approach**, protection from unfair dismissals, and a two-tier grievance redressal system.
- **Rajasthan** is currently the only state with gig worker welfare legislation**.**

> **Factsheet**
>
> **Gig Workers in India (NITI Aayog)**
>
> - 7.7 million workers engaged in gig economy (2020-21)
> - 2.6% of nonagricultural work force or 1.5% of total workforce.
> - 23.5 million Gig workers by 2029-30.

Gig Workers

- Defined under the **Code on Social Security, 2020** as those earning outside traditional employment.
- Face challenges like job insecurity, lack of social protection, and absence of employee status.

Challenges for Gig Workers: Uncertain Nature of Job, Lack of social Protection, Algorithmic management, Lacking 'employee' status, etc.

Steps taken for Gig Workers in India

- **Code on Social Security, 2020:** Includes gig workers in social benefits.
- **Code on Wages, 2019:** Ensures minimum wage coverage.
- **e-SHRAM Portal:** National Database of Unorganised Workers including gig workers.
- **Pradhan Mantri Suraksha Bima Yojana (PMSBY):** Provides ₹2 lakh accident insurance to registered unorganised workers

Way Forward

- **Proper Estimation of Gig Workers:** By having separate enumeration exercises.
- **Accelerate Financial Inclusion:** By leveraging FinTech industry.
- **Enhancing Social Inclusion: e.g. women workers employment** in platform sector.
- **Link skill portals (e.g., ASEEM, e-SHRAM)** for better employment outcomes.
- **Extend universal social security** through partnerships as per 2020 Code

Conclusion

The ordinance is a vital step in formalizing gig work and securing rights, but success depends on effective labour code implementation, fair conditions, and institutional safeguards.

3.4 Skill Development

3.4.1 Bridging Global Workforce Gaps

Why in the news?

The **India Employment Outlook 2030** by ORF has highlighted that approximately 24.3% of the incremental global workforce over the next decade will come from India.

India's demographic advantage

- **Working Population:** Over 65% of India's 1.4 billion people are of working age.
- **Skill Gap Bridging:** NSDC's Global Skill Gap Study highlights rising global demand for Indian talent.

Challenges in labour mobility

- **Anti-immigration policies & sentiments**: Creating barriers for potential migrants (H1B1 Visa issue).
- **Lack of integration programs: To help migrants** adapt to their new environments.
- **Technological Disruption:** Automation and AI reshaping work structures.

Way Forward

- **Align with global demand:** Invest in skilling to match international labour needs.
- **International agreements:** Strengthen bilateral/multilateral pacts and simplify immigration.
- **Lower mobility costs:** Reduce transaction costs & support returning workers' reintegration.

Conclusion

India is leveraging its demographic edge via initiatives **like Skill India Mission, PMKVY, and NEP 2020.** Partnerships with countries like Italy, France, and Germany reinforce India's commitment to becoming a global talent hub.

4. FISCAL POLICY

4.1 State Finances

Why in the News?

RBI released **State Finances: A Study of Budgets Of 2024-25 Report**.

Fiscal Position of the State Governments as per Report

- **Gross Fiscal Deficit (GFD):** Declined to 2.7% of GDP (2004–24) from 4.3% (1998–2004).
- **Revenue Deficit:** Maintained at 0.2% of GDP (2021–24).
- **Capital Outlay:** Rose to 2.6% of GDP in 2023–24 from 2.2% in 2022–23.
- **State Debt:** Fell from 31.8% (2004) to 28.5% (2024).

Why Fiscal Deficit is still high in some States?

- **Reduced transfers from Centre:** Due to end of GST compensation and 18% fall in Finance Commission grants.
- **Power Sector Losses:** ₹6.5 lakh crore DISCOM losses by 2022–23 (2.4% of GDP).
- **Rising Subsidies:** Driven by loan waivers and free services.

Issues in Fiscal Management

- **Lack of timely fiscal data,** delays in State Finance Commissions, and limited spending flexibility.
- **External uncertainties** impact budget estimates.

Reforms undertaken

- **Fiscal Responsibility Laws** (FRLs) and MTFPs improved transparency.
- **Institutional Reforms:** State Institutions of Transformation with NITI Aayog support.
- **Expenditure & Tax Reforms:** DBT, NPS, SNA model, GST adoption.
- **Increased market borrowings:** 17% (2005–06) to 79% (2024–25).
- **Power Sector:** UDAY scheme and extra borrowing limits.
- **Fiscal Health Index 2025:** Released by NITI Aayog.

Way Forward: Recommendations of the report

- **Next-gen fiscal rules:** Counter-cyclical and risk-based frameworks.
- **Medium-Term Expenditure Framework** for better policy-budget alignment.
- **Data-driven fiscal policymaking** using AI and analytics.
- **DISCOM reforms:** Reduce losses, improve productivity.
- **Golden Rule:** Use current revenue for current expenses and borrowings for capital spending.

Conclusion

While state governments have shown fiscal discipline, growing expenditures require continued reforms to ensure sustainability and fiscal health.

4.2 Direct Taxation

4.2.1 Angel Tax

Why in the News?

In Budget 2024-25, the government has announced to abolish the **angel tax for all classes of investors'**.

What is Angel Tax?

- **Definition:** Tax on funding raised by unlisted startups if valuation exceeds fair market value.
- **Objective:** It was introduced in 2012 to curb money laundering and tax evasion.
- **Legal Provision:** It was levied under the **Income Tax Act, 1961**.
- **Scope**: Initially for domestic investors; Budget 2023–24 extended it to foreign investors.

Why Angel Tax has been abolished?

- **Ease of Doing Business:** Reduced growth and added compliance burden; hindered reverse flipping.
- **Investment Impact:** 60% funding decline in 2023; foreign investor participation reduced due to angel tax.

Concerns related with abolishing Angel tax: May reduce government revenue; potential misuse through shell firms and money laundering.

Conclusion

Abolishing angel tax boosts startup funding. Government must ensure investor registration and ownership disclosure to prevent misuse.

4.2.2 Long-Term Capital Gains (LTCG)

Why in the News?

Lok Sabha cleared the **Finance Bill, 2024 amending LTCG tax provision on immovable properties.**

More on the news

- **Budget 2024** removes indexation for most assets bought after July 23, 2024.
- **Indexation** adjusts purchase price for inflation, reducing taxable capital gain.

Key Provisions of Amendment Act

- **Choices to taxpayers**:
  - **Old regime:** 20% LTCG with indexation for assets bought before July 23, 2024.
  - **New regime:** 12.5% LTCG without indexation (mandatory for assets after the cutoff).
- **Enhanced Exemption:**
  - From ₹1 lakh to ₹1.25 lakh for equity-based LTCGs.
  - Tax rate on such gains raised from 10% to 12.5%.

What is Long-Term Capital Gains (LTCG) Tax?

- **Tax on profit from selling long-term capital assets** like stocks or property.
- **Holding period:** >12 months for equities, >24 months for immovable assets.
- **New rates** apply as per asset type and holding period.

Concerns Associated with Amendments

- **Higher Tax Liability:** 12.5% without indexation may increase tax burden.
- Risk of property undervaluation, black money and tax evasion.
- May discourage long-term investment in real estate.

Conclusion

While indexation removal simplifies taxation, it may cause valuation issues and raise liabilities. Balanced reforms are needed for fairness and transparency.

4.2.3 Equalisation Levy

Why in the News?

Equalization levy or digital tax on online advertisements **will not apply on or after April 1, 2025.**

Equalization Levy

- A direct tax introduced in **Finance Act, 2016.**
- Applies to **digital income from advertising and e-commerce services** earned by foreign companies in India.
- **Extended in 2020** to cover broader e-commerce supply/services.

Reasons Behind Imposing Equalization Levy			
Fair Competition	**Bridging Tax Gaps**	**Taxing Foreign Digital Companies**	**Revenue Collection**

Associated Concerns

- **Trade tensions** with the US; seen as trade barrier.
- **Retaliatory tariffs** risk from other nations.
- **Double taxation** and compliance burdens for foreign firms.

Conclusion

While it promoted fairness in taxing digital companies, the levy also triggered trade issues. Its phase-out from April 2025 reflects a move toward global consensus on digital taxation.

4.3 Inflation Targeting Framework

Why in the News?

The **Economic Survey 2024** has reignited the policy debate by **the exclusion of food prices from India's inflation targeting framework**.

Inflation Targeting in India

- **Adopted in 2016:** RBI targets **CPI inflation at 4% ± 2%.**
- **Food prices** (~45% of CPI) heavily sway inflation due to volatile supply (e.g. tomato, onion, oilseeds).

Arguments in **Favour of Excluding Food Prices**	**Arguments against Excluding Food** Prices
• **Food inflation** is supply-driven (weather, global factors) and not suited to monetary tools. • **Avoids pro-cyclical policy:** raising rates on supply shocks may hurt growth**.** • **International Practice:** Many central banks (e.g., the US Federal Reserve) focus on **core inflation** for policy formulation. • **Focus on Long-Term Growth:** Avoiding short-term, reactive measures enables a stable investment environment.	• **Public Perception & Credibility:** Affects daily lives, especially the poor—public confidence at risk. • **Spillover risks:** food inflation can influence core inflation. • May **weaken accountability** of inflation-targeting regime. • **Core inflation** is also imperfect—may lead to policy errors.

Way Forward

- **Hybrid Model:** Continue targeting headline CPI; use core inflation for policy guidance.
- **Strengthen supply chains**, invest in cold storage, logistics.
- **Use buffer stocks & trade policy** to dampen food volatility.
- **Improve forecasting models** using climate and real-time data

Conclusion

Excluding food prices may improve policy precision, but risks public trust. A hybrid approach balancing core and headline inflation is a prudent path.

5. BANKING, PAYMENT SYSTEMS AND FINANCIAL MARKETS

5.1 Banking Sector

5.1.1 Liquidity Deficit

Why in the News?

RBI undertook liquidity infusion measures as banking system liquidity hit a 15-year low in January 2025.

More on the News

- Liquidity infused via:
  - **Open Market Operations (OMO):** ₹1 lakh crore in two ₹50,000 crore tranches.
  - **USD/INR Forex Swap Auction:** $10 billion for 36 months.
- **Liquidity Deficit:** Peaked at ₹3.15 trillion (Jan 2025).

Factors leading to Liquidity Deficit

- **Advance Tax Outflows:** Over ₹3 trillion paid by corporates.
- **SNA-SPARSH Transition:** Faster fund transfers reduced float in banking system.
- **Capital Outflows:** FII sell-offs drained forex reserves.
- **RBI's Dollar Sales:** Rupee support via forex intervention absorbed rupee liquidity.

RBI's Tools for Managing Liquidity Deficit: Liquidity Adjustment Facility, Open Market Operations, Market Stabilisation Scheme, Cash Reserve Ratio, Statutory Liquidity Ratio, Forex Swaps, etc.

Conclusion

The recent liquidity deficit underscores the **importance of agile and calibrated monetary interventions** to maintain financial stability.

5.1.2 Revised Priority Sector Lending Norms

Why in the News?

RBI revises priority sector lending (PSL) guidelines to promote small loan in economically disadvantaged districts with low average loan sizes.

Revised Priority Sector Lending Norms

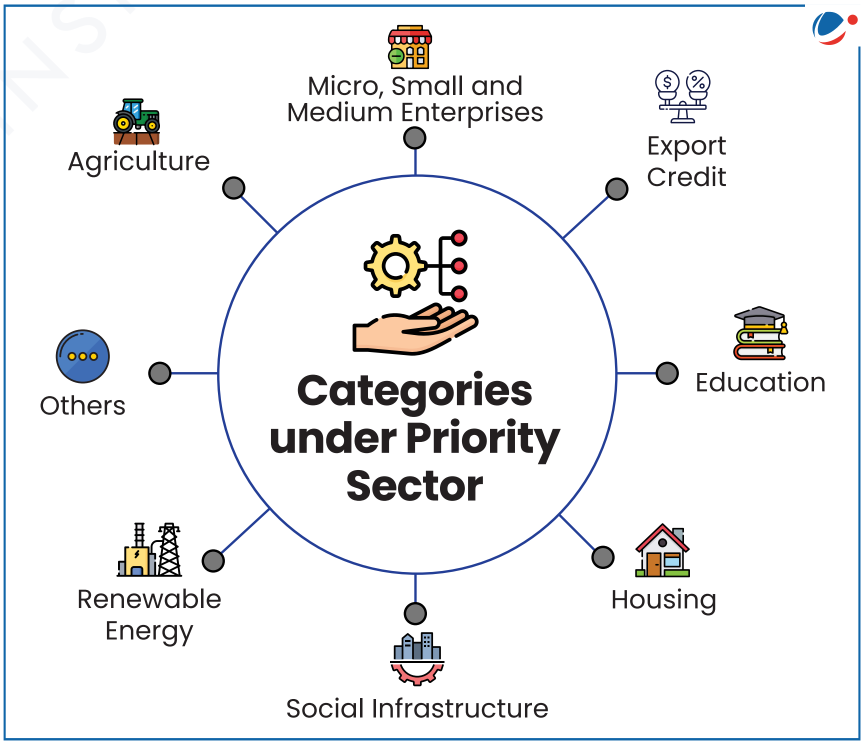
- **Incentive framework: Fresh PSL loans** in low-credit districts will get a **125% weightage**
- **Disincentive framework:** In high-credit districts (loan > ₹42,000/person), weightage reduced to 90%.
- **Neutral Treatment:** Other districts retain 100% weight.
- **MSME Lending:** All MSME loans will now qualify under PSL

Need for New Priority Sector Lending Norms

- **To address** regional disparities in the loan portfolio/credit flow.
- For addressing **the lack of credit flow to MSMEs.**
- **To promote manufacturing industry or production of goods.**

About Priority Sector Lending (PSL)

- **PSL targets** sectors important for **inclusive**



development (e.g., agriculture, MSMEs, education, housing).

- **Mandated lending:** 40% of ANBC for SCBs and foreign banks with 20+ branches, 75% for RRBs/SFBs.

Issues with PSL

- **Non-Performing Assets (NPAs):** According to some studies, PSL was found responsible for **more NPA generation and writing-off of NPA** as well.
- **Increased costs**: PSL increased administrative and transactional cost of banks.
- **Other issues with PSL**: Low banks Profitability, increased Government Interference etc.

Way-forward

- **Promote MFIs and Small Finance Banks** in underserved regions.
- **Leverage digital tools (e.g., mobile banking apps)** to reduce delivery costs.
- **Build robust credit infrastructure** with AI-driven risk tools to assess creditworthiness.

Conclusion

PSL remains pivotal in achieving financial inclusion. However, its success now hinges on **recalibrating policies, targeted incentives, and tech-based delivery models** for sustainable, inclusive credit expansion.

5.1.3 One State, One RRB

Why in the News?

Recently, Department of Financial Services notified **amalgamation of 26 Regional Rural Banks (RRBs)** on the principles of "One State One RRB".

About Regional Rural Banks

- **Established:** 1975 (Narasimham Working Group recommendation).
- **Ownership:** Central Govt (50%) + State Govt (15%) + Sponsor Bank (35%).
- **Regulation:** RBI (Banking Regulation Act, 1949) & NABARD supervision.
- **Priority Lending:** RRBs must allocate 75% of ANBC or CEOBE to PSL sectors.

Status of RRBs

- There are 22,000 branches across 700 districts holding deposits worth ₹6.6 lakh crore.
- 92% of RRB branches in India are located in rural or semi-urban areas. (March 2024) playing a key role in financial inclusion.
- In 2022-23, RRBs **accounted for 11.2% of total agricultural ground level credit**

Significance of One State One RRB

- **Accelerated business growth:** Total RRB business as a percentage of India's GDP is expected to reach ~5.2%6 by FY30 from ~3.7%6 as of FY24.
- **Financial Benefits:** The amalgamated RRB will have **Greater capital base** , **improved compliance** such as anti-money laundering checks, KYC verification and reporting to RBI & NABARD.
- **Enhanced competitiveness:** Pooled resources and expertise may allow diversified and locally tailored products (e.g. as **microfinance options, insurance plans etc)**.
- **Consolidated IT and technological infrastructure:** Result in improved cybersecurity, fraud prevention, etc.
- **Other benefits:** Operational efficiency due to rationalization of branch network, enhanced oversight and operational guidance by regionally strong sponsor banks.

Challenges in Amalgamation of RRBs

- **Operational: Differences in operational & organizational structure** of amalgamated banks.
- **Financial:** Variability in ledgers and accounting systems**.**
- **Governance:** Issues related to **workforce realignment and employee movement**.
- **Technological: High volume of data** related to transaction histories and migrated data backups

Conclusion

Success of the **"One State-One RRB" model** hinges on harmonizing HR policies, tech systems, and branch operations. Enhancing NPA recovery, forming state-level monitoring committees, and regular financial reviews are vital for improved rural credit access and institutional stability.

5.2 Financial Market

5.2.1 Financialisation

Why in the news?

The Chief Economic Advisor raised concerns about excessive 'financialisation' in India.

What is Financialization?

- A process where financial markets, institutions, and elites dominate economic policy and outcomes, and investment shifts from physical assets (like real estate) to financial assets.

Factors Driving Financialisation			
Rising middle class with higher disposable income	**Inflation** due to which households are seeking higher returns beyond fixed deposits	**Government incentives** on these instruments	Increasing **digitisation and financial inclusion**

Why is Excessive Financialisation a Concern?

- **Inequality:** Financial gains concentrate among the top 1%.
- **Economic Distortion:** Profits flow from financial trades rather than goods/services, decoupling markets from real output and jobs.
- **Household Debt:** Stagnant wages drive greater borrowing.
- **Policy Risks:** Encourages predatory lending, higher risk-taking, and weaker worker protections.

Conclusion

Unchecked financial market growth can outpace real economic growth—potentially triggering crises. India needs a gradual, orderly evolution of its financial sector.

5.2.2 Digital Payments

Why in the News?

Recently, UPI led the digital payment revolution by surpassing Visa with over 650 million daily transactions.

Status of Digital Payments in India

- **UPI Transactions:** Processed around 172 billion transactions, a 46% increase from 117.64 billion in 2023.
- **Digital Dominance:** Over 40% of all payments in India are now digital, the highest in the world.
- **Credit Card Growth:** Number of credit cards has more than doubled in the last five years.

Key Digital Payment Initiatives

- **Unified Payments Interface (UPI):** Instant, interoperable system for peer-to-peer and merchant payments.
- **Immediate Payment Service (IMPS):** Real-time, 24x7 electronic funds transfer.
- **FASTag (NETC):** Automatic toll collection system using RFID technology for vehicles.
- **JAM Trinity:** Leverages **Jan Dhan accounts, Aadhaar and Mobile** to enhance financial inclusion.

Challenges in Digital Payments

- **Digital Divide:** Limited internet access and smartphone penetration in rural and remote regions restricts digital inclusion.
- **Limited Financial Inclusion:** While Jan Dhan accounts have expanded access, many remain inactive or underutilized.
- **Cybersecurity Risks:** Increasing cases of online frauds, phishing, and data breaches pose a threat to user trust and system integrity.
- **Trust Deficit:** Fear of transaction failures, technical glitches, and financial loss discourages adoption, especially among first-time users.

Way Forward

- **Enhance Cybersecurity:** Robust frameworks for fraud detection, grievance redressal etc.
- **Robust and Secure Payment Systems**, Data Privacy and Security Laws.
- **Mass Campaigns for creating awareness** & promote digital literacy etc.
- **Improve internet & mobile connectivity,** especially in rural areas & Promote Digital Literacy.

Conclusion

India's digital payments ecosystem, led by the exponential growth of UPI, is setting global benchmarks in transaction volume and innovation. However, addressing challenges like the digital divide, cybersecurity, and financial literacy is essential to ensure inclusive, secure, and sustained growth in the digital economy.

5.2.3 Central Bank Digital Currency

Why in the News?

Recently, US President issued an executive order for **banning** the establishment of USA's Central Bank Digital Currency (CBDC), i.e., **'Digital Dollar'**.

About CBDC

- It is a **legal tender** and a central bank **liability in digital form denominated in sovereign currency** and appearing on central bank balance sheet. **(RBI)**
- **Types of CBDCs**
  - **Wholesale CBDCs:** Used for interbank payments and securities transactions.
  - **Retail CBDC:** For general public use via digital wallets, smartphone apps, etc.

About India's Digital Rupee (e₹)

- It is a **digital form of fiat currency**, issued and regulated by the RBI. It is **available in the same denominations as physical currency.** It is a **legal tender.**
- It is **currently in pilot mode (ongoing with 15 Banks).**

Potential benefits of CBDCs

- **Financial inclusion:** It can give unbanked or under-banked people access to digital payment services.
- **Reduced transaction costs:** By elimination of intermediaries like commercial banks.
- **Reduced dependence on cash:** Help in reducing the cost of printing, distributing, and managing physical currency.
- **Other: Improve monetary policy transmission, Simplify Cross-Border Payment** reducing reliance on intermediaries like SWIFT.

Challenges with CBDCs

- **May Compromise Financial Stability:** Vulnerable to cyberattacks, hacking, and data breaches.
- **Privacy Concerns**: Transaction tracking and identity verification raise data protection issues.
- **Digital divide:** It could widen gap between tech-savvy and less technologically adapted populations.
- **International Regulatory Challenges**: To prevent financial crimes, money laundering.
- **Threat to Monetary Sovereignty:** If people prefer a foreign CBDC over their national currency.

Conclusion

CBDCs can transform the financial system but must be rolled out with **strong regulation, privacy safeguards,** and **digital infrastructure** to avoid unintended risks.

5.2.4 Internationalization Of UPI

Why in the news?

NPCI International Payments Limited (NIPL) has partnered with **Trinidad and Tobago** to develop a **Unified Payments Interface** (UPI) like payments system.

About Unified Payments Interface (UPI)

- **UPI,** launched in 2016, is an **instant real-time payment system** developed by **National Payments Corporation of India (NPCI).**

Initiatives for Internationalisation of UPI

- **NPCI International Payments Limited (NIPL):** Established in 2020 to promote UPI globally; operational in UK, Nepal, Sri Lanka, France, etc.
- **UPI Global Acceptance:** Enables QR code-based payments at select international merchants using Indian bank accounts.
- **Foreign Inward Remittance (FIR):** Allows direct remittance receipt via UPI.
- **Inclusion of NRIs:** Extended to NRIs with Non-Resident (External) Accounts.

Benefits of Internationalization of UPI

- **Alternative to International Payment Systems:** Potential alternative to systems like Swift.
- **Promotes regional integration** and trade efficiency.
- **Leadership in the Global South:** India's UPI can provide a sustainable path for the Global South.
- **Digital Diplomacy**: Showcases India's global leadership in tech solutions.
- **New opportunities for India:** such as Indian tourists using UPI across Neopay terminals in the UAE.

Challenges in global adoption of UPI

- Regulatory issues like **currency conversion and wallet integration.**
- **Competition** from foreign-owned UPI apps.
- **High integration cost** for traditional banks hinders adoption.

Conclusion

UPI's global expansion enhances India's soft power and economic ties. It may pave the way for exporting India's Digital Public Infrastructure to other nations.

5.2.5 Cross Border Payments

Why in the News?

Recently, RBI announced steps to boost cross-border transactions in rupees.

Cross Border Payments

- Cross border payments are transactions that take place between financial institutions, businesses, and individuals, where the sender and recipient are based in separate countries.

Status of Cross Border Payments

- **India:** The cross border payments market was valued at $206.5 bn in 2024 and is projected to hit $414.6 bn by 2034.
- **Global:** The global cross-border payments market was valued at $181.9 trillion in 2022, and is projected to reach $356.5 trillion by 2032.

Constraints in Cross Border Payments

- **Differing government regulations**
- **Lack of Standardization** of financial data
- **Security Risks** such as money laundering, terror financing and cyber fraud.
- **High cost and delay** in settlement

Initiatives

- **RBI joined Project Nexus** which enable instant cross-border retail payments.
- **BRICS Bridge:** Proposed payment system by BRICS nations.
- **mBridge Project:** Enable faster, cheaper, and more secure cross-border payments.
- **Internationalization of UPI,** INR Trade Settlement Mechanism etc.

Way Ahead

- Adopt a **harmonized ISO 20022 version** for structured data exchange.
- **Collaborate with fintech companies** specializing in cross-border payments.
- Explore the potential role of new payment infrastructures like **central bank digital currencies (CBDCs).**
- Ensure compliance with **international and local regulations.**

Conclusion

India is taking significant steps to modernize and expand its cross-border payment systems, aiming to make transactions faster, cheaper, and more secure. With growing market potential and global collaboration, addressing regulatory, technological, and security challenges will be key to realizing an efficient and inclusive cross-border payments ecosystem.

6. EXTERNAL SECTOR

6.1 India's Strategy Towards Large Trade Agreements And FTAs

Why in the news?

NITI Aayog CEO recommended India's participation in major trade pacts like RCEP, while the India-Australia FTA showed up to 90% utilisation in some sectors.

Significance of FTAs and Large Trade Agreements

- **Boost to Exports and Manufacturing:** Trade blocs and FTAs offer vibrant export markets and help realise India's manufacturing potential.
- **Trade Competitiveness:** Tariff parity with ASEAN can attract private investment and enable India to leverage the 'China Plus One' strategy.
- **FDI and Employment:** Agreements help attract FDI and create jobs.
- **Strategic Relevance:** Aligns with policies like Act East and integrates India into global value chains.
- **Economic Gains:** Studies suggest India could gain up to USD 60 billion by 2030 by joining RCEP.
- **Digital Trade and Services:** New FTAs (e.g., with UAE) include digital trade and address non-tariff barriers.

Challenges in Trade Agreements

- **Trade Deficit Risks:** RCEP is skewed toward China, potentially worsening India's existing USD 85 billion trade deficit.
- **Overlapping FTAs:** India has FTAs with 13 of 15 RCEP countries, creating spaghetti bowl effects.
- **Low-Value Exports:** India's exports still lack high-tech content (~10%).
- **NTBs and Quality Issues:** Non-tariff barriers can reduce trade by 2–11%; issues like fuel export quality impacted Indo-Japan FTA.
- **Pressure on Local Industry:** FTAs could expose domestic sectors like dairy to stiff competition.
- **Limited Regional Trade:** SAFTA has not yielded significant trade benefits.

Way Forward

- **Strategic FTA Negotiation:** Continue discussions for better terms, ensuring market access for both goods and services.
- **Cost-Benefit Analysis:** Thorough stakeholder consultation on joining large blocs like RCEP.
- **Trade Facilitation:** Address high logistics costs, inverted duties, and Rules of Origin.
- **Move Up the Value Chain:** Promote production of high-value and tech-intensive goods.
- **Align with Atmanirbhar Bharat:** Phase-wise tariff reduction and integration into global value chains.
- **Address NTBs:** Focus on resolving non-tariff and regulatory barriers in existing and future FTAs.

Conclusion

India's evolving FTA strategy reflects a balance between global integration and strategic autonomy. A calibrated, data-driven approach is essential to boost trade while protecting domestic interests.

6.2 Bilateral Investment Treaty (BIT)

Why in the News?

An announcement was made in the Union Budget 2025 regarding the revision of the model Bilateral Investment Treaty (BIT) text to make it more investor-friendly.

About Bilateral Investment Treaties (BITs)

- **Definition:** Agreements protecting foreign investors while preserving host states' regulatory rights.
- **Purpose:** Enable investor-state (ISDS) or state-state dispute resolution.
- **India's Model BIT 2015:** Replaced 1993 version; guides BIT/FTA negotiations (e.g., pacts with Uzbekistan, UAE in 2024).

Key Features of Model BIT 2015

- **Enterprise-based investment:** Requires compliance with host state laws.
- **Non-discrimination and National Treatment:** Equal footing for foreign/domestic investors.

- **Expropriation safeguards:** Limits state takeover of assets.
- **Regulatory carve-outs:** Excludes taxation, subsidies, national security.
- **ISDS mechanism:** Mandates 5-year local remedy exhaustion.

Issues with India's BIT Architecture

- **Ambiguity:** Vague terms like "investment" spur disputes (37 notices, 8 active cases).
- **Judicial delays:** 5-year local remedy rule worsens backlog.
- **Limited ISDS scope:** Bars review of domestic court "merits."
- **Investor restrictions:** No MFN/FET clauses; tax exclusions; monetary-only awards.
- **Non-ICSID membership:** Hinders enforcement (India not part of World Bank's ICSID).

Conclusion

The revision of India's BIT aims to address investor concerns. A balanced, investor-friendly framework could increase foreign investment while preserving regulatory autonomy.

6.3 Foreign Direct Investment (FDI)

6.3.1 Framework For Reclassification of FPI to FDI

Why in the News?

The RBI issued framework for reclassification of FPI to FDI.

More on the news

- **FPIs** can **hold up to 10%** of an Indian company's equity.
- If this cap is breached, FPIs can **either divest or reclassify as FDI**.
- The **new framework** outlines the process for reclassification.

RBI'S New Operational Framework on reclassification of FPI to FDI

- The facility of reclassification **shall not be permitted in sectors prohibited for FDI.**
- FPI investments **require government approvals**, especially from **land-bordering countries**.
- Also, investment should be in adherence **to entry route, sectoral caps, investment limits etc.**
- FPI reclassification will be guided **by FEMA (Mode of Payment & Reporting of Non-Debt Instruments) Regulations, 2019.**

Conclusion:

The framework offers regulatory clarity and facilitates transition from FPI to FDI, enhancing investor confidence and boosting long-term capital inflows.

6.4 UN Global Tax Treaty

Why in the news?

UN's Ad Hoc Committee to Draft Terms of Reference for a United Nations Framework Convention on International Tax Cooperation approved **a package of guidance** for UN Global Tax Convention.

More on the news

- The treaty seeks a legitimate, stable, and effective global tax system.
- Supported by developing nations, including India; opposed by some industrialized countries.

Objectives of UN Global Tax Convention

- **Strengthening international tax cooperation.**
- **Address tax challenges** from digitalization and MNCs.
- **Mobilize domestic resources** for development and SDGs.
- **Implement Addis Ababa Action Agenda** on Financing for Development.

Global Tax Abuse (State of Tax Justice 2024' Report)

- Global tax abuse **costs $492 billion** annually.
- **Two-thirds from MNC profit shifting**; one-third from offshore wealth hiding.
- **43% of losses tied to 8 OECD countries** opposing UN tax treaty.

Global Tax Reforms

- **OECD's Global Minimum Tax (GMT)**: 15% minimum corporate tax rate.

- **OECD's Base Erosion and Profit Shifting (BEPS)**: Tackles tax avoidance.
- **OECD's Common Reporting Standard (CRS)**: Enables automatic financial data exchange.

Conclusion

The UN tax treaty offers a global opportunity to curb tax abuse and enhance equity. Taxes on wealth and excess profits can help reduce inequality and support public welfare.

6.5 Double Taxation Avoidance Agreement (DTAA)

Why in the News?

Switzerland has suspended the **Most-Favoured-Nation (MFN)** clause in the **Double Taxation Avoidance Agreement (DTAA) with India.**

About Double Taxation Avoidance Agreement (DTAA)

- **Prevents double taxation** of the same income in **source and residence countries.**
- India has DTAAs with over **90 nations**, including Switzerland (since 1994, revised in 2010).
- The MFN clause doesn't automatically extend lower tax rates offered to third countries.

MFN Clause in Double Taxation Avoidance Agreement (DTAA)

- **Ensures equal or better tax treatment** for signatories as given to other treaty partners.
- **E.g.,** if India grants France a lower dividend tax rate, Switzerland could claim the same.
- Similar principle exists in **WTO agreements.**

Significance of DTAA in Global Tax Governance				
Provides Legal Certainty	Provides Mutual Agreement Procedures	Prevention of Tax Evasion	Certain DTAAs includes anti-abuse clauses.	Tax Savings

Challenges in DTAA Architecture

- **Treaty abuse: e.g.,** Mauritius route exploited for capital gains exemption.
- **Disputes over DTAA interpretation** can cause double taxation and delays.
- Issues with **aligning DTAAs with domestic laws** (e.g., 2023 Nestlé dispute).
- MAP provides a mechanism for resolving double taxation disputes.

Conclusion

Switzerland's MFN clause suspension signals shifts in global tax norms, underlining the importance of clear treaty interpretation and consistency with domestic and international standards.

6.6 Rupee Depreciation

Why in the News?

Recently, the Indian Rupee faced its **sharpest depreciation** in last two years breaching the 85 mark against the US dollar.

Key Factors Responsible for Rupee's Depreciation

- **Higher inflation** reduces rupee's purchasing power.
- **Capital outflows** by foreign investors.
- **Trade deficit** and heavy reliance on high-value imports like crude oil.
- **Global factors** like US interest rate hikes.
- **Short-term foreign currency liabilities** exceeding assets.

Impact of Rupee's Depreciation

Positive Impact	**Negative Impact**
• Boosts exports due to cheaper prices in foreign markets. • Increases value of remittances. • Can stimulate domestic investment via export gains.	• Raises import costs and inflation. • Discourages FDI and may lead to capital flight. • Increases cost of servicing foreign debt.

Way Forward to make the rupee stable

- **Short-term Measures**
  - RBI's dollar sales, currency swaps, import controls, monetary policy tweaks.
- **Long-term Measures**
  - Diversify trade payments, promote exports, attract global firms.
  - Ensure fiscal prudence, inflation control, and reduce import dependence.

Conclusion

Rupee depreciation presents both risks and benefits. A mix of short-term monetary actions and long-term reforms like export growth and macroeconomic stability is essential for sustaining confidence and resilience.

6.7 Internationalization Of Rupee

Why in the News?

Recently, RBI liberalized FEMA regulations to promote the internationalization of Indian Rupee for cross-border transaction settlements.

Benefits of Internationalization of Rupee

- **Reduces Vulnerability:** Reducing foreign currency reliance shields economy from forex shocks and inflation.
- **Limits Exchange Rate Risks:** Reduces the cost of doing business and enables better growth of business etc.
- **Deficit Financing:** Global INR use allows government raise debt in own currency, reducing forex risk.
- **Others:** Reduces Requirement of Forex Reserves, Strengthening India's Financial Markets etc.

Challenges in Internationalization of the Rupee

- **Triffin Dilemma:** Difficulty in balancing rising global demand for INR with maintaining domestic monetary stability.
- **Restricted Convertibility:** Rupee is fully convertible on current account but only partially on capital account, limiting global adoption.
- **Risk to External Shocks:** Open capital flows increase exposure to financial volatility.
- **Other Challenges:** Limited international usage and potential for higher exchange rate fluctuations.

Initiatives Undertaken

- **Internationalization of UPI**
- **MoUs for Cross-Border Transactions**: India has signed MoUs with countries like UAE to enable local currency-based cross-border payments.
- **RBI's Strategic Action Plan 2024–25** includes steps to promote international use of the Indian Rupee (INR).
- **Special Vostro Rupee Accounts (SVRAs):** Mechanism to settle international trade in INR through designated Vostro accounts.
- **Other Measures:** Bilateral currency swaps, INR recognised as foreign currency in Sri Lanka, and issuance of Masala bonds.

Way Forward

- **Inclusion of INR in Continuous Linked Settlement (CLS):** CLS is a global platform for settling foreign currency transactions; India is working towards INR inclusion.
- **Currency Swaps & Local Currency Settlement (LCS):** These mechanisms help stabilise INR and shield businesses from currency risks.
- **Strengthen markets** by harmonising RBI-SEBI KYC norms, enabling 24x5 INR trading, and inclusion of Indian bonds in global indices.
- **Other Measures:** Push for INR in SDR basket and expand internationalisation of NEFT, RTGS, and UPI.

Conclusion

The internationalization of the Rupee holds immense potential to strengthen India's economic resilience and global trade presence. Strategic reforms and collaborations are key to overcoming existing challenges and expanding the Rupee's global footprint.

6.8 Sovereign Credit Ratings

Why in the news?

CareEdge became the **first Indian credit rating agency** to enter the global scale ratings space, including **sovereign ratings.**

About Sovereign Credit Rating (SCR)

- **Ratings** assess a country's ability and willingness to meet debt obligations.
- **Key parameters:** growth, inflation, debt levels, external liabilities, and political stability.
- SCRs affect borrowing costs, investor trust, and foreign capital inflow.
- Currently dominated by S&P, Moody's, and Fitch.

Issues prevailing in SCR rating by US-based rating agencies

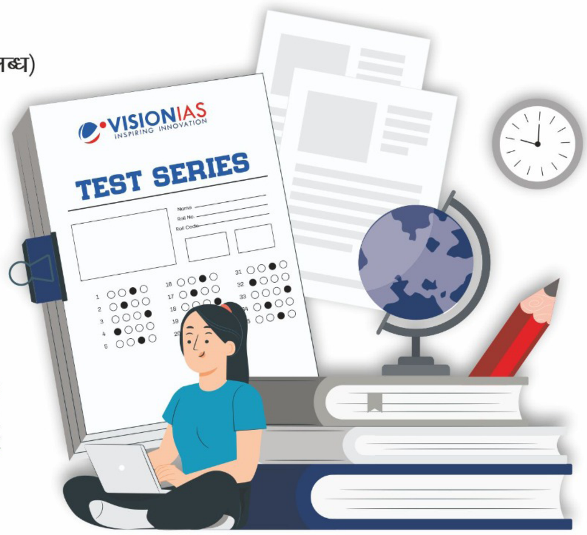
- **Lack of transparency** on methodologies followed by rating agencies.
- **Inadequately** capturing the economy's fundamentals.
- **Global CRAs are biased against emerging economies,** giving India a low rating despite its position as the 5th largest economy with no default history.

About Credit Rating Agency (CRA) in India

- SEBI regulates domestic CRAs like CRISIL, ICRA, and CARE.
- CRAs are corporate bodies that rate listed (or to-be-listed) securities as per SEBI norms.

Conclusion

India's entry into global sovereign ratings via CareEdge enhances domestic capabilities and reduces reliance on foreign agencies.



7. AGRICULTURE AND ALLIED ACTIVITIES

7.1 Agriculture

7.1.1 Prime Minister Dhan Dhaanya Krishi Yojana

Why in the news?

Finance Minister announced the launch of the Prime Minister Dhan-Dhaanya Krishi Yojana (PMDKY) in the Union Budget 2025.

About Prime Minister Dhan-Dhaanya Krishi Yojana (PMDKY)

- **Coverage:** It will cover **100 districts.**
- **Inspired by ADP:** Modeled on the 2018 Aspirational Districts Programme, aimed at rapidly transforming 112 under-developed districts across India.

Objectives of PMDKY

- Enhancing agricultural productivity
- Adopting crop diversification and sustainable agriculture practices
- Augmenting post-harvest storage at the panchayat and block level
- Improving irrigation facilities
- Facilitating availability of long-term and short-term credit

7.1.2 Digital Agriculture Mission

Why in the News?

Recently, Union Cabinet approved the Digital Agriculture Mission with a total outlay of ₹2,817 cr.

Two foundational pillars:

- **Agri Stack (Kisan ki Pehchaan):** Farmer-centric DPI with Farmer IDs, geo-mapped villages, and Crop Sown Registry to streamline services.
- **Krishi Decision Support System (DSS):** Integrates remote sensing data on crops, soil, weather, and water into a unified geospatial system.

Key Targets:

- Create digital identities for **11 crore farmers over 3 years & Digital Crop Survey** to be launched nationwide in 2 years, covering **all districts in FY 2025-26.**

Significance of Digital Agriculture Mission:

- **Aid in Informed Decisions**
- **Accurate data** on crop area and yield
- **Preventing and mitigating losses:** E.g. Crop map generation & monitoring
- **Improved service delivery** for farmer

Way Ahead

- Ensure **secure data collection, ownership rights** for farmers
- Develop **open, interoperable, and scalable digital platforms**
- Encourage **public-private partnerships** to develop affordable, multilingual apps, AI tools etc.
- Align DAM with schemes like **PM-KISAN, Soil Health Card, eNAM**, for maximum impact.

Conclusion

The Digital Agriculture Mission aims to transform Indian agriculture through data-driven decisions and tech-enabled services. With secure, farmer-centric systems and strong integration, it promises to enhance productivity, transparency, and resilience in the sector.

7.1.3 Makhana

Why in the News?

Union Budget 2025-26 announced constitution of **Makhana Board in Bihar.**

About Makhana (Foxnut)

- **Makhana,** is an important **aquatic flowering crop** with botanical name **Euryale ferox.**
- It is grown in **stagnant perennial water bodies** like ponds, oxbow lakes, swamps etc.
- Makhana is now being recognized as a **super food.**
- **Preferred Climatic conditions: Temperature:** 200C to 350 C; Annual rainfall: 100 cm to 250 cm
- **Major Producing Regions: Bihar (90%), UP,** West Bengal, Manipur, Tripura etc.

Other initiatives taken to promote Makhana Cultivation

- **National Research Centre for Makhana, Darbhanga**: Under ICAR since 2001.
- **National Institute of Food Technology:** Boosts makhana processing.
- **One District One Product (ODOP):** Makhana listed for Darbhanga and Muzaffarpur.
- **GI Tag**: In 2022, '**Mithila Makhana'** was conferred a GI tag.

Conclusion

The Makhana Board aims to organize promotion, research, and commercialization, addressing inefficiencies and enhancing global competitiveness.

7.1.4 Mission for Cotton Productivity

Why in the News?

The **'Mission for Cotton Productivity' was announced** during Budget 2025-26.

Mission for Cotton Productivity

- A **five-year initiative** to boost productivity, sustainability, and ELS (≥34.925 mm) cotton cultivation (10% of area, 4% global output).
- **Ministry: Ministry of Textiles**; aligned with **5F Vision—Farm, Fiber, Factory, Fashion, Foreign.**
- Supports farmers with science & technology, aims to reduce imports, and enhance textile sector competitiveness (80% MSME-driven).

Other Steps taken for development of cotton sector:

- **Minimum Support Price (MSP) for Cotton**: Declared for two basic FAQ cotton varieties.
- **Branding of Indian Cotton: "KASTURI Cotton India"** for self-reliance and local promotion.
- **Mobile App "Cott-Ally"** for awareness on MSP, best practices, procurement.
- **Technological Interventions**: HDPS, quality assessment, modern ginning & pressing, extension services.

Conclusion

MSMEs play a key role in value-added cotton products. The Mission aims to raise cotton quality, farmer income, and exports—crucial for Brand India and self-reliance.

7.1.5 National Mission on Edible Oils – Oilseeds (NMEO-Oilseeds)

Why in news?

Union Cabinet approved **NMEO-Oilseeds** for **2024–25 to 2030–31.**

Key features of NMEO-OS

- It will be a **Centrally Sponsored Scheme** (CSS) under **Krishonnati Yojana (KY).**
- **Objective:** Reduce edible oil imports, promote atmanirbharta, and raise farmer incomes.
- **SATHI Portal:** 5-year online rolling seed plan for timely seed availability.
- **600 Value Chain Clusters** across 347 districts to offer quality seeds, training, and support.

Challenges in attaining self-sufficiency in Edible Oil in India

- **Lower yield:** Due to non-use of GM herbicide-tolerant varieties.
- **Rainfed dependency:** 76% of oilseed area is rainfed and stress-prone.
- **Regional concentration:** Few states dominate production (e.g., Gujarat, Rajasthan, etc. produce 83.4% of groundnut).
- **Demand-Supply Gap:** Imports expected to remain high to meet demand.

Conclusion

NMEO-OS aims to enhance output via better seeds, infrastructure, and clusters, while expansion to fallow land, research, and PPPs will support long-term self-reliance.

7.2 Agriculture Extension System

Why in the news?

Prime Minister awarded Krishi Sakhi certificates to over 30,000 women SHGs in Varanasi.

Krishi Sakhis

- Practicing farmers trained as para extension professionals at the grassroots.
- Support farmers in adopting scientific methods through education and training.

Agricultural Extension System in India

- Dominated by public sector; led by ICAR.
- VISTAAR: ICT-based video dissemination of farm technologies.
- Promotes drone use in agriculture.
- NMAET: Enhances technology delivery and agronomic practices.
- KVKs: ICAR's field units for seed, practices, and tech testing in agro-climatic zones.

Challenges with India's Agricultural Extension System

- **Lack of Investment:** Only 0.16% of Agri-GDP on Extension and Training.
- **Regional Variations:** Eastern states spend least despite high dependence.
- **Skewed Allocation:** 92% allocation toward crop husbandry.
- **Lacks outcome orientation:** More activity-focused than results-driven.

Conclusion

India needs a market-oriented, tech-led, diversified extension system. Strengthening grassroots efforts like Krishi Sakhis and ensuring balanced, outcome-driven investment is key to uplifting farmers.

7.3 Agriculture Input

7.3.1 Primary Agricultural CREDITS Societies (PACS)

Why in the news?

Various initiatives have been taken for the expansion and modernization of PACS.

More on the news

- **Initiative for expansion:** Foundation laid for **500 new PACS** to build Agri-infrastructure.
- **Initiatives for modernization of PACS:**
  - **Project for computerization in 18,000 PACS**: Under centrally sponsored projects
  - **National Cooperative Database (NCD)** was inaugurated by Ministry of Cooperation.

About PACS

- **Definition:** PACS are the grassroots level arms of short-term co-operative credit structure.
- **Refinancing: Refinanced by NABARD** through District Central cooperative and Schedule banks.
- **Functions:** Gives short-term credit loans and also provide other input services, like seed, fertilizer etc.
- **Significance:** It **provides 41% of KCC loans** and 95% of it go to small and marginal farmers (2022).
- **Current Status:** There are **over 65000 functional PACS** across country.

Initiatives to strengthen PACS

- **New FPOs by PACS:** 1,100 additional FPOs to be set up with NCDC support.
- **NCDC Role:** Provides loans and grants to states for funding cooperative societies.
- **Diversifying business portfolio:**
  - **Model Byelaws allow over 25 activities**—dairy, fishery, floriculture, godowns, etc.
  - PACS to function as **Pradhan Mantri Kisan Samriddhi Kendras** for Agri Inputs.
  - PACS to operate as Pradhan Mantri Bhartiya Jan Aushadhi Kendras, CSCs etc.

Conclusion

Strengthening PACS needs a multi-faceted strategy—adopting tech like CAS and MIS, promoting risk-based lending and diversification, building skilled manpower, and ensuring transparent, accountable, and interference-free governance.

7.4 Allied Sectors

7.4.1 India's Dairy Cooperative Sector

Why in the news?

Ministry of Cooperation launched SOPs for **'White Revolution 2.0'** to reform the dairy cooperative sector.

Key Objectives of White Revolution 2.0

- **Increase milk procurement by dairy cooperative societies**: by 50% over the 5 five years
- **Strengthen women Farmer:** To make women **self-reliant and empowered** in rural areas.
- **Strengthen Dairy Infrastructure** with financial aid for procurement systems, chilling units, etc.
- **Boost Dairy Exports:** Through indigenous testing tools and infrastructure.
- **Promote financial inclusion** via interest-free credit and micro-ATMs for dairy cooperatives.

Importance of Cooperatives in Dairy Sector

- **Promoting Economic Empowerment of Farmers:** E.g., Cooperative societies like Amul and Nandini.
- **Facilitate Market Access** for small farmers: Enhancing their **collective bargaining power**.
- **Supporting Women's Empowerment: 35% of participants in dairy cooperatives are women**.
- **Financial Inclusion:** Cooperative banks offer low-interest loans, improving access to credit for farmers
- **Crisis resilience and risk mitigation**

Challenges: Financing gaps, milk grid issues, changing consumer preferences, limited processing etc.

Initiatives taken to strengthen Dairy Sector

- **Rashtriya Gokul Mission**
- **Livestock Health & Disease Control Programme (LHDCP)**
- **Animal Husbandry Infrastructure Development Fund**
- **Kisan Credit Cards (KCC)**
- **Revised National Program for Dairy Development (NPDD)**

Way ahead

- **Technological Integration:** Use cyber stores, customer databases, and targeted marketing.
- **Efficient Milk Processing:** Build cold chain systems and enhance branding and online presence.
- **Boosting Exports**
  - **Competitiveness:** Of domestic dairy brands against international brands.
  - **Business Approach:** Business model focusing on profitability and sustainability.
  - **Exclusion from FTAs:** Advocate for the exclusion of dairy from free trade agreements (FTAs).

Conclusion

By leveraging the cooperative model, India's dairy sector can transform its potential into reality, positioning the nation as a leading exporter of dairy products on the global stage.

7.5 Grain Storage and Food Security

7.5.1 Grain storage system in India

Why in the news

Under the pilot phase of the World's Largest Grain Storage Plan, storage units of 9,750 MT capacity were built at PACS in 11 states.

About World's Largest Grain Storage Plan in Cooperative Sector

- **Ministry:** Ministry of Cooperation.

- **Purpose:** Create decentralized PACS-level storage with supporting agri-infrastructure via convergence of schemes like Agriculture Infrastructure Fund and Agricultural Marketing Infrastructure Scheme.

Grain storage system in India

- **Small farmers:** 60–70% of grains stored at home in traditional structures (e.g., Morai, Mud Kothi).
- **Government Agencies:**
  - Food Corporation of India (FCI): FCI is main agency for storage of foodgrain in country.
  - Central warehousing Corporations (CWC) for warehousing of agricultural produce.
  - State warehousing Corporations to regulate warehousing of certain goods in the states.
- **Private agencies:** FCI hires storage capacity from private owners.

Challenges associated with India's grain storage

- **Unscientific storage**: Around 80% handling and warehousing facilities are not mechanized.
- **Storage shortage:** Food grain output is 311 MMT vs. 145 MMT capacity—shortfall of 166 MMT.
- **Surplus buffer stock:** FCI has been carrying buffer stocks way in excess of buffer stocking norms.
- **Post-harvest losses**: High post-harvest losses due to traditional methods.
- **Lack of private investment in warehousing**: Due to land and regulatory hurdles.

Conclusion

Decentralized, modern storage at PACS level is key to cutting post-harvest losses, managing surplus, and ensuring food security. Success depends on scientific methods, investment, and scheme convergence.

7.5.2 Food Corporation of India (FCI)

Why in the news?

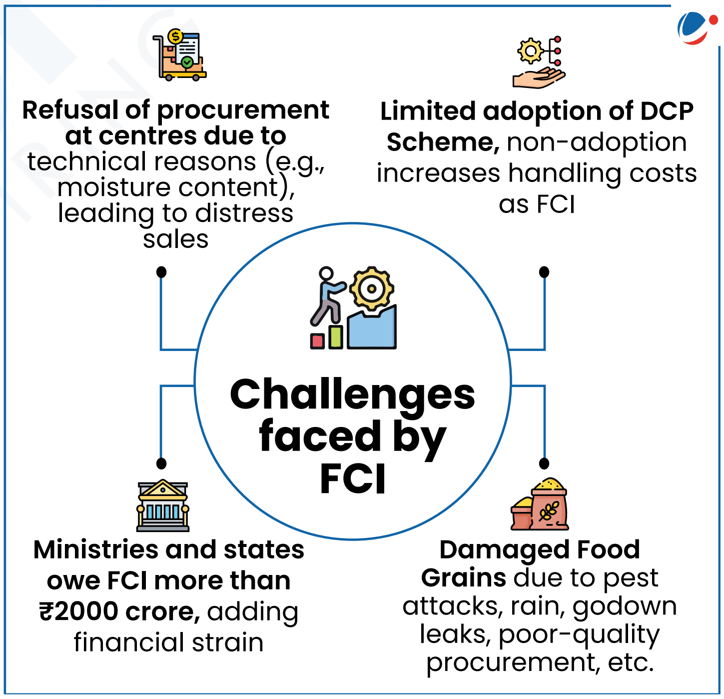
CCEA approved ₹10,700 crore equity infusion for FCI's working capital for 2024–25.

What is Food Corporation of India?

- **About**: PSU under the **Ministry of Consumer Affairs, Food & Public Distribution**.
- **Established:** Under the **Food Corporation's Act 1964.**
- **Role:** Executes GoI's food policies; responsible for procurement, storage, movement, distribution, and sale of food grains.

Working mechanism of Food Corporation of India (FCI)

- **Ensures MSP** by procuring food grains with state agencies.
- **Procurement Types:**
  - **Direct:** FCI/State agencies handle end-to-end process.
  - **DCP:** States manage locally; excess given to FCI for Central Pool.



Reform Initiatives

- **Direct Benefit Transfer (DBT) Initiative**: Implemented 'One Nation, One MSP'.
- **Storage Upgrade**: Traditional **cover-and-plinth** reduced; modern depots and silos promoted.
- **Steel Silos:** 22.75 LMT operational; 41 LMT under development.
- **Digital reforms**: AI surveillance, ANNA DARPAN portal, Vehicle Tracking System.

Conclusion

FCI is central to India's food security. With tech upgrades, better storage, and decentralized procurement—backed by equity infusion—it's becoming more efficient and transparent.

7.5.3 Public Distribution System (PDS) in India

Why in the News?

ICRIER published policy brief - Rationalising the Public Distribution System (PDS) in India.

About PDS

- Food security system under Ministry of Consumer Affairs, Food & Public Distribution.
- Operated jointly by Centre and States via Fair Price Shops (FPS) distributing essentials at subsidised rates.

Key Findings

- **Leakages:** 28% of food grains from FCI/States don't reach beneficiaries—causing ~₹69,108 crore loss.
- **Reforms:** Aadhaar linking and PoS installation (95% FPS) improved delivery, but leakages persist.
- **Regional Variations:** Bihar, West Bengal improved; high leakages in NE states due to poor digitalisation.

Recommendations

- **Better Targeting:** Limit free distribution to bottom 15%; others to get grains at 50% MSP.
- **Adopt DBT:** Reduces leakage, admin costs, and increases dietary flexibility.
- **Nutrition Hubs:** Convert FPSs using food coupon models to curb diversion and promote nutrition.

Conclusion

Despite reforms, leakages persist. Targeted coverage, DBT, and nutrition-focused FPSs can improve efficiency and food security.

8. INDUSTRY AND INDUSTRIAL POLICY

8.1 10 Years of Make in India

Why in the News?

Launched on **September 25, 2014**, the "**Make in India**" initiative has recently **completed 10 years.**

About 'Make in India'

- **Aim:** To transform India into a global design and manufacturing hub.
- **Objectives**
  - To increase **the growth rate** of Indian industry **to 12-14% per year.**
  - To create **100 million industrial jobs by 2022.**
  - To increase the share of **the manufacturing sector to 25% of GDP by 2025** (revised from 2022).

Major Achievements under 'Make in India'

- India now produces **400M toys, ranks 4th in renewables, and 2nd in mobile** manufacturing.
- **Ease of Doing Business:** Improved from 142 (2014) to 63 (2020).
- **Boosted competitiveness** via low taxes and single-window clearances.
- **R&D and high-value manufacturing prioritized;** climbed 42 spots in Global Innovation Index.
- **Rise in defense exports, FDI inflows, and sustainable growth** via Green Hydrogen Mission.

Implication of Shifting from Agriculture to Services Sector

- **Economic Growth:** Services' GVA share rose from 50.6% (FY14) to 55% (FY25).
- **Employment:** Agriculture still employs most people but yields low value.
- **Regional Disparity:** Services growth concentrated in few states.
- **Premature Deindustrialization:** Skipped manufacturing phase, limiting job creation.

Concerns with 'Make in India'

- **Manufacturing** still only 17.7% of GDP (2023), below 25% target.
- **Jobs in manufacturing** declined from 51M (2017) to 35M (2023).
- **Real GVA growth in manufacturing** slowed to 5.5% (2023).
- **Investment fell:** Gross Capital Formation declined from 39.1% (2008) to 32.2% (2023).
- **FDI skewed:** 70% went to 9 sectors (mostly IT); manufacturing got 30%.
- **Exports weakened:** Merchandise exports dropped to ~8% of GDP (2022–23) from ~10% (2013–14).

Major Initiatives Taken to Enable Make in India					
Production Linked Incentive (PLI) Schemes	**Tax Reforms** such as GST implementation.	**PM Gati Shakti**	**Startup India**	**National Logistics Policy (2022)**	**Others:** Semiconductor Ecosystem Development, National Industrial Corridor Programme etc.

Way Forward

- **Skill & Tech:** Enhance workforce through AI/ML and skill-building.
- **Innovation Ecosystem:**
  - Foster collaboration via triple helix model (Anusandhan NRF).
  - Promote democratic innovation and services-linked manufacturing.

Conclusion

At 10 years, Make in India reflects India's resolve to transform its manufacturing base and elevate its global presence.

8.2 National Industrial Corridor Development Programme

Why in news?

Cabinet approved **12 new industrial nodes/cities** under NICDP to be developed with 'plug-n-play' and 'walk-to-work' concepts.

National Industrial Corridor Development Programme (NICDP)

- Began with the launch of Delhi-Mumbai Industrial Corridor (DMIC) in **2007**.
- Seeks to **create new industrial cities as Smart Cities** and promote **structured urbanisation.**

Challenges in development of Industrial corridors

- **Governance Issues:**
  - **Planning Gaps**: Minimal local government involvement in planning.
  - **Overlapping Jurisdiction**: Of Special Purpose Vehicles (SPVs) and local bodies.
- **Institutional Capacity**: New cities take long to develop, with limited staff training.
- **Land Acquisition: 70 per cent of delays** in infrastructure caused **due to land acquisition issues**.
- **Other: limited Institutional Capacity, Conversion of land from agriculture to non-agricultural use etc.**

Way forward

- **Engage local authorities and communities** in planning.
- **Ensure coordination** between SPVs, states, and stakeholders.
- **Offer better compensation** and small land parcels for acquisition.
- **Strengthen Centre–State cooperation** frameworks.
- **Use tech for efficient project planning** and monitoring.

Conclusion:

National Industrial Corridor Development Programme is reshaping India's industrial landscape through smart, sustainable cities. Addressing governance, land, and capacity issues is vital to unlock its full potential.

8.3 Electronics Component Manufacturing Scheme

Why in the News?

Recently, Union Cabinet approves Electronics Component Manufacturing Scheme with funding of ₹ 22919 crore.

About Scheme

- **Ministry:** Ministry of Electronics and Information Technology
- **Objective:** To boost component manufacturing by linking domestic electronics with Global Value Chains.
- **Fiscal incentives:** Turnover-linked, Capex-linked, and Hybrid Incentive of both.
- **Eligibility:** Greenfield and brownfield investment

Significance of Electronic Components Sector in India

- **Economic Potential:** Projected to reach $500 billion by 2030.
- **National Security:** Example: India's first national security chip plant being set up in collaboration with the US for military hardware.
- **Driving Technological Innovation:** Enables advancement in cutting-edge fields like remote surgery, autonomous vehicles, and more.
- **India's Electronics Sector:** Accounts for >4% of global electronics market. Domestic production reached ₹9.52 lakh crore in FY24.

Initiatives Undertaken

- India Semiconductor Mission (ISM)
- Phased Manufacturing Programme (PMP)
- PLI Scheme 2.0 for IT Hardware
- PLI Scheme for Large Scale Electronics Manufacturing
- National Policy on Electronics 2019

Way Ahead

- **Fiscal Incentives:** Provide Opex support to scale manufacturing operations.
- **Tariff Rationalization:** Lower input duties to boost global competitiveness.

- **Skilled Talent:** Attract overseas experts through fast-tracked visa approvals.
- **Academia-Industry Collaboration:** Strengthen innovation through joint R&D and skilling.
- **Others:** Develop large-scale electronics clusters, Boost R&D investment (currently <1% of GDP) etc.

Conclusion

The Electronics Component Manufacturing Scheme is a strategic step toward strengthening India's electronics ecosystem, enhancing global competitiveness, and advancing technological self-reliance through targeted incentives and robust infrastructure support.

8.3.1 Semiconductor Sector in India

Why in the news?

Union Cabinet approved the fifth semiconductor unit under the India Semiconductor Mission (ISM), to be set up in **Sanand, Gujarat.**

Why is India focused on developing Semiconductor manufacturing?

- **Reduce Import Dependency:** Imports were US$ 4.65B vs exports of US$ 0.33B in 2019.
- **Geopolitical Risks:** China–Taiwan tensions, US–China chip war, and Ukraine crisis affect supply chains.
- **National Security:** Self-reliance is vital for defence and critical sectors.
- **Supply Chain Diversification:** 70% of global manufacturing is concentrated in 5 countries.
- **Economic Multiplier:** Every $1 in electronics manufacturing adds $1.32 to the broader economy.

What are the Challenges faced by India in the Semiconductor sector?

- **High Capital Cost** and long payback periods.
- **Global Competition** from China and Chip 4 alliance (US, Taiwan, Japan, South Korea).
- **Not labour-intensive:** Generate limited **10,000-15,000 direct jobs.**
- **Infrastructure Gaps**: Chip fabrication plants need cleanroom facilities, uninterrupted power, etc.

Conclusion

With sustained efforts and a proactive stance, India is on course to solidify its position as a leading semiconductor manufacturing hub, contributing majorly to technological advancement and economic growth.

9. SERVICES

9.1 India's Digital Economy

Why in the News?

The **Ministry of Electronics and Information Technology (MeitY)** has released a study titled **Estimation and Measurement of India's Digital Economy.**

What is the Digital Economy?

- It refers to the **information and communication technology (ICT)** sector, including telecommunications, the Internet, hardware and software and integrated traditional sectors (International Monetary Fund).

Status

- **Third largest digitalized country** (as per State of India's Digital Economy Report 2024)
- Placed **12th among the G20 countries** in the level of digitalisation of individual users.

Contribution

- Contributes **11.74%** of the national income.
- In absolute numbers, **its contribution to GDP is ~USD 402 billion.**
- Accounted for **14.67 million workers.**
- India is the **2nd highest ICT services exporter** in the world (2023)

Projected Growth

- Likely to rise to 13.42% by 2024-25.
- Share will **become larger** than that of **agriculture or manufacturing** (in less than six years).
- Its share will **reach 20% of GVA** by 2029-30.

Key Challenges faced by the digital economy?

- **Universal Definition**: The increasingly **cross-cutting** and int**egrated nature of digital technologies** makes the concept of a distinct digital economy difficult to define.
- **Cyberattacks and cybercrimes**: E.g., Digital arrest and cyber slavery
- **Privacy violation and related Concerns**: E.g., misuse of personal data, misinformation, etc.
- **Poor digital Literacy**: 70% of Indian youth cannot send emails with files attached **(NSSO's Multiple Indicator Survey, 2023)**
- **Other:** Slow **off-take on semiconductors**, low **value addition** in mobile phones etc.

Conclusion

India's digital economy is rapidly transforming service delivery, boosting exports, and fostering innovation.To harness its full potential, India must focus on reliable data collection, universal broadband, digital skilling, and strong cybersecurity frameworks.

9.2 Creative Economy

Why in the News?

Recently, **India's first World Audio Visual Entertainment Summit (WAVES)** 2025 was held in Mumbai.

Status of creative economy in India

- **Contribution to GDP:** About 20% contributions by creative occupation to Nation's overall GVA.
- **Export:** 1.5 times increase in export of creative goods from 2010 to 2019.
- **Employment**: $30 billion industry and responsible for employment of nearly 8% of India's working population.

Significance of Creative Economy

- **Economic Aspects:** It generates annual revenues of over $2 trillion and account for nearly 50 million jobs worldwide (UN).
- **Social aspects:** 23% of people employed in creative industries are between 15 and 29.
- **Creative industries are environmentally friendly:** since primary input for creative activities is creativity rather than natural resources.

Hurdles Hindering Growth of Creative Economy

- **Digitalization Issues:** Digital divide and cybersecurity risks hamper inclusive digital growth.
- **Rural-Urban Divide:** 67.07% of creative workers are concentrated in urban areas.
- **IPR Delays:** Patent approvals in India take 58 months, much longer than global peers.
- **Industry Fragmentation:** Creative sectors face poor coordination and market access.

Initiatives To Support Creative Economy

- **National Policy on IPR (2016),National Creators Award,**
- **UNESCO Creative Cities Network**
- UN declared 2021 as the **International Year of Creative Economy** for Sustainable Development.

Way Forward

- Increasing **Recognition of Indian Culture Globally.**
- Adopt **global best practices such as "Crowd funding4Culture" portal** of European Commission.
- Reforming **Intellectual Property Rights Framework**
- Establishing **Creative Districts/Hubs, Forming a Specialized institution for Creative Industries etc.**

Conclusion

India's creative economy holds vast potential for economic growth, employment, and cultural influence. Strengthening policy support, digital access, and IPR frameworks will be key to unlocking its full value.

9.3 Space Economy

Why in the News?

India's space economy is expected to increase five-fold from $8 billion to $44 billion in the next few years.

Space sector in India

- **Ranks 5th globally**
- **Growth Potential: $44 billion by 2033**
- **Private Sector: >200 space-based start-ups**

Initiatives to promote space-tech entrepreneurship

- **Indian Space Policy 2023:** Allows full Non-Governmental Entities participation in all space sectors**.**
- **FDI Policy**: Allows 74% in satellite manufacturing/operations,49% in launch vehicles and spaceports.
- **SpaceTech Innovation Network**: Public-private platform to support space start-ups and SMEs**.**
- **Others:** Tax Benefits; ATL Space Challenge; Atal Incubation Centre (AIC) Scheme etc.

Way ahead

- **Enact Space Activities Act:** To provide clarity, focus, and propulsion for the industry**.**
- **Value Chain Mapping:** Identifies challenges, trends, and benchmarks to enable market creation.
- **Capacity building:** E.g. Training programs to enhance skills in systems engineering.
- **Sector Synergy:** Build ties between start-ups, ISRO, and global firms for expertise and market access.
- **Other measures:** Augmenting Technology Development Fund Corpus, viability gap funding, etc.

Conclusion

India's space economy is poised for exponential growth, driven by policy reforms and rising private participation. Strengthening regulatory frameworks and fostering innovation will be key to unlocking its full potential.

10. INFRASTRUCTURE

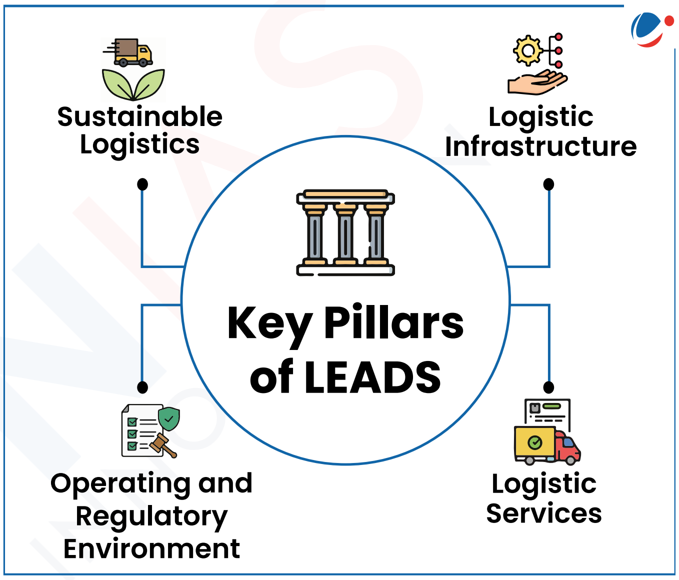
10.1 Logistics Ease Across Different States (LEADS) 2024

Why in the News?

LEADS 2024 has been released by the **Ministry of Commerce and Industry.**

About LEADS

- **Objective**: Provides insights of logistics performance at State/UT level.
  - It was conceived on the lines of **Logistics Performance Index** (LPI) of **World Bank** in 2018.
  - Unlike LPI, LEADS incorporates both perception as well as **objectivity**.
- **Parameters**: Evaluates logistics performance across four key pillars (refer to infographic).
- **Categories of State/UTs**: **Coastal**, **Landlocked**, **Northeast** and **Union Territories.**
- They are given tags of **Achievers**, **Fast movers**, and **Aspirers** on the basis of their performance.
- **Performance Highlights of 2024**
  - **Achievers:** Gujarat, Haryana, Assam, Chandigarh, etc.
  - **Fast movers**: Andhra Pradesh, Bihar, Himachal Pradesh etc.
  - **Aspirers**: Kerala, West Bengal, Manipur, Chhattisgarh, etc.



Conclusion

The LEADS 2024 report highlights India's focus on improving logistics through data-backed reforms, state benchmarking, and promotion of sustainable, inclusive, and tech-enabled practices to build a globally competitive logistics ecosystem.

10.2 Railways

10.2.1 Railways Reforms

Why in the News?

Recently, the Railways (Amendment) Bill, 2024 passed in the Lok Sabha and Parliamentary Standing Committee on Railways released report on Railway Modernization and Financial Sustainability.

About Railways (Amendment) Bill, 2024

- **Simplified Legal Framework**
  - Repeals **Indian Railway Board Act, 1905** and incorporates its provisions into the **Railways Act, 1989**.
  - Aims to avoid referencing two separate laws for railway administration.
- **Additional Power to Central Government on Constitution of Railway Board:** It will prescribe the Board's size, eligibility, service terms, and appointment process for its Chairperson and members.

The recent Parliamentary Standing committee has highlighted the **need for Structural reforms** crucial for improving efficiency, competitiveness, and service quality.

Key Highlights of the Report of Parliamentary Standing Committee

Parameters	Observations	Recommendations
Financial	**Most of the earnings** of Indian Railways comes from its **freight services.**	Make a c**omprehensive review of passenger fares** in different trains and classes.

Operational	Average freight train speed has remained stagnant at **25 km/hr over past 11 years.**	Creation and Expedition of new **Dedicated Freight Corridors** to increase speed, freight loading and earnings
Infrastructure and modernisation	**Investment** • **Increased** capital expenditure mainly due **to increase in Gross Budgetary Support.** • **Reduced Dependenc**y on **Extra Budgetary Resources (EBR).** **Road over Bridges (RoBs) & Road under Bridges (RuBs)** targets have not been met in the last three years.	**Investment:** Boost **private sector involvement** in railway infrastructure and station redevelopment **RoBs and RuBs:** Commends the new policy allowing Railways to **fully fund stalled projects.**
Research	**Low allocation and utilization of Railway Research Funds** (E.g. budget estimates was merely **72 crore for 2024-25)**	**Increase** scope of **Research & Development** to ensure **modernisation and assimilation of latest technologies**
Green Railways	Indian Railways targets **Net Zero Carbon Emission by 2030.**	Incorporate **'Green Budgeting'** methodologies in financial allocations.

Conclusion

While Indian Railways has made notable progress, a strategic focus on infrastructure modernization, technology adoption, sustainability, and operational efficiency is essential. Initiatives like the **Amrit Bharat Station Scheme (2022) and National Rail Plan (2020)** reflect steps in the right direction.

10.3 Port and Waterways

10.3.1 Transshipment Port

Why in the News?

India welcomed its first cargo ship at its newly built semi-automated transshipment port in **Vizhinjam International Transshipment Deep water Multipurpose Seaport**, Kerala.

Significance of India as a Transshipment Hub

- **Revenue Generation:** 75% of India's transshipment cargo is currently handled abroad.
- **Reduced Costs:** Improved efficiency cuts logistics and shipping costs; average port turnaround time reduced from 4.3 to 2.1 days (2012–23).
- **Economic Growth:** Saves foreign exchange, attracts FDI, boosts trade, and supports allied sectors.
- **National Security:** Reduces reliance on foreign ports and counters China's Indian Ocean influence.
- **Global Value Chain Integration:** Enhances shipping connectivity; India's share in world trade remains ~2%.

Steps Taken

- **Maritime Amrit Kaal Vision 2047:** Roadmap for transforming maritime infrastructure.
- **New Terminals:** Development at Galathea Bay (Great Nicobar) and Vallarpadam (Cochin).
- **Tariff Guidelines 2021:** Allow market-based tariff setting for PPP operators to promote competition.

Way-Forward

- **Infrastructure Investment:** Adopt modern cargo handling systems to expand port capacity.
- **PPP Promotion:** Rationalize taxes, streamline approvals through a single-window system.
- **Global Competitiveness:** Focus on cost-efficiency, turnaround time, and service quality.
- **Coastal Zone Management Plan (CZMP):** Ports should align CZMPs with prior environmental clearances.

Conclusion

The launch of Vizhinjam port marks a key step in India's transshipment ambitions. With infrastructure, policy support, and strategic positioning, India is poised to emerge as a major player in global shipping and logistics.

10.3.2 National Waterways (Construction of Jetties/Terminals) Regulations, 2025

Why in the news?

The **Inland Waterways Authority of India (IWAI)** issued the **National Waterways (Construction of Jetties/ Terminals) Regulations, 2025**.

About Regulations

- **Aim:** To attract **private sector investment** in setting up terminals, streamline processes etc.
- **Scope:** Applies to all entities, including private players, developing terminals on national waterways—existing or new, permanent or temporary.
- **Digital Portal for Terminal Applications:** To be developed by IWAI for Ease of Doing Business.

Inland Water Transport Benefits:

- **Fuel Efficient:** 1L fuel moves 215 tonne-km by IWT (vs. 24 by road, 95 by rail).
- **Cost Effective:** The freight cost per ton-kilometer is ₹1.36 for railways, ₹2.50 for highways, and ₹1.06 for IWT.
- **Other:** Reduced congestion, Lower greenhouse gas emissions, etc.

Status of Inland waterways in India

- **Navigable Waterways:** ~ **14,500 km** of navigable waterways.
- **Comparison with Other Countries:** Only 3.5% of trade through waterways (vs. China 47%, Europe 40%, Bangladesh 35%).

Initiatives Undertaken

- **IWAI:** Nodal agency for development and regulation of National Waterways.
- **Sagarmala Programme (2015):** Boosts maritime sector and promotes cargo transport via waterways.
- **Jalvahak Scheme (2024):** Encourages timely and cost-effective cargo movement via IWT

Conclusion

Unlocking inland waterway potential needs better infrastructure, private sector participation, modern technology, and multimodal integration. Streamlined policies and regional cooperation will make IWT a sustainable trade and transport pillar.

10.4 Road Safety

Why in the News?

The Supreme Court questioned the Central Government for failing to **implement Section 215B of the Motor Vehicles Act, 1988** and constitute the **National Road Safety Board.**

Status of Road Accidents in India

- **Fatalities Rising:** 15% increase in road accident deaths from 2010 to 2021 (WHO, 2023)
- **2024 Data:** 1.8 lakh deaths reported due to road accidents.
- **Youth Impacted:** 66% of accidents involved individuals aged 18–34.

Measures Taken by India to Improve Road Safety

- **Motor Vehicles Act (2019):** Introduced stricter penalties and improved safety norms.
- **Black Spot Rectification:** Over 4,000 accident-prone areas identified and addressed.
- **Cashless Treatment Scheme (2025):** Launched to support accident victims.
- **National Road Safety Policy (2010):** Focus on awareness, enforcement, and safer infrastructure.
- **Advanced Vehicle Standards:** Implementation of Bharat NCAP crash tests for vehicle safety.

Challenges to Road Safety in India

- **High Fatality & Injury Burden**: India accounted for 11% of global road fatalities in 2022.
- **Weak Post-Crash Response**: Nearly 50% of victims die due to delayed medical aid.
- **Other Issues**: Over speeding, poor traffic law enforcement, faulty road design etc.

Recommendation: The Safe System Approach (WHO Global Plan 2021–2030)

- **Safe System Approach**: Prevent road crashes from resulting in deaths.

- **Mobility Shift**: Promote public transport, cycling, and walking.
- **Infrastructure**: Build safer roads and enforce better traffic management.
- **Vehicle Safety**: Mandate advanced safety features in all vehicles.
- **Emergency Response**: Strengthen post-crash medical services.

Conclusion

Road safety in India remains a major concern despite reforms. A holistic approach combining better enforcement, safer roads, and quicker emergency response is vital to reduce fatalities.

11. MINING AND OTHER RESOURCES

11.1 National Critical Mineral Mission (NCMM)

Why in the News?

The Union Cabinet has approved the launch of the **National Critical Mineral Mission (NCMM)**.

About NCMM

- **Genesis:** In Budget for 2024-25, establishment of Critical Mineral Mission was announced.
- **Coverage**: **mineral exploration**, **mining**, **beneficiation**, **processing**, and **recovery** from end-of-life products.
- **Key Features**:
  - It will offer **financial incentives** for **critical mineral exploration** and promote the **recovery of these minerals** from **overburden** and **tailings**.
  - It aims to create a **fast track regulatory approval process** for mining projects.
  - Encourages **Indian companies** to acquire **critical mineral assets abroad**
  - It proposes development of **stockpile of critical minerals** within the country.
  - **Mining in offshore areas** (Polymetallic nodules etc.)
  - **Ministry of Mines** will be the administrative Ministry.

About Critical Minerals

- **Definition:** Minerals which are essential for **economic development** and **national security of any country.**
- India has released a list of **30 critical minerals** for India including Bismuth, Cobalt, Copper, Phosphorous, Potash, Rare Earth Elements (REE), Silicon, Tin, Titanium, etc.
- Currently, India has **heavy reliance on imports of critical minerals**.

Roadblocks to India's Critical Mineral Security

- **Limited Domestic Reserves:** No operational mining leases for key minerals like cobalt, lithium, and neodymium.
- **Challenges in Exploration:** E.g. Presence of 5.9 million tonnes lithium deposits in Jammu and Kashmir require high risk investments.
- **Supply chain Disruptions:** China controls **60% of rare earth production, 60% of critical minerals production and 80% of the processing worldwide.**
- **Environmental Concerns:** E.g., An estimated **54% of critical materials lie near indigenous people's land.** **(**International Renewable Energy Agency (IRENA)**)**

Other Initiatives taken for critical Minerals

- **Policy and Regulatory Framework**
  - Mines and Minerals (Development and Regulation) Amendment Act, 2023
  - National Mineral Policy, 2019
  - Elimination of customs duties on majority of the critical minerals in Union budget 2024-25
- **International Collaborations & Trade Agreements**
  - Khanij Bidesh India Limited (KABIL), 2019
  - Minerals Security Partnership (MSP)

What strategies can India adopt for long-term critical mineral security?

- **Strengthening Domestic Critical Mineral Production:** Exploring alternative **allocation mechanisms to attract more private investment**
- **Developing Domestic Processing Capabilities: Special Economic Zones (SEZs) focused on critical mineral processing** can be established.
- **Need for Robust Global Cooperation:** Strengthening bilateral and multilateral partnerships with mineral-rich countries and other key stakeholders to secure access to critical mineral supplies.
- **Develop a Comprehensive Critical Minerals Strategy (CMS):** Regularly assess mineral demand, promote e-waste recycling, and diversify imports.

Conclusion

India must secure critical minerals through domestic capacity-building, international alliances, and a holistic national strategy to support economic and energy transitions.

11.2 Major and Minor Minerals

Why in the news?

The Ministry of Mines has reclassified **Barytes, Felspar, Mica, and Quartz** from **minor minerals** to **major minerals**.

Reason for Reclassification

- The decision to shift these minerals to the **major minerals category** is based on their **association with critical minerals** and their importance in **various high-tech industries**.

Quartz, Felspar, and Mica in Pegmatite Rocks

- These minerals are found in **pegmatite rocks**, which also contain **essential critical minerals** like **Beryl, Lithium, Niobium, Tantalum, Molybdenum, Tin, Titanium, and Tungsten**.

Baryte and its Industrial Significance

- It has extensive **industrial applications** in **oil and gas drilling, electronics, etc.**

About Major and Minor Minerals

- A **mineral** is a natural substance of organic or inorganic origin with **definite chemical and physical properties**.
- Under the **Mines and Minerals (Development and Regulation) (MMDR) Act, 1957,** minerals are broadly classified in two categories, i.e. **major minerals and minor minerals.**
  - **Minor minerals means** building stones, gravel, ordinary clay and sand, and others as notified by the Central Government.
  - **Major minerals** include all minerals other than minor minerals. E.g. Coal, Iron, Zinc, Limestone etc.

Conclusion

The reclassification of Barytes, Felspar, Mica, and Quartz as major minerals reflects their growing strategic and industrial importance. This move ensures better regulation, supports critical mineral exploration, and aligns India's mineral policy with emerging technological and economic needs.

11.2.1 District Mineral Foundation (DMF)

Why in the News?

A report was placed in the Parliament by the **Standing Committee on Coal Mines and Steel r**eviewing the implementation of the **DMF Fund** and **the Pradhan Mantri Khanij Kshetra Kalyan Yojana (PMKKKY**) in India.

About District Mineral Foundation (DMF)

- **Enactment**: Created in 2015, via an amendment to the Mines and Minerals (Development & Regulation) Act, 1957
- **Concept:** The DMF is a **non-profit statutory 'Fund'** for districts affected by mining related operations.
- **Significance and status:**
  - **Tied to participatory governance laws:** Guided by 5th & 6th Schedules of the Constitution (tribal areas); PESA Act 1996 etc.
  - **645 districts (23 States)** have DMFs.
  - **Over ₹1-lakh crore** collected in the past decade.
  - **Top states by DMF funds**: Odisha (29%); Chhattisgarh (14%); Jharkhand (13%)

Pradhan Mantri Khanij Kshetra Kalyan Yojana (PMKKKY)

- **Launch**: **2015** by the Central Government under Section 20A of the MMDR Act, 1957.
- **Implementation Mechanism:** State Governments must integrate PMKKKY into DMF rules.

Challenges Associated with the District Mineral Foundation (DMF)

- **Governance Issues:**
  - **Dominance of Officials: E.g.,** Only five states include affected people in Governing Councils (iForest report).
  - **Lack of Independence:** DCs are **chairpersons** of both **Governing Councils (GCs)** and **Managing Committees (MCs)**(Parliamentary Committee Report).
- **Lacks Planning and Beneficiary Identification:** No district has published **a five-year perspective plan.**
- **Fund Utilization Challenges:**

- **Low Spending:** Only 40% of DMF funds used and major states like Jharkhand, Odisha, and Rajasthan show poor utilisation (iForest report).
- **Weak Grievance Redressal & Monitoring**: **E.g.,** Absence of **a DMF fund utilization index** hinders transparency in fund utilization (Parliamentary Committee Report).
- **Gap in Achieving PMKKKY Goals in Aspirational Districts**: 106 of 112 Aspirational Districts are DMF districts, yet core objectives remain unfulfilled.

Reforming District Mineral Foundation (DMF) Governance & Implementation

- **Governance Reforms**:
  - Ensure **DMFs operate as independent, community-led institutions**, not as extensions of district administrations**. E.g., Actively engage Gram Sabhas.**
- **Participatory Planning & Long-Term Vision**: All DMFs can develop **comprehensive five-year plans** based on **community consultations**.
- **Strict Enforcement of PMKKKY Guidelines**: **At least 70% of DMF funds** must be allocated to critical sectors. **E.g.,** Healthcare, Education, Livelihoods & Skill Development etc.
  - **State governments must comply** with national PMKKKY guidelines.
- **Mandatory Social Audits & Financial Reviews**: 3rd Party i**ndependent agencies** may conduct regular audits. **CAG** may perform **periodic evaluations** of DMF spending and impact.

Conclusion

A decade on, DMF suffers not from lack of funds but from weak vision and political will. Urgent reforms are needed to centre communities in decision-making.

11.2.2 Offshore Minerals in India

Why in the news?

The Central Government has framed Offshore Areas (Existence of Mineral Resources) Rules, 2024.

About Offshore Minerals in India

- **Offshore Mining:** It is the **process of retrieving mineral deposits from the deep seabed** (>200 metres).
- **Extent: Exclusive Economic Zone (EEZ)** of over two million square kilometers

Offshore Areas (Existence of Mineral Resources) Rules, 2024

- **Applicability:** All **minerals except** mineral oils, hydrocarbons and **minerals specified in Part B of First Schedule** to the Mines and Minerals (Development and Regulation) Act 1957.
- **Definitions:** Rules use the modified version of **United Nations Framework Classification (UNFC) and Committee for Mineral Reserves International Reporting Standards (CRIRSCO) Template** for Exploration stages and Feasibility studies.
- **Exploration Standards:** A minimum of **General Exploration (G2)** to establish indicated mineral resource is required to **grant mining leases**.
- **Specific Exploration Norms:** Rules set specific exploration norms for a variety of deposits and minerals, including construction-grade silica sand, calcareous mud etc.

Conclusion

The Offshore Areas (Existence of Mineral Resources) Rules, 2024 mark a significant step toward unlocking India's vast offshore mineral potential. By establishing clear exploration standards and aligning with global reporting frameworks, the rules aim to promote sustainable and transparent resource utilization.

12. INNOVATION AND ENTREPRENEURSHIP

12.1 Digital Public Infrastructure (DPI)

Why in the News?

The '**Report of India's G20 Task Force on DP**I' was released by 'India's G20 Task Force on Digital Public Infrastructure for Economic Transformation, Financial Inclusion and Development'.

What is Digital Public Infrastructure (DPI)?

- A set of secure, interoperable digital systems built on open standards to deliver public/private services at scale.
- **Not DPI:** Includes connectivity infrastructure or basic digital portals without innovation-enabling features.

Significance of DPI

- **Accelerates Development:** Enabled decades-worth of financial inclusion within years.
- **Spurs Innovation:** E.g., PhonePe's rise backed by DPI.
- **Inclusive:** Women own 55% of 508 million bank accounts opened by 2023.
- **Efficient Delivery:** $41 billion saved via DPI-enabled DBT.
- **Resilient & Empowering:** Supported vaccination drives during COVID and ensured user control over data and money.

About India's DPI

- **India Stack:** It is India's own foundational DPI, consists of 3 interconnected layers:
  - **Identity** Layer – (e.g, Aadhar, e-KYC etc),
  - **Payment** layer (e.g., UPI, Aadhar Payment Bridge etc.) and
  - **Data governance** layer (e.g, DigiLocker, Account Aggregator etc.).

Way Forward

- **Comprehensive and Phased Approach** informed by the global digital infrastructure landscape.
- **Supporting open & reusable technology frameworks**.
  - **For instance, reusable managed services models** can be explored to allow countries to plug and play to deploy certain DPI.
- **Creating Dialogue and Alignment** through an **annual DPI forum** to share experiences.
- **Others: Bilateral or Multilateral Engagement, Focused Institution** to work on policy dimensions, **Leveraging AI etc.**

Conclusion

DPI is pivotal for inclusive growth, innovation, and service delivery. India's example shows its potential globally, needing collaboration, standards, and investments for wider adoption.

12.2 Innovation Ecosystem for Deep Tech

Why in the News?

Union Minister for Commerce and Industry urged Indian startups to focus more on Deep tech innovation.

What are Deep Tech Startups?

- Deep Technology or Deep Tech refers to innovations founded on **advanced scientific and technological breakthroughs**, encompassing various technologies.

Deep Tech Startup Ecosystem in India

- **Extent:** Currently at around 4,000 start-ups, is expected to reach 10,000 by 2030 (Department for Promotion of Industry and Internal Trade).
- **Global Standing:** India **ranked 6th among the top 9 DeepTech ecosystems** in the world in 2023 (Nasscom).
- **Funding:** India's 4,000 deep-tech startups attracted $1.6 billion in 2024, a 78 per cent increase year-on-year (Nasscom).

Why are Deep Tech Startups lagging in India?

- **Institutional Support:** Only 1 in 6 public R&D bodies support deep tech.
- **Funding Challenges:** Inconsistent funding; VCs prefer fast returns.

- **Development Constraints:** Long gestation periods, capital intensity.
- **Ecosystem Focus:** Tilt toward consumer-facing startups.
- **Regulatory Hurdles:** Policy uncertainty, red tape.

Initiatives for India's Deep Tech Ecosystem

- **Deep Tech Fund of Funds** Proposed in Union Budget 2025-26.
- **Draft National Deep Tech Startup Policy**
- **ADITI Scheme**
- **Anusandhan National Research Foundation**
- **Thematic Missions:** National strategy on Blockchain, AIRAWAT, National Quantum Mission etc.
- **International Collaborations:** ICET with USA, Partnership for Resilient Semiconductor Supply Chain with Japan

Conclusion

Deep tech can make India a global innovation leader. Focused policy, patient capital, and strong R&D are vital to scaling solutions for future challenges.

12.3 Global Innovation Index 2024 and Social Entrepreneurship

Why in the news?

Global Innovation Index (GII) 2024 released by WIPO, Cornell, and INSEAD.

GII 2024: Key Findings

- India **ranks 39th out of 133 nations,** up from 40th in 2023.
- **Tops among lower middle-income countries** in knowledge and technology outputs, creative outputs, institutions, and business sophistication.
- **Bengaluru, Delhi, Chennai, Mumbai** in top 100 S&T clusters.

Social entrepreneurship and enterprises

- Combines profit-making innovation with non-profit values to tackle issues like poverty and environmental sustainability.

Potential/Significance of Social Entrepreneurship and Social Enterprises

- **Economic growth**: Contribute around **USD 2 trillion to global GDP**.
- **Influencing Policy through expertise:** E.g., Tebita Ambulance in Ethiopia.
- **Sustainable development**: E.g. **SELCO**, a social enterprise in India.
- **Supports corporate transformation** via social innovation.
- **Enables empowerment and equity**

India's Initiatives to promote Social Entrepreneurship

- **AIM, ASPIRE, and ARISE-ANIC to foster innovation in startups/MSMEs.**
- **Corporate social responsibility (CSR):** Mandatory provision of **Companies Act, 2013**
- **Social Stock Exchange (SSE):** Aimed at providing social enterprises with **enhanced visibility and access to capital.**
- **Social Impact Bonds: E.g. The Special Window for Affordable and Mid-Income Housing (SWAMIH) Investment Fund** is India's largest social impact fund.

Conclusion

Social entrepreneurship blends innovation with purpose. With strong support systems, it can drive inclusive and sustainable change.

12.4 Global Capability Centres (GCC)

Why in the news?

The report by PwC titled **Catalysing Value Creation in Indian Global Capability Centres** notes **that less than 25%** of business leaders are considering relocating their GCC operations from India.

What are Global Capability Centres (GCCs)?

- These are **offshore units set up by multinational companies** to deliver specialized services such as IT, R&D,

customer support, and business operations to their parent organizations.
- India hosts **over 1,700 GCCs**, representing the **highest concentration globally** and an ecosystem of unmatched scale.

Drivers of GCC Growth in India

- **Skilled Talent Pool:** A large, diverse workforce with expertise in IT, analytics, and finance enables GCCs to manage complex, high-value tasks.
- **Government Support:** Initiatives like **Digital India** and **pro-business reforms** have created a favourable ecosystem for GCC growth.
- **Tech Adoption:** Fast uptake of AI, ML, IoT, and blockchain allows GCCs to drive innovation and digital transformation.
- **Strategic Shift:** From **cost-saving units,** GCCs in India have evolved into **strategic hubs** supporting global competitiveness.

Impact of GCCs on India's Corporate Landscape

- **Economic Growth:** GCCs contribute significantly to GDP through high-value jobs and innovation.
  - This sector is projected to expand to **$105 billion by 2030.**
- **Job Creation & Skill Development:** As of FY24, GCCs in India **employ nearly 1.9 million professionals** (Economic Survey 2024-25).
- **Innovation & R&D:** Many GCCs operate as R&D hubs, boosting India's position as a global innovation centre.
  - E.g., Microsoft's Hyderabad centre is one of its largest outside the US.
- **Business Practice Upgrade:** E.g., Goldman Sachs' Bengaluru GCC evolved into a key unit for analytics and risk management.
- **Regional Development:** GCCs **expanding to tier-2/3 cities** are driving regional growth, reducing disparities, and enhancing local infrastructure and job ecosystems.

Conclusion

GCCs have transformed India from a cost-saving destination to a strategic innovation hub. Backed by talent, technology, and policy support, they are set to drive sustainable growth and support India's goal of becoming a developed economy by 2045.

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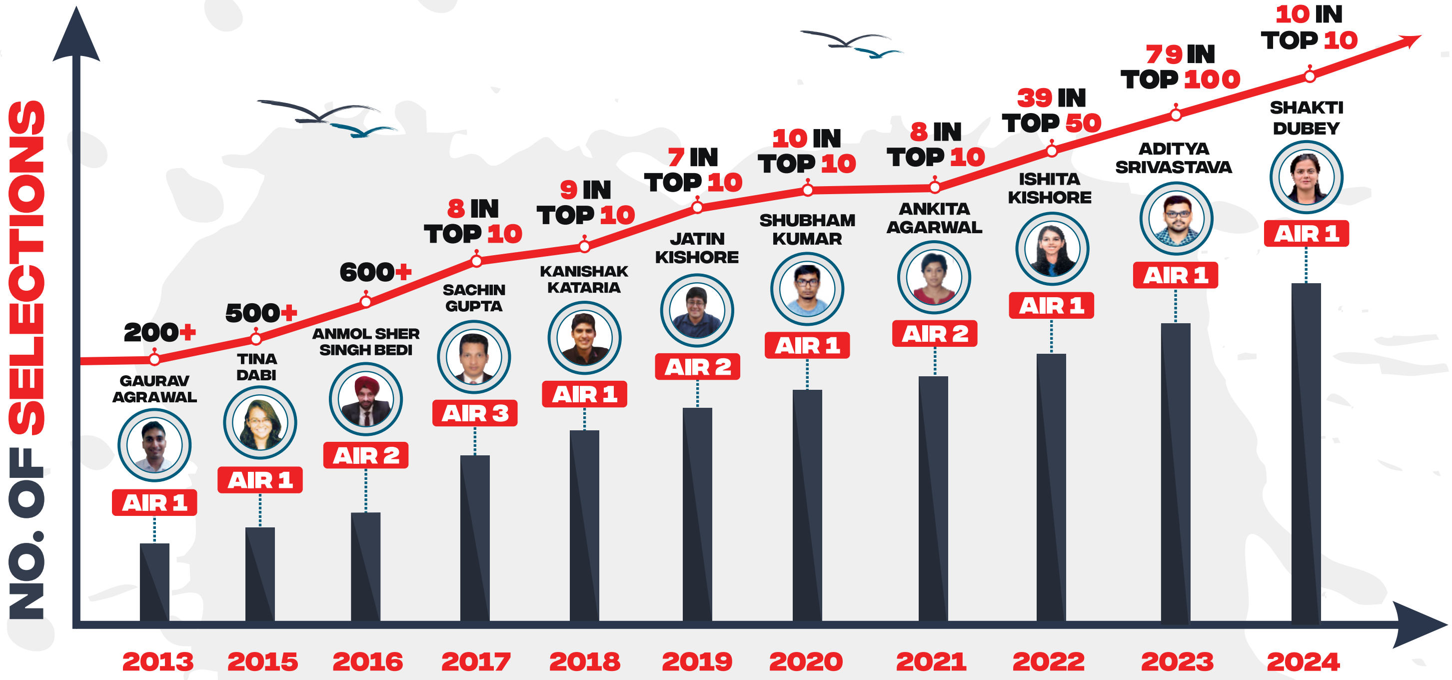

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GTB Nagar Metro (Mukherjee Nagar): 10 JULY, 8 AM | 29 JULY, 6 PM

हिन्दी माध्यम 15 जुलाई, 2 PM

AHMEDABAD: 12 JULY	BENGALURU: 22 JULY	BHOPAL: 27 JUNE	CHANDIARH: 18 JUNE

HYDERABAD: 30 JULY	JAIPUR: 24 JUNE	JODHPUR: 2 JULY	LUCKNOW: 22 JULY	PUNE: 14 JULY

फाउंडेशन कोर्स सामान्य अध्ययन 2026

- प्रारंभिक, मुख्य परीक्षा और निबंध के लिए महत्वपूर्ण सभी टॉपिक का विस्तृत कवरेज

DELHI : 15 जुलाई, 2 PM | JAIPUR : 24 जून | JODHPUR : 2 जुलाई

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AHMEDABAD | BENGALURU | BHOPAL | CHANDIGARH | GUWAHATI | HYDERABAD | JAIPUR | JODHPUR | LUCKNOW | PRAYAGRAJ | PUNE | RANCHI

Heartiest Congratulations to all Successful Candidates

10 in **TOP 10** Selections in **CSE 2024** from various programs of **Vision IAS**

1 AIR **Shakti Dubey**

2 AIR **Harshita Goyal**

3 AIR **Dongre Archit Parag**

4 AIR **Shah Margi Chirag**

5 AIR **Aakash Garg**

6 AIR **Komal Punia**

7 AIR **Aayushi Bansal**

8 AIR **Raj Krishna Jha**

9 AIR **Aditya Vikram Agarwal**

10 AIR **Mayank Tripathi**

79 Selections in **TOP 100** in **CSE 2023**

1 AIR **Aditya Srivastava**

2 AIR **Animesh Pradhan**

5 AIR **Ruhani**

DELHI

GMMR ENQUIRY & CLASSROOM CENTRE
33, Pusa Road,
Near Karol Bagh Metro Station,
Opposite Pillar No. 113,
Delhi - 110005

MUKHERJEE NAGAR CENTER
Plot No. 857, Ground Floor,
Mukherjee Nagar, Opposite Punjab
& Sindh Bank, Mukherjee Nagar

GTB NAGAR CENTER
Classroom & Enquiry Office,
above Gate No. 2, GTB Nagar
Metro Building, Delhi - 110009

FOR DETAILED ENQUIRY
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AHMEDABAD | BENGALURU | BHOPAL | CHANDIGARH | DELHI | GUWAHATI | HYDERABAD | JAIPUR | JODHPUR | LUCKNOW | PRAYAGRAJ | PUNE | RANCHI