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# SUMMARY

# ECONOMICS





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# STUDENT NOTE

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# 1. EMPLOYMENT, LABOUR, AND SKILL DEVELOPMENT


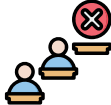


## 1.1. Informal Employment and Low Paying Work

### Why in the news?

A report published by OECD found that **Informal workers' vulnerability risks are passed on to their children.**

### Findings of the Report

- ◇ **Majority** of the world's **employed population works in informal settings**, facing **high poverty, occupational risks** and **lack of adequate social protection arrangements.**
- ◇ **Around 60% of children** under 15 years in **developing countries live in such households.**
- ◇ **Earnings disparities** among parents **lead to educational disparities** early in their children's lives.
- ◇ The **share of 'Not in Education, Employment or Training' or NEET is higher for those from informal households** than for those from mixed and fully formal households.

Four ways in which children inherit vulnerabilities			
 <p>Direct exposure to <b>informal employment</b></p>	 <p><b>School attendance gaps between children</b> from fully informal, mixed, and formal households</p>	 <p><b>Education</b> receives fewer financial resources and parental time</p>	 <p>Transitioning from school to <b>work takes longer time</b></p>

### Policy Recommendations

- ◇ **Lower Tier Workers and Their Children: Alleviating the Double Burden**
  - » **Skill Development Initiatives:** Implement targeted employer-sponsored training and public skills development programs.
  - » **Education Enhancement:** Invest in accessible, equitable, and quality education for children of informal workers to facilitate smoother school-to-work transitions.
  - » **Social Protection: Include lower-tier, informal workers in non-contributory social protection schemes.**
  - » **Recognition for Essential Low-Paid Jobs:** Remuneration policies, effective minimum wages, and measures to enhance bargaining power.
- ◇ **Upper Tier Workers: Encouraging Formalization**
  - » **Enforcement of Compliance:** Enforce compliance with labor laws, social security, and tax regulations by both workers and employers in the upper tier.

## 2. GROWTH AND DEVELOPMENT

### 2.1. Economic Indicators

#### 2.1.1. Gross Domestic Product (GDP) Estimation in India

##### Why in the news?

The Ministry of Finance issued clarification regarding the ongoing debate around the accuracy of the April–June 2023 GDP data.

##### More about the news

- ◇ India recorded real **GDP growth of 7.8%** during **April–June quarter of 2023–24**, highest in past four quarters.
- ◇ Critics argued that these GDP figures are inflated as they **do not accurately reflect the impact of inflation** on GDP growth.

##### Three GDP calculation approaches

- ◇ **Production or ‘Value-added’ Approach:** It sums the **“value-added” at each stage** of production.
- ◇ **Income approach:** It measures the total income earned by the factors of production.
  - » Government of India follows the consistent practice of **using the income side estimates** to compute economic growth.
- ◇ **Expenditure approach:** This measures the total expenditure incurred by all entities on goods and services.

##### Challenges with current GDP calculation methodology

- ◇ **Accuracy of Data:** Outdated data in various economic sectors.
- ◇ **Accounting unorganized sector:** Presently, GDP computation methodology uses data from the organized sector as a proxy for the unorganized sector.
- ◇ **Exclusion: Not all productive activity is included in GDP.**

##### Way Forward

- ◇ **Regular Base year updation:** Current base year is 2011–12, which is more than a decade older.
- ◇ **Adopt Double deflation:** So that outputs and inputs are deflated separately using relevant price indices.
- ◇ **Robust data:** Timely data collection, storage and processing, especially with the help of emerging tools such as Big Data and Artificial Intelligence can increase the accuracy of GDP estimation.
- ◇ **Measurement of productive activity:** All productive activities of an economy irrespective of the economic transactions such as voluntary work, unpaid household work etc. can be included in the GDP figure.

## 2.1.2. Gross Fixed Capital Formation (GFCF)

### Why in the news?

The sluggish growth of private Gross Fixed Capital Formation (GFCF) as a percentage of Gross Domestic Product (GDP) at current prices has been a significant challenge for the Indian economy.

### Evolution of GFCF (also called Investment):

- ◇ Investment rose **from around 10% of GDP** in the 1980s to **around 27% in 2007–08**.
- ◇ From **2011–12 onwards, private investment began to drop and hit a low of 19.6% of GDP in 2020–21**.
  - » This drop was due to **higher consumption, unfavourable government policy, policy uncertainty** such as tax disputes, and **slowdown in pace of reforms** in last two decades.
- ◇ **In absolute terms, GFCF** in the Indian economy increased from Rs. 32.78 lakh crore (constant 2011–12 prices) in 2014–15 to Rs. **54.35 lakh crore in 2022–23** (Provisional Estimates).

### What is Gross Capital Formation (GCF)?

- ◇ **Gross Capital Formation (GCF):** It refers to the growth in the size of fixed capital in an economy. It includes
  - » **Gross Fixed Capital Formation (GFCF)** like land improvements; plant, machinery, and equipment purchases; and the construction of roads, etc.
  - » **Change in stock (CIS)** of raw materials, semi-finished and finished goods.
  - » **Net acquisition of valuables** like gold, gems, ornaments and precious stones etc.

### Why GFCF is an important economic variable?

- ◇ **Growth Multiplier:** GFCF and GDP are positively correlated.
- ◇ **Boosts productivity:** GFCF helps boost output and improves living standards.
- ◇ **Promotes Self-sufficiency:** Growth in GFCF enables the creation of capital assets.
- ◇ **Private GFCF can serve as a rough indicator** of how much the **private sector in an economy is willing to invest**.

### What is hindering the growth of GFCF?

- ◇ **Slow pace of reforms** especially land acquisition has deterred investors from investing in the economy.
- ◇ **Financial problems of Indian banks** and many large corporations, indirectly locking the available capital.
- ◇ **High cost of borrowing**, which stems from high inflation, deters effective channelling of investment.

### Conclusion

To ensure a seamless development of capital formation, economic reforms accompanied by stability in other macroeconomic variables (such as inflation) should be the way forward.

## 2.1.3. Household Savings and Debt

### Why in the news?

Reserve Bank of India in its Financial Stability Report has stated that household debt warrants close monitoring from a financial stability perspective.

### What are Household Savings and Debt?

- ◇ Household (HH) savings in India consist of **two parts** – Net Financial Savings (NFS) and Physical Savings.
- ◇ HH NFS is arrived at after **deducting financial liabilities** (known as annual borrowing) from Gross Financial Savings (GFS).
  - » GFS includes currencies, deposits (bank and non-bank), insurance, provident and pension funds, shares and debentures, small savings and others.
- ◇ **HH physical savings** primarily constitute residential real estate (accounting for about two-thirds) and machinery and equipment.

### Status of Household Savings and Debt

- ◇ **Gross Savings:** India's gross savings rate stood at **29.7% of Gross National Disposable Income (GNDI)** in 2022-23, with households being the primary savers (60.9% of aggregate savings).
- ◇ **Savings components:** Savings in **physical assets** has been the dominant and rising component.
- ◇ **Net Financial Savings: NFS declined to 5.3% of GDP** during 2022-23 from average of 8% during 2013-22, driven by a **rapid rise in financial liabilities** from 3.8% of GDP in 2021-22 to 5.8% in 2022-23.
- ◇ **Household debt:** At **40.1% of GDP**, stock of household debt in India is **relatively low when compared to other Emerging Market Economies (EMEs)**. However, in relation to GDP per capita, it is comparatively high.
- ◇ **Debt-to-GDP Ratio:** India's household debt to GDP ratio is **one of the lowest** in the world, as also the Debt Service Ratio (DSR), which is estimated at 6.7% at end-March 2023.

### Implications of high household debt

- ◇ **Erosion of household purchasing power**, affecting consumption demand.
- ◇ Potential **source of financial vulnerability** and contribute to prolonged recession.
- ◇ **Macroeconomic and financial stability implications** due to **unanticipated income shocks** triggering defaults and sensitivity to interest rate changes.

### Way Forward

- ◇ **Drive inclusive growth** by implementing **policies that drive job creation, increase real income** etc.
- ◇ Encourage savings by ensuring **easy access to banking services**, especially for rural population.
- ◇ Educating households and **promoting responsible borrowing practices**.
- ◇ **By enforcing fiscal discipline**, the government could **reduce its own borrowing requirements**.



## 2.1.4. Household Consumption Expenditure (HCE)

### Why in the news?

The National Sample Survey Office (NSSO) released the **HCES 2022-23**, after a gap of over 10 years since the last survey in 2011-12.

### Key Findings of HCES 2022-23

- ◇ **Overall Trend: Average** Monthly Per Capita Consumption Expenditure (MPCE) has been **increasing since 1999-2000**.
  - » **Rural-urban Divide: Average** MPCE has been Rs. 3,773 in rural India and Rs. 6,459 in urban India.
  - » **Rich-Poor Divide:** Richest 5 % of rural and urban areas spend nearly 8 times and 10 times more than the bottom 5 % respectively.
- ◇ **Disadvantaged Sections:** In rural areas, **Scheduled Tribes (ST)** reported the lowest MPCE, however, in urban areas, **SCs** reported the lowest MPCE.

### Significance of HCES 2022-23

- ◇ HCES is **used for updating several macroeconomic indicators**, including poverty incidence, Consumer Price Index (CPI) and the Gross Domestic Product or GDP.

## 2.2. Human Development Report (HDR) 2023-2024

### Why in the news?

United Nations Development Programme (**UNDP**) released the **Human Development Report (HDR) 2023-2024** titled "**Breaking the Gridlock: Reimagining cooperation in a polarised world**".

### Human Development Index (HDI)

- ◇ **About:** It is a statistical measure used to quantify a country's achievement in 3 basic dimensions of human development - **Long and healthy life, Knowledge, and a decent standard of living**.
- ◇ **Limitations:** The HDI **captures only part of what human development entails**. It **does not reflect on inequalities, poverty, human security, empowerment**, etc.

### Key Findings about India

- ◇ **HDI:** Rank Improved to **134 in 2022** from 135 in 2021 (and 130 in 2018).
  - » **Life expectancy at birth:** Improved to 67.7 years (in 2022) from 67.2 (in 2021).
  - » **Expected years of schooling:** Increased to 12.6 years from 11.9 years.
  - » **Mean years of schooling:** Increased to 6.57 years.
  - » **Gross National Income per capita:** Improved to \$6,951 from \$6,542.
- ◇ **Comparison with the Neighborhood:** India ranks below China (75), Sri Lanka (78), Maldives (87), Bhutan (125), and Bangladesh (129).

## Global Findings

- ◇ **Widening Human Development Gap:** The two-decade **trend of steadily reducing inequalities between wealthy and poor nations is now in reverse.**
- ◇ **Rise in Trend of Democracy Paradox:** Democracy Paradox means where the **population thinks positively about democracy but supports leaders who undermine democracy.**
  - » This paradox, coupled with a sense of powerlessness and a lack of control over government decisions, has **fuelled political polarization and inward-looking policy approaches.**

## Other major indices measuring human development

Index	India's Performance
<b>Gender Inequality Index (GII)</b>	India has jumped 14 places to rank 108 in 2022, from 122 in 2021.
<b>Multidimensional Poverty Index (MPI)</b>	There are <b>more than 230 million people in Multidimensional poverty in 2021 in India.</b>
<b>Gender Development Index (GDI)</b>	India shows low equality in HDI achievements between women and men with <b>absolute deviation from gender parity of more than 10 %.</b>
<b>Inequality-adjusted Human Development Index (IHDI)</b>	India's rank <b>declined by 6 places to 140th in IDHI.</b>
<b>Planetary pressures-adjusted Human Development Index</b>	With <b>3% difference from HDI value, India ranks at 127<sup>th</sup>.</b>

## 2.3. Direct Benefit Transfer (DBT)

### Why in the news?

According to the Union Finance Ministry, the government has saved Rs 2.73 lakh crore of taxpayers' money from 2014 to 2023 by adopting Direct Benefit Transfer (DBT) to send money directly to the targeted beneficiaries.

### About Direct Benefit Transfer (DBT)

- ◇ **Objective:** Bring **transparency** and **terminate pilferage** from the distribution of funds sponsored by the Union Government.
- ◇ **Key Enablers for DBT:**
  - » **JAM (Jan Dhan, Aadhaar, and Mobile) trinity:** Enabled transfer of benefits in a **leakage-proof, well-targeted, cashless, and timely manner.**
  - » **Business Correspondents (BC) Infrastructure** for timely and complete payment disbursement.

- » **Payments Bank:** Increased the **penetration level of financial services** in remote areas.

### Impacts of DBT

- ◇ **Expedited Fund Transfer** while **reducing** the possibility of **fraud** and **transfer cost**.
- ◇ **Reduced Corruption** with **accurate targeting of beneficiaries**, eliminating need of intermediaries and duplication of subsidies.
- ◇ **Enhanced financial Inclusion** and empowerment of citizen through e-governance.

### Challenges in the implementation of DBT

- ◇ **Identification of beneficiaries** due to discrepancies in schemes.
- ◇ **Compliance and operational Issues** including **Aadhaar-related errors** such as **fingerprint mismatch**.
- ◇ **Low financial inclusion and digital divide**, especially in rural areas, scheduled tribes, etc.

### Way Forward

- ◇ **Grievance redressal mechanism** to be conceptualised and coordinated by the PMO.
- ◇ **Better coordination and interaction** between all the stakeholders and promotion of **digital infrastructure**.
- ◇ **Promotion of Women Agents** to improve access to women beneficiaries.

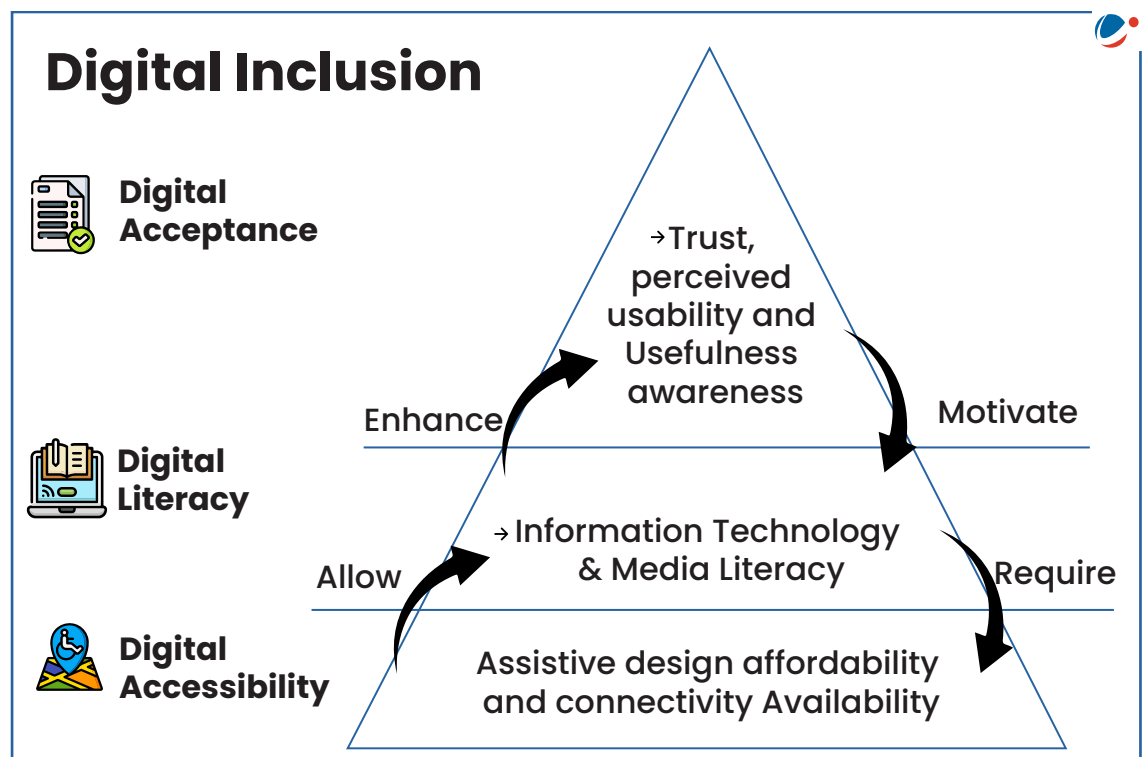
## 2.3.1. Digital Inclusion in Emerging Technologies

### Why in the news?

Recently, the Telecom Regulatory Authority of India (TRAI) has released a Consultation Paper on **“Digital Inclusion in the Era of Emerging Technologies”**.

### Importance of Digital Inclusion in Emerging Technology

- ◇ **Job opportunities** especially in fields of emerging technologies.



- ◇ **Reduction in cost of education** and digital divide.
- ◇ **Improvement in accessibility, affordability and quality** of healthcare.

## Challenges of Digital Inclusion in Emerging Technology

- ◇ **Widening of digital divide:** In 2021, 49% Indian adult men owned smartphones, while only 26% women did.
- ◇ **Lack of fiberization** (process of connecting radio towers with each other via optical fibre cables) of mobile towers hampers internet quality.
- ◇ **Cost of the cheapest internet-enabled smartphone was 35.91%** of the average monthly income.
- ◇ **Limited Digital literacy** is a key barrier to Digital Inclusion.

### Way forward

- ◇ **Public and private funding** for high-speed internet infrastructure development.
- ◇ **Tax rebates:** Reduce mobile sector-specific taxes (like import duties) and fees discouraging internet usage.
- ◇ **Collaboration among stakeholders** to address bureaucratic hurdles, and facilitate Digital Inclusion.

## 2.3.2. Smart Cities Mission (SCM): An Evaluation

### Why in the news?

Standing Committee on Housing and Urban Affairs presented its report “Smart Cities Mission: An Evaluation”.

### Progress highlighted by the Report (Till December 2023)

- ◇ **Financial progress:** Central Government has released 86% of its proposed share.
  - » **Only 28 cities have received 100% of their share of funds** from States/ULBs.
- ◇ **Lack of additional funding sources:** While **half of cities could not undertake any project under PPP** model, **only six cities could generate funds through loans** for Smart Cities projects.
- ◇ **Physical progress:** Out of 7,970 projects taken up by Smart cities, 6,419 projects have been completed.
  - » **Madurai** is the **only Smart City** which has **completed 100%** of its **projects**.

### Issues and challenges affecting Smart Cities Mission

- ◇ **Frequent variations in projects** with increase in projects to 7,970 due to modifications and changes.
- ◇ **Lack of financial progress** with slow fund transfer and **intercity disparity in progress** with almost **47% projects being at work order stage** in the 20 cities at bottom.
- ◇ **Lack of defined governance structure of SPVs** affecting project execution.

### Recommendations

- ◇ **Master plan for Greenfield Development** based on core elements of a Smart City.
- ◇ **Creative Redevelopment** through the use of innovative mechanisms and inclusive design.
- ◇ **Third-party assessment** of the various projects undertaken in SCM.

- ◇ **Put greater emphasis on pan-city projects**, implementing technology-driven solutions.
  - » Presently, pan-city projects do **not comprise more than 50 percent of total projects in 76 smart cities.**
- ◇ Strengthen **capabilities of ULBs** and enhance their capacity to **tap innovative financing mechanism.**
- ◇ **Providing Incentives/encouragement** like India Smart Cities Awards Contest (ISCAC).

### **2.3.3. Urban Infrastructure Development Fund (UIDF)**

#### **Why in the news?**

**National Housing Bank (NHB)** has operationalised the **Urban Infrastructure Development Fund (UIDF)** with the **outlay of ₹10,000 crore.**

#### **About UIDF**

- ◇ **Objective:** Supplement the **efforts of the State governments/UTs** for the creation of **infrastructure.**
- ◇ **Coverage (Cities as per Census 2011):** 459 Tier 2 cities and 580 Tier 3 cities.
- ◇ **Eligible Activities:** Basic services like **sewerage and solid waste management**, water supply and sanitation, etc., and impact-oriented projects would be prioritised.

#### **Need/Relevance of UIDF**

- ◇ **Development of Tier 2 and 3 cities will check migration** of overflowing Metropolitan cities.
  - » As per Census of 2011, **40% of India's Urban population** lives in Tier 2 and 3 cities.
- ◇ Most of Tier 2 and 3 cities **lack the access of low finance funds.**
- ◇ Municipal authorities of these cities **lack the ability to plan, execute and manage** infrastructure projects.

#### **Conclusion**

UIDF will help in enhancing the overall quality of urbanisation in India. All the stakeholders need to play an effective role in its implementation.

### **2.3.4. Pradhan Mantri Awas Yojana (PMAY-Urban)**

#### **Why in the news?**

As per the Standing Committee on Housing and Urban Affairs, the union government should not consider housing units built under PMAY (Urban) as completed when basic amenities are not provided.

#### **Concerns associated with Pradhan Mantri Awas Yojana- Urban**

- ◇ **Delay in completion:** In Meghalaya, out of 4,758 sanctioned houses, only 1,631 houses were completed by July 2024.
- ◇ **Lack of basic amenities:** Around 5.62 lakh houses could not be delivered to beneficiaries due to lack of basic amenities as of December 2022.
- ◇ **Insufficient financial assistance and corruption** with several instances of irregularities.

- ◇ **Low sanctioning of houses** (only 4.33 lakh) **under In-situ Slum Redevelopment (ISSR)** **vertical** against the demand received of 14.35 lakh.

### Way forward

- ◇ **Shift focus on Outcome rather than output** to expedite the completion and ensure speedy occupancy.
- ◇ **Monitoring:** States/UTs have been directed to constitute a District Level Advisory and Monitoring **Committee (DLAMC)** for Urban Development to monitor projects.
- ◇ **Conduct Social Audit** of pending/ongoing projects under PMAY-U to avoid any delay in release of funds.

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## 3. FISCAL POLICY

### 3.1. State Finances

#### Why in the news?

Recently, the Reserve Bank of India published an annual report titled “**State Finances: A Study of Budget of 2023–24**”. The theme of the Report is ‘**Revenue Dynamics and Fiscal Capacity of Indian States**’.

#### Key Findings of the Report

- ◇ **Prudent Fiscal Management:** States consolidated **Gross Fiscal Deficit to Gross Domestic Product (GFD–GDP) ratio declined from 4.1% in 2020–21 to 2.8% in 2021–22.**
- ◇ **Increased Capital Outlay:** Capital outlay is budgeted to **increase by 42.6%** in 2023–24 to 2.9% of GDP.
- ◇ **States’ Total Outstanding Liabilities:** Debt–GDP ratio of states **declined from 31% at end–March 2021, to 27.5% by end–March 2023**, supported by fiscal consolidation.
- ◇ **Net Market Borrowings:** States’ dependence on net market borrowings **declined to 76% in the budgeted GFD for 2023–24.**

#### Concerns with State Finances

- ◇ **Low Non–Tax Revenue Collection** which remained around **1% of GDP** in the last 10 years.
- ◇ **Reduced Development Expenditure** for education, sports, art and culture etc.
- ◇ **Return to Old Pension Scheme (OPS) would exert a huge burden on State finances** with cumulative fiscal burden as high as 4.5 times that of NPS.
- ◇ **Rising Off–Budget Borrowings (OBBs)** which are **not reflected in the budget.**

#### Ways to improve state finance in the long term

- ◇ **Increase non–tax revenue** through **revisions of user charges on electricity, water** etc.
- ◇ **Prevent revenue loss** by utilizing **modern technologies** such as GIS and Drone Surveys.
- ◇ **Performance–Based Transfers based on reforms, quality of expenditure and fiscal sustainability.**
- ◇ **Implementing N.K. Singh Committee Recommendations:** Combined **debt–to–GDP ratio of the centre and states** should be brought down to 60% by 2023 (comprising of 40% for the Centre and **20% for states**).

### 3.1.1. Advance Pricing Agreements (APAs)

#### Why in the news?





The Central Board of Direct Taxes (CBDT) has signed highest ever record 125 APAs (including Unilateral and Bilateral APAs) in FY 2023–24 with Indian taxpayers.

#### About Advance Pricing Agreements (APAs)

- ◇ It is an agreement between a **taxpayer and tax authority** which endeavours to **provide certainty to taxpayers** in domain of **transfer pricing** by specifying **methods of pricing.**



- ◇ **Transfer pricing** is the price of goods and services exchanged between companies that are under common ownership or control.
- ◇ APA helps **determine Arm's Length Price (ALP) of international transactions** in advance.
  - » ALP states that the price agreed in a transaction between two related parties must be the same as the price agreed in a comparable transaction between two unrelated parties.

<b>Significance of APAs</b>			
 <p><b>Double Taxation Avoidance</b> as there is clarity with respect to tax outcome</p>	 <p><b>Promoting ease of doing business</b> especially for Multinational entities</p>	 <p><b>Reduction of compliance costs to companies</b></p>	 <p><b>Reduced cost of administration</b> with reduced litigation and tax audits.</p>

### Indian Advance Pricing Agreement Scheme 2012:

- ◇ Under it, an agreement is **signed between Central Board of Direct Taxation (CBDT) and any person** determining in advance arm's length price in relation to an international transaction.
- ◇ APA **process is voluntary** and supplements appeal and other Double Taxation Avoidance Agreement (DTAA) mechanism for resolving transfer pricing dispute.
- ◇ **Term of APA:** Maximum five years

### Mutual Agreement Procedure:

- ◇ MAP is an **alternative available to taxpayers for resolving double taxation disputes** whether juridical or economic in nature.
- ◇ MAP is a **mechanism laid down in tax treaties (E.g. DTAA)** to ensure that taxation is in accordance with the tax treaty.
- ◇ **Difference between MAP and APAs:** MAP resolves transfer pricing disputes while APAs prevents transfer pricing disputes.

### Issues with Advance pricing Agreement in India:

- ◇ **Complex international transactions** making it challenging to accurately determine arm's length prices.
- ◇ **Lack of internal co-ordination** creating uncertainty for taxpayers and stalling APA negotiations.
- ◇ **Delay in Processing APAs** due to scarce human resources.

### 3.1.2. Inheritance Tax as a tool of Wealth Redistribution

#### Why in the news?

The use of inheritance tax, a system similar to an existing tax system in the U.S. to address economic inequality is widely debated in India.

#### What is Inheritance Tax?

- ◇ **Inheritance tax** is levied on **property/asset inherited** upon an **individual's death**. It differs from **estate tax**, which is levied on the **total value of a deceased person's estate**.
- ◇ It is levied by many countries. E.g. Japan (tax rate is 55%), South Korea (tax rate is 50%) etc.

#### Benefits of Inheritance Tax

- ◇ **Revenue Generation** for the government and **reduction in wealth inequality** through redistributing a portion of inherited wealth to fund public programs and services.
- ◇ **Promoting Meritocracy** by creating a more **level playing field and encouraging productive investment**.
- ◇ **Intergenerational Equity** through evenly distribution of resources across generations.

#### Implications of Inheritance Tax

- ◇ **Potential Tax Evasion** due to high taxation, which may lead to distressed sales for depositing taxes.
- ◇ **Discourage savings and investment** as individuals may be reluctant to accumulate wealth subject to tax.
- ◇ **Affect Businesses:** Many businesses may move abroad to avoid taxes. It may also force the sale or break-up of family-owned businesses to pay the tax liabilities.
- ◇ **Double Taxation Concerns** as the wealth being transferred has already been subject to income and other taxes.

## 3.2. Non-tax Revenue

### 3.2.1. Disinvestment

#### Why in the news?

Centre is likely to miss its disinvestment target for the current year, as it has been able to garner only around ₹10,000 crore while it had a target of ₹51,000 crore for FY 2024.

#### What, Why and How of Disinvestment

Disinvestment	
<p><b>What is disinvestment?</b></p> <p><b>Disinvestment</b> means the government, or an organisation is selling its stake in a company. There are primarily two different approaches for it-</p>	<p><b>Why is disinvestment done?</b></p> <ul style="list-style-type: none"> <li>◇ <b>Reduction of fiscal burden</b> as it can finance fiscal deficit.</li> <li>◇ <b>Re-allocation of resources</b> into other</li> </ul>

<ul style="list-style-type: none"> <li>◇ <b>Strategic Disinvestment</b> implies entire or substantial sale of Government shareholding of a Central Public Sector Enterprise (CPSE) along with transfer of management control.</li> <li>◇ <b>Minority Disinvestment:</b> Government retains a majority stake (~&gt;51%).</li> </ul>	<p>productive areas such as health and education.</p> <ul style="list-style-type: none"> <li>◇ <b>Under-utilization of capacity</b> in various Public Sector Undertakings (PSUs).</li> <li>◇ <b>Withdrawal of government from non-strategic sectors</b> and idle lying public sector assets.</li> <li>◇ To <b>depoliticize non-essential services</b> in the long run.</li> </ul>
<p><b>Methods for Disinvestment:</b></p> <ul style="list-style-type: none"> <li>◇ <b>Initial Public Offering (IPO)</b> – offer of shares by an unlisted CPSE for the first time.</li> <li>◇ <b>Further Public Offering (FPO)</b>–offer of shares by a listed CPSE to the public for subscription.</li> <li>◇ <b>Offer for sale (OFS)</b> allows auction of shares on the platform provided by the Stock Exchange.</li> <li>◇ <b>Strategic sale</b> is sale of substantial portion of the government shareholding up to 50%, or higher along with transfer of management control.</li> <li>◇ <b>Institutional Placement Program (IPP)</b> – only Institutions participate in the offering.</li> <li>◇ <b>CPSE Exchange Traded Fund (ETF)</b>– allows simultaneous sale of government’s stake in various CPSEs across diverse sectors through single offering.</li> </ul>	

**Challenges in achieving Disinvestment Targets**

- ◇ **Global developments: Pandemic-induced uncertainty, geopolitical conflicts,** and associated risks.
- ◇ **Valuation debate:** Often, the government faces allegations for undervaluation of national assets mainly on account of **non-consideration of surplus assets** (land and building) **and non-segregation of core and non-core assets.**
- ◇ **Fear of labour unrest due to apprehensions of job loss and apprehension of private monopoly.**

**Measures that can be taken to improve disinvestments**

- ◇ There should be continued **closure of sick CPSEs and strategic disinvestment** of viable CPSEs.
- ◇ Disinvestment should be **guided by government withdrawal** from sectors **where competitive markets have already emerged.**
- ◇ Effective utilization of **National Monetisation Pipeline** by tapping private sector capital and efficiencies.
- ◇ **Strengthen CPSEs** by reforming their working than merely considering it as a resource raising exercise.







### 3.2.2. Government Securities

#### Why in the news?

Recently, the Reserve Bank of India (RBI) has permitted the lending and borrowing of G-Securities (G-Secs) by issuing directions called RBI (Government Securities Lending) Directions, 2023.

#### About G-Securities (G-Secs)

- ◇ G-Sec is a **tradeable instrument issued by Central or State Governments**. It acknowledges the government's debt obligation.
  - » **Such securities are short-term terms** usually called **Treasury bills (T-Bills)** or **long-term** called **Government bonds or dated securities**.

Benefits of G-Secs					
 <p><b>Low-risk investment</b> s since they are backed by Government</p>	 <p>Stable source of income as they <b>offer fixed interest rates</b></p>	 <p><b>Securities such as State Development Loans (SDLs)</b> and Special Securities (Oil bonds, UDAY bonds etc) provide attractive yields</p>	 <p>Integrating G-Secs in a <b>diversified investment portfolio can help reduce overall risk</b></p>	 <p><b>Easily tradable in market</b>, which means that investors can buy and sell them quickly</p>	 <p><b>Used as collateral to borrow funds</b> in the repo market</p>

#### Initiatives taken for Government-Securities (G-Secs)

- ◇ **G-sec Acquisition Programme (G-SAP):** Under it, RBI **conducts open market operations** to purchase G-Secs from the market, helping it control excessive volatility in G-Secs market.
- ◇ **RBI Retail Direct Scheme:** Facility to **open and maintain 'Retail Direct Gilt Account' (RDG Account) with RBI** to access its G-Sec platform.
- ◇ **Draft RBI (Bond Forwards) Directions, 2023:** It aims to **introduce bond forwards in G-Secs**, a move that will enable market participants to **manage cash flows and interest rate risk**.
- ◇ **Scheme for Non-competitive Bidding Facility in Auctions of G-Secs:** Introduced by RBI to **encourage retail participation in primary market** for G-Secs.

#### What are the concerns associated with government securities?

- ◇ **Captive investor base:** Currently, a **large portion of G-Secs are held by captive investors such as banks**, and insurance companies, and are in need of diversified investors.
- ◇ **Exchange rate management:** Inflows of foreign funds via government bonds can lead to rupee appreciation.
- ◇ **Lacks liquidity due to non-availability of buyers** for securities in **secondary market**.

- ◇ **Major risks** include **market risk** arising out of adverse price movements and interest rate risks arise in securities with a long-term maturity.

### Way forward

- ◇ **Unified market:** Unifying G-Sec and corporate bond markets would enable **seamless transmission of pricing information** leading to greater competition, efficiency, and liquidity.
- ◇ **Trading:** G-Secs should be issued and traded through stock exchange mechanism to facilitate greater investor participation.
- ◇ **Increasing retail participation:** Government **should issue G-Secs in demat and G-Sec-based exchange-traded funds** should also be developed to increase retail participation.
- ◇ **Tax Incentives:** Providing tax incentives can boost the demand for the G-sec in the market.

### 3.2.3. Asset Monetization

#### Why in the news?

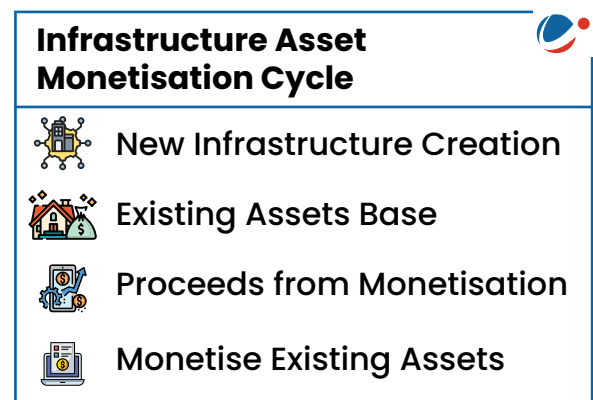
Recently, the National Highway Authority of India (NHAI) raised its highest-ever monetization value of Rs. 15,624.9 Crore through the Infrastructure Investment Trust (InvIT) mode.

#### About Asset Monetization (AM)

- ◇ **Genesis:** The idea of AM was first suggested by a committee led by economist **Vijay Kelkar in 2012.**
- ◇ **Definition:** AM is the process of creating new sources of revenue for the government and its entities by unlocking the economic value of unutilised or underutilised public assets.
- ◇ **Process of Asset Monetisation (AM)**
  - » AM involves the **license/lease of a government-owned asset** to a private sector entity for a specific period.
  - » The transfer of rights in exchange for payments is governed **by a concession agreement** that facilitates **balanced risk-sharing** between the **public authority and the private party.**

#### Need for Asset Monetisation in India

- ◇ **Fund the National Infrastructure Pipeline (NIP):** NIP is aimed to provide world-class infrastructure.
  - » NIP envisages an investment of 111 lakh crore over 2020 to 2025.
- ◇ **Reduction of fiscal strain** by freeing up resources for developing new infrastructure projects.
- ◇ AM will invite **private sector efficiencies** and **transparency** in the management of public assets.
  - » **Initiatives taken for Asset Monetization**
- ◇ **National Monetisation Pipeline (NMP):**
  - » **Sectors:** The government has identified **13 sectors to monetise** its **brownfield infrastructure assets.**
  - » **Potential:** Monetisation potential of **Rs 6.0 lakh crores through core assets** of the Central



Government, over four years, from FY 2022 to FY 2025.

- ◇ **Various assets/ asset classes targeted for monetisation:** Monetization of Dedicated Freight Corridors by Railways and monetization of airports.
- ◇ **National Land Monetization Corporation:** Special Purpose Vehicle (SPV) for undertaking surplus land monetization of Central Public Sector Enterprises (CPSEs) and other Government agencies.

### Challenges faced in Asset Monetization

- ◇ **Valuation Challenges:** Accurately **valuing public assets**, especially brownfield projects, can be **complex** and may lead to disputes.
- ◇ **Implementational challenge** in meeting the disinvestment targets.
- ◇ There are concerns with **transparent spending of monetization proceeds**.
- ◇ **Lack of a clear sector-specific roadmap** for monetisation is also a major roadblock.
- ◇ **Other challenges:** Limited interest, participation and technical competence of bidders to operate and develop assets, closing of transactions on time etc.

Way forward				
<b>A clear road map</b> especially monetisation of brown-field assets	<b>Regulatory clarity</b> with respect to legal disputes	<b>Capacity building support</b> on asset valuation and revenue projections	<b>Structuring of Assets</b> for diverse investors	<b>Supporting States</b> through reassurances to investors

## 3.3. Exchange Rate Management in India

### Why in the news?

Indian rupee's valuation against currencies of major trading partners has surged to a near two-year high on central bank intervention and elevated domestic inflation.

### Effects of exchange rate on other key economic variables

- ◇ **Inflation:** An **over-valued currency** can contribute to **lower inflation** by reducing cost of imported goods and services and vice versa.
- ◇ **Interest rates:** Central banks may respond to a strengthening currency by **lowering interest rates** to stimulate economic activity and exports.
- ◇ **Decline in Economic growth:** Stronger currency may reduce export-driven sectors.
- ◇ **Trade deficit:** A stronger currency may contribute to **trade deficits as exports become less competitive** and **imports become more attractive** to domestic consumers.
- ◇ **Capital Flow:** A stronger currency **may attract more foreign direct investment** as investors seek higher returns due to currency appreciation.

### Challenges in managing exchange rates

- ◇ **Unpredictable geopolitical Events** such as Trade war (e.g., U. S.-China trade war), geopolitical tensions (e.g., Ukraine-Russia war) or natural disasters.

- ◇ **Speculation and Manipulation** of currency in the forex market can **exacerbate exchange rate volatility**.
- ◇ **Interventions by governments or central banks** (e.g., devaluation, depreciation) to stabilize or influence exchange rates **may impact market perceptions** and create challenges for policymakers.

### Way forward

- ◇ **International Policy Coordination:** Governments and central banks should coordinate policies to maintain stability through institutions such as the **Bank of International Settlements**.
- ◇ **Maintaining Foreign Exchange buffers:** Maintaining adequate buffers of key resources such as gold and important foreign exchange currencies can help better manage market volatilities.
- ◇ **Advocate against Currency Manipulation:** Concerns can be voiced at international forums against countries that engage in currency manipulation that distorts the global market for selfish gains.

## 3.3.1. Managing Food Inflation in India

### Why in the news?

Indian Council for Research on International Economic Relations (ICRIER) has estimated that banning cereal exports has cost farmers at least ₹45,000 crore in 2023.

### Food Inflation in India

- » **Retail inflation:** It was at 6.83% with **Food Inflation at 9.2%** in August 2023 (**Consumer Price Index (CPI)**).
- » **Factors Affecting Food Inflation in the long term:** Monsoon variability, Global commodity prices (e. crude oil), government policies, Exchange rate fluctuations, etc.

### Concerns with the current food inflation management system

- ◇ **Loss of Farmers' Income: Due to** Measures to contain food inflation such as export ban, OMSS etc.
- ◇ **Policy Bias: In favour of consumers** (compared to farmers i.e., producers) in India's food price policy.
- ◇ **Indirect tax burden on farmers: Rs. 2.65 lakh crores annually** between 2000-17 (ICRIER).
- ◇ **Global Ramifications:** India's export ban on rice affects global prices as India is largest rice exporter with 40% global share.

### How to best manage food inflation without adverse effects?

<p><b>Calibrated trade policy</b> instead of a protectionist trade policy.</p>	<p>Government should build <b>buffer stocks for volatile vegetable staples</b></p>	<p><b>Increase income support to farmers</b> under PM-Kisan to offset potential income losses</p>
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## 4 BANKING, PAYMENT SYSTEMS AND FINANCIAL MARKETS

### 4.1. Umbrella Organisation (UO) for Urban Cooperative Banks (UCBs)

#### Why in the news?

Ministry of Cooperation constituted **National Urban Cooperative Finance and Development Corporation Limited (NUCFDC)**, an Umbrella Organisation (UO) for UCBs.





#### NUCFDC

- ◇ According to **N.S. Viswanathan committee**, UO appears to be the **only long-term solution** to enhance the **public and depositors' confidence** in the sector.
- ◇ In India, UO will be helpful to **modernize and strengthen around 1,502 UCBs** in the country.

#### Major functions envisaged for NUCFDC

- ◇ **Offering liquidity and capital support:** to reach a **capital base of Rs.300 crores**
- ◇ **Facilitate regulatory compliance** with the **Banking Regulation Act (BRA), 1949**
- ◇ **Develop a shared technology platform to widen their range of services at a relatively lower cost.**

#### Existing Issues in UCBs that could be eliminated by NUCFDCS

-  Poor governance
-  Constraints in raising capital
-  Acute Market competition
-  High gross non-performing assets

#### Other Initiatives taken for overcoming issues of UCBs

<p><b>Supervisory Action Framework (SAF):</b> To expeditious resolution of UCBs experiencing financial stress.</p>	<p><b>Scheme for voluntary conversion:</b> for the voluntary conversion of eligible UCBs into SFBs in 2018.</p>	<p>UCBs were permitted to provide <b>door-step banking services to their customers.</b></p>
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### 4.2. Basel III Endgame

#### Why in the news?

Consumer Bankers Association (CBA) released a White Paper, "The Impact of the **Basel III Endgame Proposal** on Consumers on the Margins of the U.S. Financial System,".

#### Basel III Endgame

- ◇ **Basel III is a set of measures** developed by the **Basel Committee on Banking Supervision** to strengthen the regulation, supervision, and risk management of banks.
- ◇ The **final set of rules of Basel III norms** has been called "Basel III Endgame."
- ◇ **Potential impact: Globally Systemically Important Banks (G-SIBs)** experiencing an increase of 21% in capital requirements.
  - » Aimed at improving the **"strength and resiliency" of the banking system.**
  - » Improving transparency and consistency in banks' capital frameworks.

#### Significance of Basel Norms

-  Development of better risk assessments system
-  Robust risk management process
-  Improved Corporate Governance
-  Minimizing Economic Spillovers



## Conclusion

The biggest contribution of the Basel Accord has been to arrive at a **common definition of capital**, while capital adequacy norms have been adopted in different countries with certain country-specific adaptations.

## 4.3. Insolvency and Bankruptcy Code (IBC), 2016

### Why in the news?

Insolvency and Bankruptcy Board of India (IBBI) proposed reforms to make the Insolvency and Bankruptcy Code (IBC) process more transparent.

### Key reforms proposed

- ◇ Review the work/progress of the **corporate insolvency resolution process (CIRP)** by the Committee of Creditors (CoC).
- ◇ **Resolution Professionals (RP)** should be mandated to conduct the meetings of the CoC every month.
- ◇ **Standardise the valuation methodologies.**
- ◇ Streamline the resolutions and prevent delay in the implementation
- ◇ **Clarity in minimum entitlement to dissenting financial creditors.**





### About IBC

- ◇ It **consolidated** and **amended** the laws relating to **reorganisation** and **insolvency resolution** of corporate persons, **partnership firms** and **individuals**.
  - » The **Corporate Insolvency Resolution Process (CIRP)** is a recovery mechanism for the creditors of a corporate debtor.
- ◇ It provides an **exit mechanism** for a corporate person that has not defaulted, through a **voluntary liquidation. process.**
- ◇ **Positive Impact of IBC and other reforms:** Gross NPA decreased from 11.8% (March, 2018) to 3.87 in March 2023.

### Significance of IBC

- ◇ **Time Bound resolution** of stressed assets.
- ◇ Mechanism for a company to **exit with the least disruption and cost.**
- ◇ **Better performance** than Debt recovery tribunal, SARFAESI Act 2002 etc.

### Challenges with IBC

-  Huge Backlog of 13,000 cases
-  Limited judicial bench strength and delays
-  Recovery rates have declined from 43% (2019) to 32% (2023)
-  Average resolution time has increased to 653 days versus the stipulated 330 days

### Way Forward

<b>Implement reforms proposed by IBBI</b>	<b>Pre-packaged Insolvency Resolution Process (resolution mechanism for MSMEs) option</b> should be extended to all corporates after review	<b>Introduction of specialised resolution frameworks</b> for specific sectors.	<b>Phased introduction of voluntary mediation</b> as a dispute resolution mechanism under IBC (suggested by T.K. Vishwanathan committee)
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## 4.4. Cross Border Payments

### Why in the news?

**G20 TechSprint 2023** was organised to promote innovative solutions aimed at improving cross-border payments.

### Cross border payments

- ◇ Transactions between financial institutions, businesses, and individuals, where the **sender and recipient are based in separate countries.**
- ◇ Cross-border payments market value is estimated to be **\$190 trillion in 2023** and expected to reach \$290 trillion by 2030.

Constraints in cross-border payments				
Different government regulations	Lack of standardization of financial data	Security risks	High cost & delay in settlement	Legacy technology platforms <b>lack real time monitoring and low data capacity</b>

### Significance of cross-border payments for India

- ◇ **Ease Remittances:** Since 2016, India's cross-border remittances have been growing at CAGR of 8%.
- ◇ **Travel and tourism:** Contributed around 178 billion U.S. dollars to the country's GDP in 2021.
- ◇ **Accelerating foreign investment:** India received a total FDI inflow of US\$70.97 billion in FY 2023.
- ◇ **Access to global markets:** Allows businesses to expand into international markets.
- ◇ **Diversification:** Enables businesses to diversify their customer base, supplier base, investment etc.

### Steps taken in India for strengthening cross-border payments

- ◇ **RBI Payments Vision 2025** with one focus areas is to bring ease in cross border payment.
- ◇ **Internationalization of UPI:** Currently, BHIM UPI QR has gained acceptance in **Singapore, UAE, Mauritius, Nepal and Bhutan.**

Way Forward				
Improve existing payment infrastructures and arrangements	Adopt a harmonized ISO 20022 version for message format.	Collaborate with fin-tech companies specializing in cross-border payments	Explore the potential role of new payment infrastructures and arrangements	Ensure compliance with international and local regulations

## 4.5. Social Stock Exchange

### Why in the news?

Securities and Exchange Board of India (SEBI) approved certain flexibility in the framework for the Social Stock Exchange (SSE).

### Flexibility in the framework for SSE

- ◇ Aims to **provide impetus to fundraising by Not for Profit Organizations (NPOs)**.
  - » **Minimum issue size** in case of public issuance of Zero Coupon **Zero Principal (ZCZP) Instruments** for NPOs on SSE will be **reduced to Rs 50 lakh from Rs 1 crore**.
  - » **Minimum application size** in case of public issuance of ZCZP by NPOs on SSE has been **reduced from Rs 2 lakh to Rs 10,000**.

### About Social Stock Exchange

- ◇ SSE is a **segment of the existing Stock Exchange** that can **help Social Enterprises to raise funds from the public** through the stock exchange mechanism.
- ◇ **Fundraising can be done through**
  - » **Issuance of ZCZP bonds and donations through Mutual funds** for NPOs.
  - » **Issuance of Equities and debt instruments** for FPEs.

### Challenges associated with SSE

- ◇ Limited awareness and education hinder potential investor.
- ◇ Stringent regulatory compliance complicates regulations for social enterprises.
- ◇ Lack of universally accepted evaluation methodologies.
- ◇ Balancing financial sustainability with social impact

### Significance of Social Stock Exchange



**Improved market access** for Social Enterprises



**Performance-based philanthropy**



**Minimal Registration Cost** by charging minimal fees for registration and listing



**Access to international finance**

### Way Forward

<p><b>Investment readiness:</b> SSE should <b>prioritize enhancing the capacity of social enterprises</b> and listed organizations.</p>	<p><b>Tax benefits:</b> It is required that the <b>tax laws in India relating to the social sector are synchronised and integrated</b> to attract both investors and investees.</p>	<p><b>Research:</b> Carry out a rigorous demand assessment to understand how donors and investors view the value of the SSE.</p>	<p><b>Viability of Social Enterprises:</b> For SSEs to succeed, a <b>scalable model which is capable of attracting the required capital</b> to deliver tangible impact is vital.</p>
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## 4.6. Regulation of Crypto Assets

### Why in the news?

G20 countries adopted New Delhi Leaders' Declaration which called for effective regulation of crypto assets.

### Crypto regulation in India

- ◇ **Legal provision:** Under the **ambit of the Prevention of Money Laundering Act (PMLA) 2002.**
- ◇ **RBI's stance:** Crypto assets threaten financial stability.
- ◇ **Regulatory Framework:** In 2022, the Ministry of Finance released a report proposing the creation of a **digital rupee, a state-backed cryptocurrency**, and framework for regulating private crypt currencies.
- ◇ **Tax regime:** In 2022, the Union Budget, for the first time officially classified digital assets, including crypto-currency, as **"virtual digital assets."**

Need for Regulation of Crypto Assets				
 <b>Protect consumers from fraud</b> and other financial crimes	 <b>Largely unregulated</b> asset class	 To <b>foster greater stability and reliability</b> in the crypto market	 Address issues such as <b>tax avoidance, money laundering and terrorist financing</b>	 <b>Ensuring consistency</b> in broader financial and economic policies

### Challenges in Regulating Cryptocurrency

- ◇ **Blanket Ban:** can be costly and technically demanding to enforce.
- ◇ **Regulatory inconsistency:** Achieving consistency in crypto regulations across different countries
- ◇ **Lack of harmonized taxonomies:** Different jurisdictions define and categorize crypto-assets in various buckets.
- ◇ **Fragmentation:** Fragmented monitoring, supervision and enforcement

### Global Regulation of Crypto Assets

- ◇ **IMF-FSB Synthesis Paper:** G20 summit, 2024, countries endorsed the report by IMF and Financial Stability Board (FSB) on risks and the framework for regulating crypto assets.
- ◇ **Markets in Crypto-Assets Regulation (MiCA):** Framed by the European Union, it is the **first cross-jurisdictional regulatory and supervisory framework** for crypto-assets.

### Way Forward

<p><b>Implication – Policy Linkage:</b> Identifying implications of crypto assets and framing adequate policy responses.</p>	<p><b>Licence and supervision:</b> Licensing of crypto assets service providers and supervising them</p>	<p><b>Anti-money laundering:</b> service providers should implement measures like customer due diligence, recor keeping and reporting of suspicious activities.</p>	<p><b>Clarity on taxation:</b> The G20 nations have endorsed forming a framework like the <b>Crypto Asset Reporting Framework (CARF)</b> for cross-border data sharing for effective tax compliance.</p>
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**DAKSHA MAINS**  
MENTORING PROGRAM 2024

# DAKSHA MAINS MENTORING PROGRAM 2025

(A Strategic Revision, Practice, and Enrichment Mentoring Program for Mains Examination 2025)



**DATE**  
**10<sup>th</sup> AUGUST**

**DURATION**  
**5 Months**

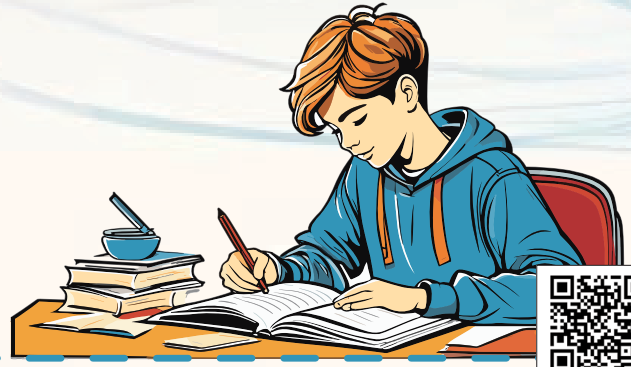
**HIGHLIGHTS OF THE PROGRAMME**

-  Highly experienced and qualified team of mentors
-  Scheduled group sessions for strategy discussions, live practice, and peer interaction
-  Well-structured revision and practice plan for GS Mains, Essay & Ethics
-  Access to Daksha Mains Practice Tests
-  Emphasis on score maximization and performance improvement
-  Personalized one-to-one sessions with mentors
-  Subject-wise strategy documents based on thorough research
-  Continuous performance assessment, monitoring and smart interventions



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# Smart and Efficient Revision for Success in UPSC Prelims



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To know more and  
explore the VisionIAS  
Quick Revision Material

## Why Revision is Essential Before Prelims Examination?

Revision is crucial in the preparation for the UPSC Prelims due to the vast syllabus and the highly competitive nature of the examination. Effective revision consolidates knowledge, aids in long-term retention, and boosts confidence, allowing aspirants to access information quickly and accurately during the exam.

## Advantages of Smart Revision Before the Prelims Exam



Efficiency in  
Syllabus  
Coverage



Enhanced  
Retention and  
Recall



Identification of  
Weak Areas



Integration of  
Current Affairs



Effective  
Time Management



Building  
Confidence and  
Reducing Anxiety

## Smart Revision Techniques

**1. Active Recall:** Practice retrieving information from memory to enhance retention.

**2. Spaced Repetition:** Revisit topics at regular intervals, to solidify memory.

**3. Mock Tests:** Regularly simulate exam conditions to identify focus areas and current status.

**4. Focused Revision:** Prioritize high-yield topics and current affairs.

**5. Mind Maps:** Use visual aids such as infographics, mind maps, etc. to organize and connect concepts.

**6. Interleaved Practice:** Mix different subjects to improve problem-solving skills and higher retention over time.

**7. Peer Discussions:** Engage with peers to discuss and quiz each other on key topics.

## VisionIAS Quick Revision Classes



**Thematic Coverage of GS Prelims Syllabus:** Covers essential subjects such as History, Polity, Economy, Environment, Geography, etc.



**Quick Revision Classes:** 32 focused classes for comprehensive topic review.



**Smart Content from QR:** Efficient, comprehensive revision using our Quick Revision Module.



**One-to-One Mentorship:** Personalized guidance from experienced UPSC trainers and toppers.



**Student Portal Access:** Live and recorded sessions available through an exclusive portal.



**Online Sectional Mini Tests:** Regular assessments with detailed feedback for strategy refinement.



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Smart revision is key to mastering the UPSC Prelims. By adopting strategic revision techniques and leveraging VisionIAS Quick Revision Classes, aspirants can enhance their preparation and boost their exam confidence.

## 5. EXTERNAL SECTOR





### 5.1. India and Global Value Chains (GVCs)

#### Why in the news?

NITI Aayog CEO highlighted the need for India to get into global value chains (GVCs) to boost exports and secure supply chains.

#### What are Global Value Chains (GVCs)?

- ◆ Refers to a **production sequence** for a final consumer good, with each stage **adding value** and with at least **two stages taking place in different countries**.
- ◆ As per OECD, an estimated **70% of trade occurs through GVC**.

Importance of GVCs			
 <p><b>Increase in Productivity:</b> by accessing a variety of imported inputs, increased knowledge sharing, etc.</p>	 <p><b>Reduction in Poverty: 1% increase in GVC participation</b> is estimated to boost <b>per capita income</b> levels by more than <b>1% (WB)</b></p>	 <p><b>Greater scope for Specialisation.</b></p>	 <p><b>Employment Creation and Women Empowerment</b></p>

#### India's participation in GVC

- ◆ **Low Participation:** India's GVC-related trade (**as per cent of gross trade** was at **40.3%** in 2022) is **significantly low**.
- ◆ **Low export of Network products:** Electronics, computers etc. for which GVCs are the dominant mode of production, account for only **10% of India's total merchandise exports**.
- ◆ **Key products driving India's GVC participation:** Coal and petroleum, business services, chemicals, etc.
- ◆ **Predominance on forward linkages:** India still depends heavily on exports of raw materials and intermediate products.

Reasons behind India's weak GVC integration				
<b>Poor trade infrastructure.</b>	<b>Uncertainty in trade and tariff policy.</b>	<b>High export standards and strict delivery pressures</b>	<b>Biased towards capital-Incentive sector</b> despite having advantages in unskilled labour-intensive sectors.	<b>Domestic policy challenges</b>

#### Measures Taken to Integrate India in GVC

Foreign Trade Policy 2023, PLI Scheme for large scale Electronics manufacturing, One District One Product- Districts as Export Hubs (ODOP-DEH) initiative etc.

Make-in-India Initiative: Way forward			
Facilitating Trade by establishing stable tariff rules, establishing a National Trade Network etc.	Stabilizing regulatory environment	Focus on High-Value GVC Segments	Promote labour-intensive Sector

## 5.2. Global Economic Decoupling

### Why in the news?

Recent drops in FDI in China highlight the shift of global companies away from world's key production hub, furthering trend of economic decoupling.

### What is Economic Decoupling?

- ◆ **Definition:** It is the process of weakening interdependence between two nations or blocs of nations.
- ◆ **Dimensions/methods of economic Decoupling:** Supply Chain Realignment, Adapting Different Standards & Technologies, Trade Decoupling i.e. reducing in bilateral trade volume etc.

### Reasons behind Economic Decoupling

- ◆ **Geo-Political Reasons: "Cold War 2.0"** (power rivalry between China & US), **Ukraine War** etc.
- ◆ **Economic Reasons: Protectionism, Economic Nationalism, Supply Chain Resilience** etc.
- ◆ **Technological Factors: Fourth Industrial Revolution, Additive Manufacturing:** Ability to produce small, customized batches locally.
- ◆ **Environmental Factors:** Reduction of CO2 emission through localized supply chain.

### Impacts of Economic Decoupling

- ◆ **Loss to global GDP: Long-term cost** could be up to **7% of global GDP (IMF)**.
- ◆ **Access to Foreign Markets:** Challenging for businesses due to **Tariffs & restrictions on investment**.
- ◆ **Disrupt the technological ecosystems:** Limiting research collaboration and knowledge exchange
- ◆ **Opportunity for India: India, may benefit from gaining production** capacity previously based in China.

Way forward			
<b>Development of Different Global Standards</b>	<b>Strategic Policy Reforms:</b> Ensuring a balance between protectionism and globalization	<b>International cooperation:</b> Support for <b>multi-polarity and multilateralism in international relations and</b> Advocating for a <b>rules-based global order.</b>	<b>Diversifying the import and export structure:</b> For increased supply chain resilience



### 5.3. Internationalization of Rupee

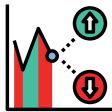
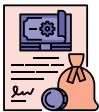


#### Why in the news?

Prime Minister asked Reserve Bank of India (RBI) to prepare a **10-year strategy to make the Indian rupee a globally accessible and acceptable currency**, enabling its internationalization.

#### Internationalization of currency

- ◇ International currency is one that is used instead of the national currencies of the parties directly involved in an international transaction. Example **US dollar, Euro etc.**

#### Benefits of Internationalization of Currency

Challenges in Internationalization of Currency			
 <p><b>Exchange Rate Volatility</b></p>	 <p><b>Monetary Policy dilemma (Tiffin dilemma)</b></p>	 <p><b>Macroeconomic stability.</b></p>	 <p><b>Vulnerability of external shock</b></p>

- ◇ **Limit exchange rate risk** as domestic firms can settle their exports/imports in their currency.
- ◇ **Access to international financial markets** without assuming exchange rate risk.
- ◇ **Boost capital formation** by reducing capital cost and widening the set of financial institutions.
- ◇ **Financing budget deficit** by issuing domestic currency debt in international markets..
- ◇ **Reducing requirement of forex reserves** to manage external vulnerabilities.

#### Approach for internationalization of Rupee

- ◇ **Capital Account Convertibility:** INR (Indian National Rupee) is fully convertible in the current account but partially in the capital account.
- ◇ **Promoting international use of INR:**
  - » **Currency Swaps and Local Currency Settlement (LCS) and inclusion of INR in Continuous Linked Settlement (CLS).**
  - » **Extending global reach of India’s payment systems** including RTGS, NEFT and UPI.
- ◇ **Strengthening Financial Markets: Harmonisation of KYC norms** of RBI and SEBI, inclusion of **Indian Government Bonds in Global Bond Indices etc.**

Steps taken towards internationalization of Rupee				
RBI has allowed <b>opening of Rupee accounts outside India</b>	<b>Internationalization of UPI:</b> UPI is now accepted in Nepal, Sri Lanka, France, UAE etc.	<b>Introduced Special Vostro Rupee Accounts</b> to facilitate international trade in Indian Rupees with 22 countries.	<b>INR as a Designated Foreign Currency in Sri Lanka</b>	<b>Bilateral Swap Arrangements with Japan and UAE</b>

## 5.4. Global Debt of Developing Countries

### Why in the news?

Sri Lanka faces an unsustainable debt and a severe balance of payments crisis which highlighted the issues of growing debt of developing countries.

### Growing debt of developing countries

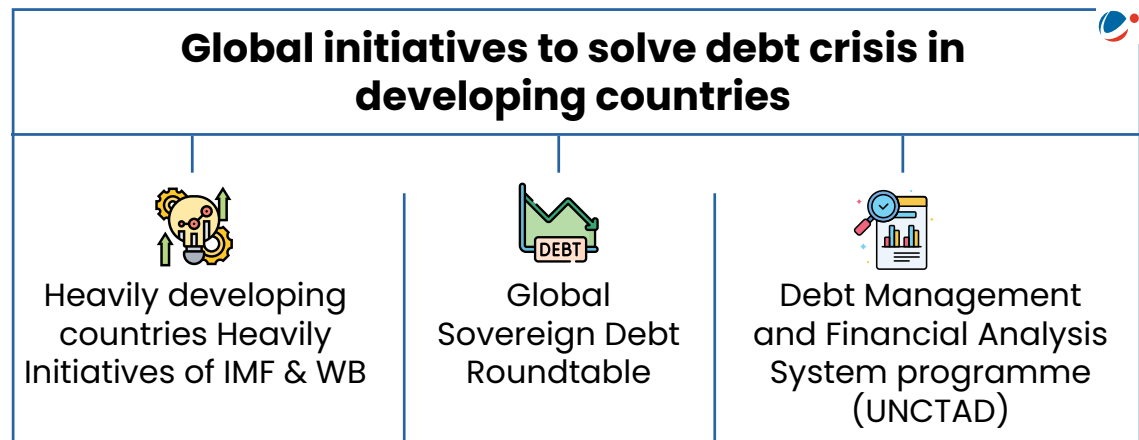
- ◆ UNs report "A world of Debt: Global public debt reached an all-time high of \$97 trillion in 2023 from \$17 trillion in 2000 and 30% of global public debt is held by developing countries.
- ◆ India's General Government Debt (GGD) was 80.9% of the GDP. IMF reported that India's GGD could exceed 100% of gross domestic product (GDP) in the medium term.

### Reasons for the growing debt of developing countries

- ◆ Higher rate interest rates. 54 developing countries allocated 10% or more of revenue to interest payments
- ◆ High reliance of private creditors instead of multilateral institutions
- ◆ Outsider creditors avoid debt restructuring of a country in crisis.
- ◆ Poor debt management due to low government revenues.

### Concerns raised due to high debt burden

- ◆ **Issue of debt sustainability:** Debt burden pushes countries to borrow from more expensive sources, making it harder to resolve debt crises.
- ◆ **Global Financial Stability:** High debt levels in developing countries can contribute to global financial instability.
- ◆ **Crowding out of priorities:** Debt servicing could crowd out spending on other development priorities.
  - » E.g. 3.3 billion People live in countries that spend **more on interest than health or education.**
- ◆ **Hampers sustainable development: Countries in debt crisis tend to spend less on climate finance.**

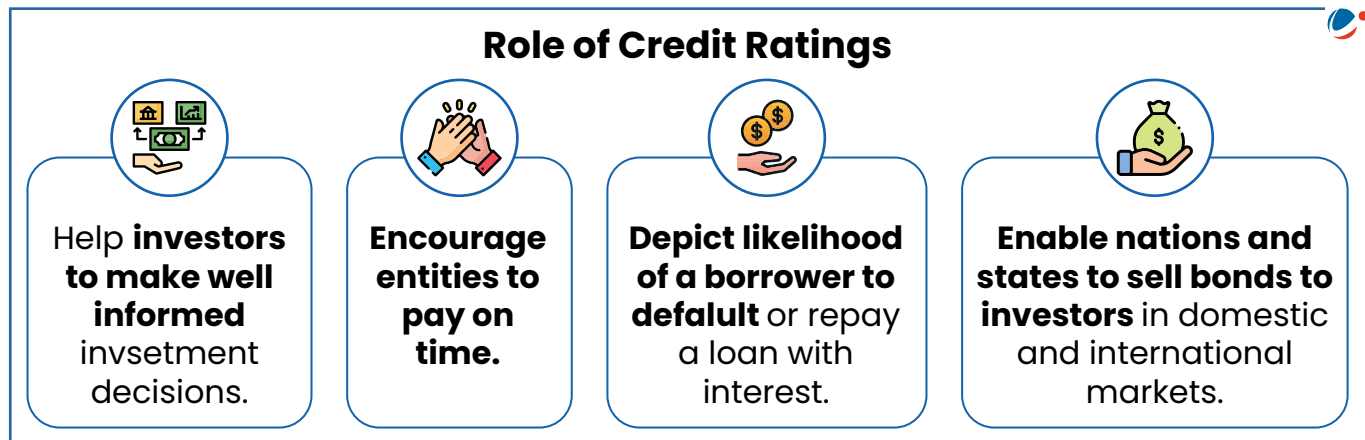


Way forward				
<p><b>Inclusive international financial architecture</b> E.g., <b>updating IMF quota formulas.</b></p>	<p><b>Provide liquidity</b> in times of crisis through IMF, and MDBs.</p>	<p><b>Transparent reporting of debt</b></p>	<p><b>Prudent Debt Management Strategies by</b> Low-income countries</p>	<p><b>Debt Restructuring.</b></p>

## 5.5. Credit Rating Agencies

### Why in the news?

Ratings agency S&P Global Ratings revised its **outlook on India to positive from stable** citing Robust Growth and Rising Quality of Government Spending.



### About Sovereign Ratings

- ◇ **They assess the creditworthiness** of countries and are a key gauge for investors. Currently, India is rated investment grade by **3 major CRAs- Standard & Poor's(S&P), Moody's & Fitch.**
  - » **Criteria** behind rating a government's creditworthiness - **Political risk, taxation, currency labour laws, sovereign risk etc.**
- ◇ **In India, SEBI** regulates all CRAs under **the SEBI (Credit Rating Agencies) Regulations, 1999.**
  - » **There are 7 CRAs** in India - CRISIL; CARE; ICRA etc.

### Issues with India's sovereign ratings by global agencies

- ◇ **Historical Anomalies:** As per Economic Survey 2020-21 India and China are anomalies as the only 5th-largest economies rated at lowest investment grade (BBB-/Baa3) reflecting bias & subjectivity.
- ◇ **Structural issues: Flawed "issuer-pays" model** where the entity also pays the rating agency for its services which often leads to a **conflict of interest.**
- ◇ **Ratings do not capture India's fundamentals:** Zero sovereign default history, Comfortable foreign exchange reserves (US\$ 651 bn), low external debt to GDP ratio (19-20%) etc.
- ◇ **Lack of transparent mechanism** to disclose more information on how decisions have been made.

<b>Way forward</b>			
<b>Refocus regulatory scrutiny</b>	<b>Reducing dependency</b> on credit ratings in regulation	CRAs should be compelled to make more <b>explicit long-term credit analyses</b>	<b>Improving transparency</b> of CRA methodologies

## 6. AGRICULTURE AND ALLIED ACTIVITIES

### 6.1. Primary Agricultural Credit Societies (PACS)

#### Why in the news?

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

#### About PACS

- ◇ **Definition:** PACS are the **grassroot level arms of short-term co-operative credit structure.**
- ◇ **Status:** More **than 65000 functional PACS** in country and **Refinanced** by NABARD through DCCBs and SCBs.
- ◇ **Key role in financial inclusion:** PACs **account for 41 % of KCC loans** given by all entities and **95% of these KCC loans** are to the **Small and Marginal farmers** (2022).

#### Issues faced by PACS

- ◇ Absence of digital **infrastructure, Inadequate capital, low levels of deposits, and high non-performing assets (NPAs),**
- ◇ Lack of trained staff & insufficient managerial skills among members.
- ◇ **Governance issues due to political Interference, lack of transparency & accountability etc**
- ◇ **Regional disparity e.g.,** PACS are largely concentrated in **western and southern states**

#### Initiatives to strengthen PACS

- ◇ **For modernization of PACS:** Centrally sponsored project for computerisation of PAC' scheme, National Cooperative Database (NCD) etc.
- ◇ **Diversifying business portfolio:** PACS to function as PM Kisan Samridhi Kendras, Jan Aushadhi Kendras and Common Service Centers

#### Way forward

<b>Encourage adoption of technology:</b> Implementation of <b>Common Accounting System (CAS) &amp; Management Information System (MIS) etc.</b>	<b>Financial strengthening by enhancing capital base of PACS</b> e.g., through access to external funding sources.	<b>Human Resource:</b> Implement capacity-building programs, provide better compensation etc.	<b>Improving governance:</b> Regular audits, strict disclosure norms, etc.
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### 6.2. India's Grain Storage System

#### Why in the news?

Prime Minister inaugurated pilot project of **'World's Largest Grain Storage Plan in Cooperative Sector'**, for 11 Primary Agricultural Credit Societies (PACS) across 11 States.

#### World's Largest Grain Storage Plan in Cooperative Sector

- ◇ **Purpose:** To establish **decentralized storage facilities at PACS level**, alongside other **agricultural infrastructure**, like, warehouses etc.

## Other initiatives for augmentation of grain storage capacity

 <p>Warehousing (Development and Regulation) Act, 2007</p>	 <p>National Policy on Handling, Storage and Transportation of Foodgrains, 2000</p>	 <p>Smart Food Grain Storage System (SAFEETY)</p>	 <p>Grameen Bhandaran Yojana</p>
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- ◆ **Benefits: PACS can avail subsidies & interest subvention** benefits for construction of agri infrastructure.

### Grain storage system in India

- ◆ Around 60-70% of food grain produced is stored at household level using various indigenous **traditional storage** structures like Morai, Mud Kothi, etc.
- ◆ **Government storage agencies: Food Corporation of India, Corporations (CWC)** for warehousing, **State warehousing Corporations** etc.
- ◆ **Private agencies:** FCI hires storage capacity from **private owners**.

### Challenges associated with India's grain storage

<p><b>Unscientific storage:</b> Around 80% handling and warehousing facilities are <b>not mechanized</b></p>	<p><b>Limited storage capacity: of only 145 MMT against</b> Food Grain Production of 311 MMT.</p>	<p><b>Surplus buffer stock by FCI.</b></p>	<p><b>Post-harvest losses due to traditional storage practices</b></p>	<p>Lack of private investment in warehousing</p>
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### Way Forward for revamping India's grain storage System

- ◆ **Recommendations by Shanta Kumar Committee: Scientific storage, Flexibilities to FCI** (To operate in Open Market Sale Scheme (OMSS) and export markets is needed), **Private Sector Participation etc**
- ◆ **Recommendations by Ashok Dalwai Committee: Decentralization of storage, Promote integrated agri-logistics systems** to enable efficient storage and transfer.

## 6.3. Pradhan Mantri Fasal Bima Yojana (PMFBY)

### Why in the news?

The enrolment of farmers under the PMFBY has crossed a record **40 million in 2023-24**, an increase of **27% from the 31.5 million enrolled in FY23**.

### Challenges in PMFBY

- ◆ **Higher cost of premium subsidy**
- ◆ **Premium deducted from non-participating farmers**
- ◆ **Disputes on the quality of yield data**

- ◇ **Delays in settlement**
- ◇ **Delays in actions against** defaulting insurance companies

**Key Initiatives under PMFBY**

- ◇ **CROPIC** (Collection of Real Time Observations and Photo of Crops)
- ◇ Weather Information Network Data Systems (**WINDS**) portal
- ◇ Yield Estimation System, based on Technology (**YES-TECH**) Manual
- ◇ **Door enrollment app AIDE/Sahayak.**

**Way Forward**

<b>Ensure timely release of premium subsidy</b> through <b>National Crop Insurance Portal</b>	<b>Presence of insurance companies in every tehsil of the district</b>	<b>Effective Penalties for companies for defaulting</b>	<b>Adoption of smart sampling techniques</b> such as satellite data or use of drones.	<b>Corporate Social Responsibility spending by Insurance companies.</b>
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**6.4. Inland Fisheries**

**Why in the news?**

India become largest contributor of inland capture water fisheries overtaking China, thereby emerging among the top three global fish producers.





**Inland Fisheries**

- ◇ Refer to **harvesting, management, and conservation of fishes generally** in freshwater bodies.
- ◇ Inland fish production has **doubled over the past 9 years** to 131 lakh tonnes in India.

**Benefits of inland fisheries**

- ◇ **Nutritional and Food Security:** Rich in protein, omega-3 fatty acids, and Vitamin D.
- ◇ **Economic benefits** like job creations, rural infrastructure development, foreign exchange earnings etc.
- ◇ **Environmental:** Maintains Healthy ecosystems by controlling invasive species, supporting biodiversity.

**Challenges Associated with Indian Inland Fisheries**

 Slow Adoption of cutting-edge technologies	 Economic challenges - lack of timely credit, inadequate price discovery etc	 Infrastrcure challenges like inadequate cold storages	 Environmental challenges due to overexploitation
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- ◇ **Traditional knowledge systems** of the community contribute to cultural heritage.

Measures Taken					
<b>PM Matsya Sampada Yojana</b>	<b>PM Matsya Kisan Samridhi Sah-Yojana</b>	<b>National Genetic Improvement Facility</b>	<b>National Fisheries Development Board</b>	<b>National Surveillance Programme for Aquatic Animal Diseases</b>	<b>Fisheries and Aquaculture Infrastructure Development Fund</b>

### Way Forward

- ◇ **Adoption of emerging technologies such as big data and IoT-based supply chain systems**
- ◇ **Multi Stakeholder approach** in decision making process
- ◇ **Adoption of FAO’s Code of Conduct for Responsible Fisheries** for sustainable fish farming
- ◇ **Fish farmer producer organisations (FFPOs)** can serve as an institutional platform for delivery of products and services, market linkages etc.
- ◇ **Infrastructure development** such as food parks, **cold storage units, chiller boxes, ice factories.**

## 6.5. Indian Council of Agricultural Research (ICAR)

### Why in the news?

ICAR to launch ‘one scientist, one product’ scheme to improve research in field of agriculture and animal husbandry. Also, ICAR will develop **100 new seed varieties in 100 days.**

### About ICAR

- ◇ **Genesis: Autonomous organisation** under Department of Agricultural Research and Education
- ◇ **Function:** Co-ordinating, guiding and managing **research and education in agriculture** including horticulture, fisheries and animal sciences in the entire country.

### Role of ICAR towards better and resilient agri-food systems

- ◇ Ushering **Green Revolution** E.g. Pusa Basmati 1121, Amrapali, Pomegranate Bhagwa etc.
- ◇ Deposited seeds in **the Svalbard Global Seed Vault** helped establish **National Gene Bank**
- ◇ **Integrated Farming: Developed models of agro-forestry to promote agri-horti, agri-silvi and silvipastoral systems,** Improving productivity of **indigenous breeds of cattle** etc.
- ◇ **Eradication of animal diseases** namely **Rinderpest,** African horse sickness and Dourine etc.
- ◇ **Blue Revolution:** Promoted **cage culture,** a low volume high density fish farming system.

### 6.5.1. Contributions of M S Swaminathan

#### Why in the news?

MS Swaminathan was conferred Bharat Ratna.

Measures Taken	
<p><b>Scientific contributions of M S Swaminathan</b></p> <ul style="list-style-type: none"> <li>◇ <b>Genetic Research:</b> Developed <b>high-yielding, pest and disease resistant crop varieties.</b></li> <li>◇ <b>Rice varieties:</b> Developed <b>fertilizer-responsive, high-yielding and short-stature varieties of rice</b> such as <b>ADT27, RASI and Pusa Basmati.</b></li> <li>◇ <b>Participatory Breeding:</b> Farmers are assisted to develop new locally adapted varieties.</li> </ul>	<p><b>Contribution in Economic Ecology</b></p> <ul style="list-style-type: none"> <li>◇ <b>Evergreen Revolution:</b> "improvement of productivity in perpetuity without ecological harm".</li> <li>◇ <b>Approach:</b> proposed idea of <b>4Cs - Conservation, Cultivation, Consumption and Commercialization</b></li> </ul>

#### Policy and Institutional Contributions & its relevance till today

- ◇ **National Commission on Farmers (NCF):** Recommended that **MSP** should be **at least 50% more** than **weighted average cost of production, formation of Village Knowledge Centres.**
- ◇ Pivotal **role in developing 'Protection of Plant Varieties and Farmers' Right Act 2001'.**
- ◇ **Disaster Management:** Advocated for adoption of **concepts of "drought code", "flood code" and "good weather code",**
- ◇ **Research institutions:** ICRISAT at Patancheru, IBPGR in Rome

### 6.6. Digitisation of Agriculture

#### Why in the news?

G20 Delhi declaration has **committed to promote responsible, sustainable and inclusive use of digital technology** by farmers and an ecosystem of Agri-Tech start-ups and MSMEs.

#### Digitisation of Agriculture

- ◇ **Integration of cutting-edge digital technologies into farm production system**
- ◇ **Significance of Digitisation of Agriculture**
  - » **Across the agricultural value chain:**
    - **Input Supply: Ex:** Use of AI with agricultural data.
    - **Marketing: Ex:** e-NAM.
  - » **Improved Governance: Ex:** India Digital Ecosystem of Agriculture (IDEA) framework.
  - » **Social benefit: Ex:** PM-KISAN Mobile App.

#### Latest initiatives in digitisation of agriculture

- ◇ Unified Portal for Agricultural Statistics
- ◇ The Kisan Rin Portal
- ◇ Weather Information Network Data Systems
- ◇ National e-Governance Plan in Agriculture



## Challenges in Digitisation of Agriculture in India

- ◇ **Digital illiteracy**, la and recent **increase in digital fraud** makes the farmers wary.
- ◇ **Fragmented landholdings**, average size of operational holdings, **1.08 hectares in 2015-16**.
- ◇ **Only 1% agritech startup penetration** in India (as per EY India).

## Way forward

- ◇ Improving the **access to innovative and affordable products**
- ◇ Focus on **portable hardware models**
- ◇ **Bridging the gap between field and academic institutes**
- ◇ Arrangement of **better financing options and incubation centre**

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## 7. INDUSTRY AND INDUSTRIAL POLICY

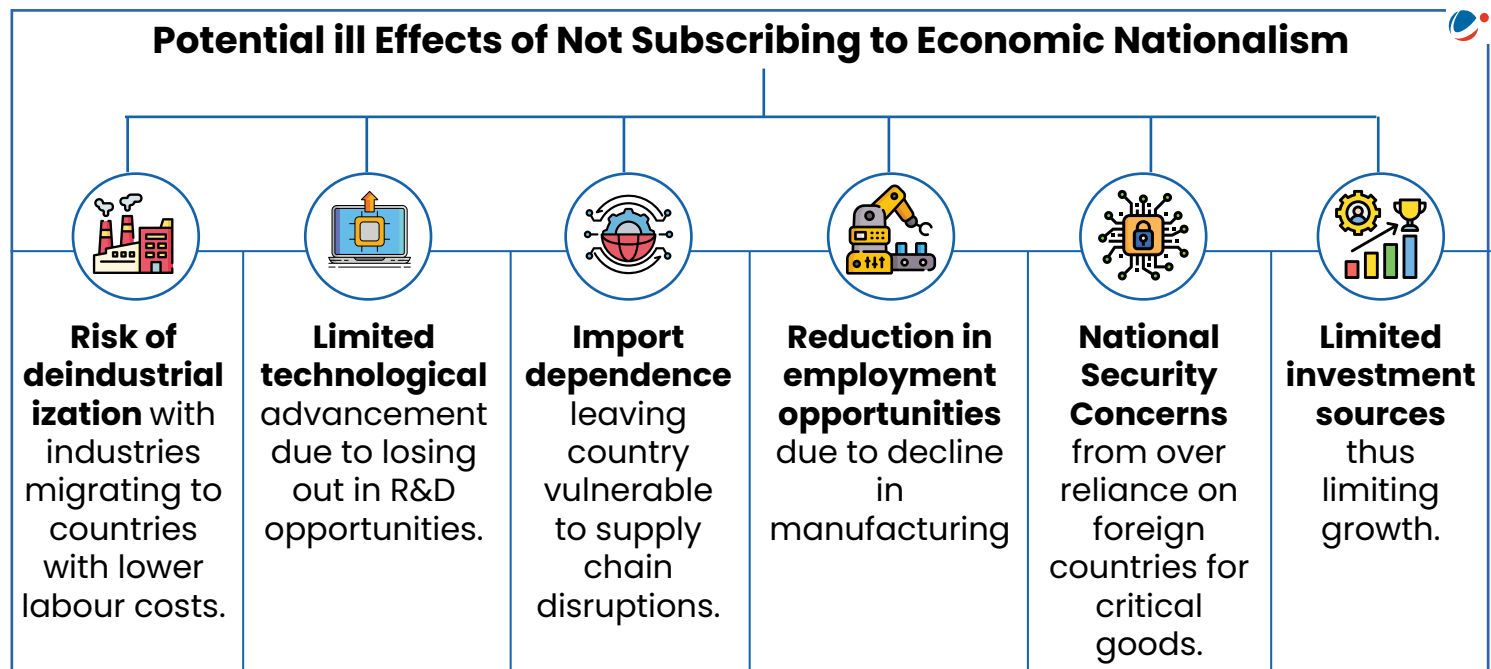
### 7.1. Economic Nationalism in India

#### Why in the news?

Economic nationalism has been conventionally understood as economic ideology which **favours domestic control of economy, labour and capital formation.**

#### Economic Nationalism in India

- ◇ Concept developed in India during Colonial Rule.
- ◇ Its most important **proponents** included Dadabhai Naoroji, Mahadev Govind Ranade, Romesh Chunder Dutt, Gopal Krishna Gokhale, G. Subramaniya Iyer, etc.
- ◇ Dadabhai Naoroji propounded **theory of 'drain of wealth'** which was conceived as a unilateral transfer of resources from India to Britain.



#### Measures taken to promote Economic Nationalism

- ◇ **Promoting domestic industry:** E.g. PLI schemes, Make in India, NIP etc.
- ◇ **Participation in Global Supply Chain:** E.g. National Logistics Policy, Bharatmala Pariyojana
- ◇ **Strategic autonomy:** in strategic sectors such as defence, space, clean energy, digital services
- ◇ **Research and Development (R&D):** National Research Foundation, Uchhatar Avishkar Yojana

## 8. SERVICES

### 8.1. BharatNet

#### Why in the news?

Government recently approved Rs 1.39 lakh crore for modernising BharatNet project. It involves changing its execution strategy and **providing fibre connections to the last mile through Village Level Entrepreneurs (VLEs).**

#### Significance of Bharat Net

- ◇ **Village Modernization:** By digitalising the basic infrastructures such as banking, post office, etc.
- ◇ **Agriculture sector:** Schemes- Kisan Suvidha, PM-KISAN mobile App, Kisan Sarathi Platform.
- ◇ **Improving Quality of Education and medical facilities** E.g. DIKSHA, , NPTEL, MOOC etc.
- ◇ **E-Commerce penetration:** E.g. Open Networks for Digital Commerce (ONDC).
- ◇ **Employment:** As extension program will provide nearly 2.50 lakh jobs.

#### Challenges in implementing BharatNet

- ◇ **Delay in project completion:** The earlier project deadline was 2019, new deadline is 2025.
- ◇ **High project costs:** Cost of laying optic fibre cable has doubled between 2021 and 2022.
- ◇ **Low utilisation: Only 27% of expected villages** received network connectivity.( March 2022)
- ◇ **Low Quality of service (QoS):** E.g. frequent line faults, connection outages etc.
- ◇ **Poor Private Participation:** In the 2022 bid, not a single bid was received

### 8.2. Medical and Wellness Tourism

#### Why in the news?

MHA recently notified creation of a **new category of AYUSH visa for foreign nationals for treatment** under AYUSH systems of medicine by amending visa manual, 2019.

#### About Medical and Wellness Tourism

- ◇ **Medical tourism** is a term used to describe rapidly growing **practice of travelling across international borders to seek healthcare services.**
- ◇ **Wellness Tourism** includes the pursuit of physical, mental, spiritual or environmental 'wellness' while travelling for either leisure or business."
- ◇ India is 7th ranked in wellness **tourism**

#### Initiatives by Government

- ◇ **Development Assistance (MDA) Scheme**
- ◇ **National AYUSH Mission**
- ◇ **First WHO Traditional Medicine Global Summit** "Towards health and well-being for all" in Gandhinagar, Gujarat.
- ◇ **Promotion of Information, Education, and Communication (IEC) in AYUSH**
- ◇ **National Accreditation Board for Hospitals & Healthcare Providers (NABH)**

### Prospects of Medical and Wellness Tourism for India

- ◇ **Long waiting periods** in developed countries for medical tourism.
- ◇ **Improved Connectivity to smaller cities like Dharamshala through schemes like UDAN.**
- ◇ **Demand from Countries with an ageing population**

### Challenges of Medical and Wellness Tourism

- ◇ **Regional Competition** from Malaysia, Thailand, Singapore etc.
- ◇ India has relatively smaller number of Joint Commission International (JCI) accredited hospitals.

◇ **Overseas medical care not covered by insurer.**

◇ Other Issues: Lack of Skilled Manpower, **Lack of uniform Fee structure, lack of transparency**

### Way forward

- ◇ **Relaxation/Incentives** for import of medical equipment.
- ◇ **Medical and Wellness tourism diplomacy and attracting Diaspora.**
- ◇ **Develop infrastructure:** E.g. extending UDAN scheme to major AYUSH-located regions.
- ◇ **Stronger regulation** of hospitals and wellness



## 8.3. Gaming Sector in India

### Why in the news?

**Interactive Entertainment and Innovation Council (IEIC) and WinZO** released India Gaming Report 2024.

### India's Gaming sector

◇ **Largest gaming market** and accounts for **every one in five online gamers** globally, expected to reach **\$6 Billion by 2028.**

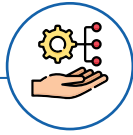
### Factors responsible for boost in gaming industry:

- ◇ Cheap internet (\$0.17/GB) & increased **smartphone penetration** (820 million users).
- ◇ Burgeoning share of **young population** (~600 million) and rising **disposable income.**

## Government Interventions for promotion of sector



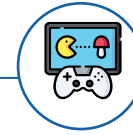
**Meity acts as nodal agency** for online gaming regulations and development.



**Schemes like** Make in India, Digital India, and Production Linked Incentive (PLI).



**Animation, Visual Effects, Gaming and Comic (AVGC)** taskforce report, Draft National AVGC Policy and National AVGC centre of excellence.



**100% FDI in gaming sector**, utilizing automatic route within Electronic System and IT & BPM sectors.

### Challenges to gaming sector

- ◇ **Internet pollution'** (3.7% of Greenhouse Gas emissions).
- ◇ **Financial illiteracy**, regulatory issues & **data privacy**
- ◇ **Detrimental impact on physical and mental health** in certain cases. E.g., issues like 'Blue Whale Challenge'.
- ◇ Lack of **comprehensive regulatory framework**

### Recommendations:

- ◇ Utilize **green innovations and virtual environments**
- ◇ Establish a **global gaming cluster**
- ◇ Prioritize **R&D for online safety and digital literacy.**

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**ENGLISH MEDIUM 2025: 11 AUGUST**  
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## A Dual-Layered Strategy for Current Affairs



### Strengthening Your Foundation



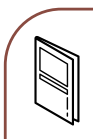
#### Newspaper Reading: The Foundation

Devote an hour daily to reading newspapers for a comprehensive understanding of global and national events.



#### News Today: Context Simplified

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“Remember, Current Affairs is not just about memorisation but understanding the broader implications and interlinkages of events. Approach it with curiosity; over time, it becomes less of a chore and more enlightening experience.

## 9. INFRASTRUCTURE

### 9.1. Logistics Sector of India

#### Why in the news?

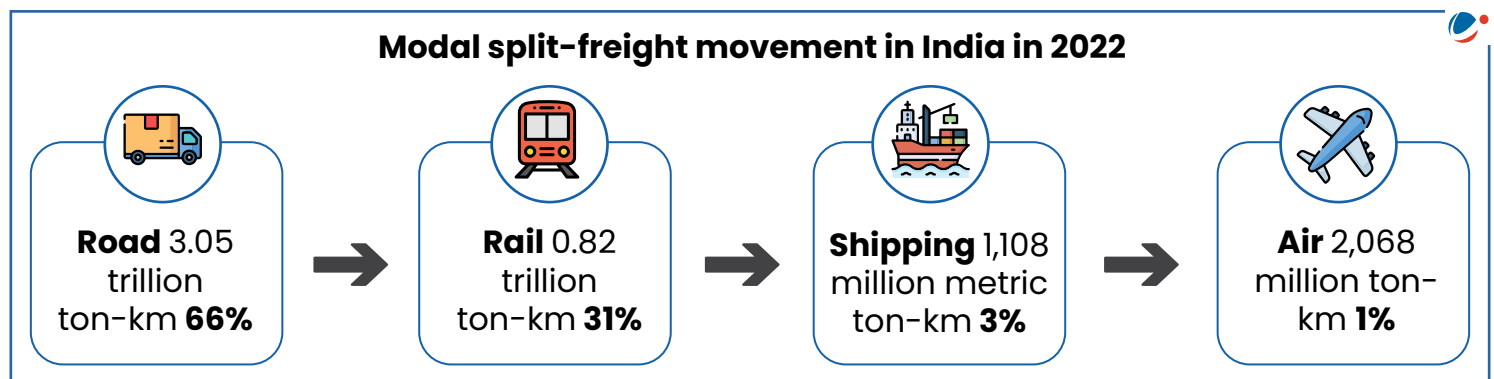
India's logistics cost are in range of **7.8–8.9 %** of GDP in **2021–22 (India ranking 38th on World Bank's Logistics Performance Index, 2023)**, an improvement from 44th in 2018).

#### Importance of efficient logistics infrastructure:

- ◇ **Supply chain efficiency:** To meet consumer demand and optimise production processes.
- ◇ **Connectivity and accessibility:** enabling businesses to reach a wider customer base.
- ◇ **Cost reduction and competitiveness**
- ◇ **Job creation** in transportation, warehousing, distribution, and related services.

**National Logistics Policy (NLP)**, Launched in **2022** to complement PM Gati Shakti

- ◇ **Targets of NLP are to Reduce cost** of logistics in India Comparable to global benchmarks of **8–9%** of GDP, **Improve Logistics Performance Index ranking** –to be among top 25 countries by 2030 & Create a **data-driven decision support mechanism** for an efficient logistics ecosystem.
- ◇ **Comprehensive Logistics Action Plan**, part of NLP was launched covering eight action areas.



Components	Progress so far
◇ <b>Digitalisation</b>	◇ <b>Over 614 industry players</b> have registered on ULIP.
◇ <b>Export Import (EXIM) Logistics</b>	◇ <b>60 projects of Ministry of Road Transport and Highways and 47 Ministry of Railways</b> have been sanctioned
◇ <b>State Engagement</b>	◇ <b>22 States have notified</b> their logistics policies so far.
◇ <b>Issues and Grievance redressal</b>	◇ <b>Around 29 business associations</b> have been empanelled on <b>Ease of Logistics Services (E-logs) Portal</b> so far.

## 9.2. Bharat New Car Assessment Program (Bharat NCAP)

### Why in the news?

Ministry of Road Transport and Highways has rolled out an indigenous star-rating system for vehicles to assess their safety in cases of collision (as per Automotive Industry Standard (AIS) 197).

### About Bharat NCAP

- ◇ **Modelled on Global New Car Assessment Programme** with some modifications.
- ◇ **Applicability:** To passenger vehicles with **not more than eight seats in addition to driver's seat (8+1)** with gross vehicle weight not exceeding 3,500 kg, either manufactured or sold in India.
- ◇ **Testing protocol:** Evaluate **Adult Occupant Protection, Child Occupant Protection** and fitment of **Safety Assist Technologies**.
- ◇ Testing will be **voluntary**, and carmakers will be encouraged to offer their models for testing.

### Significance

- ◇ **Road Safety:** Help consumers make an **informed decision** before purchasing a car
- ◇ **Technology:** Align manufacturing practices with recent road safety regulations, E.g. **dual front airbags, anti-lock braking system**, etc.
- ◇ **Cost Saving: Reduced cost of safety testing** for car manufacturers under Bharat NCAP (approx. ₹ 60 Lakhs) as compared to a similar test overseas (₹ 2.5 crores).

## 9.3. Rapid Transit System (RTTS) Project

### Why in the news?

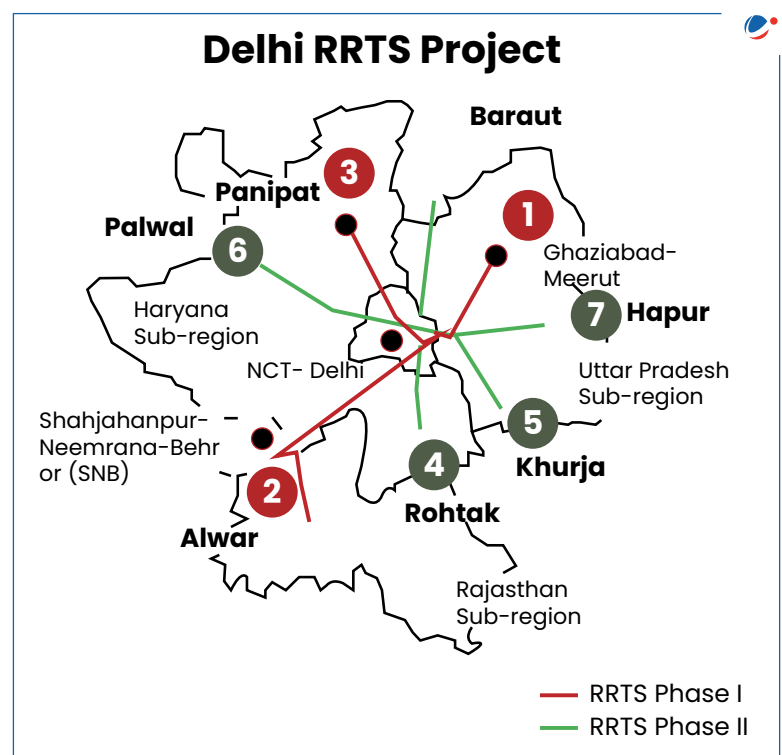
Recently, **First Regional Rapid Transit System (RTTS)** was launched in India with **Namo Bharat RapidX** train from Sahibabad to Duhai Depot in Uttar Pradesh.

### About RTTS Project

- ◇ It is a new, **dedicated, high-speed, high-capacity, comfortable commuter service** connecting regional nodes in NCR.
- ◇ Operate at a speed of **160 km/hour** but are designed to be able to run at speeds up to **180 km/hour**.
- ◇ **National Capital Region Transport Corporation (NCRTC)** is responsible for implementing the RTTS.

### Significance

- ◇ **Increased Economic Activity**, shorter travel times.





- ◇ **Deeper economic integration** in the region
- ◇ **Access to better facilities.**
- ◇ **Significant reduction in pollution in the region.**
- ◇ **Easing of Road Congestion** as RRTS could shift a large amount of traffic from road to rail

Challenges in implementation		
<p><b>Financial Constraints:</b> Maintaining and operating railway networks demands substantial upfront investment.</p>	<p><b>Environmental Concerns:</b> Construction activities can increase Delhi NCR air pollution in immediate term.</p>	<p><b>Construction Challenges:</b> E.g. engineering challenges, including tunnelling, bridge construction etc.</p>

### Way forward

- ◇ Air pollution control E.g. water pumps at casting yards, Air monitoring devices etc.
- ◇ Ensure that the design aligns with urban planning goals, environmental sustainability, and existing transportation networks.
- ◇ Integrate advanced technologies like automatic train control systems, communication networks, fare collection systems,

## 9.4. Dedicated Freight Corridors (DFCs)

### Why in the news?

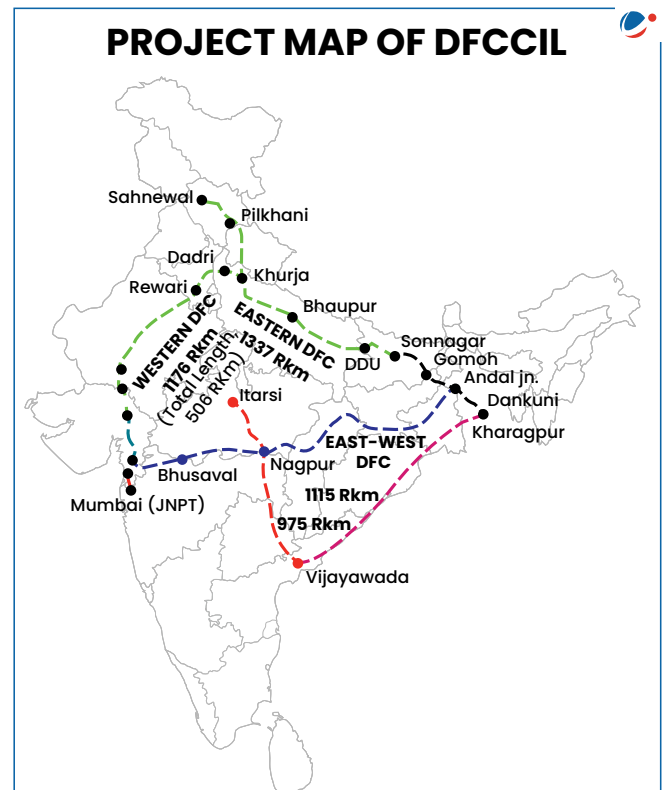
**Eastern Dedicated Freight Corridor (EDFC)** has been completed fully in October 2023.

### What is a Dedicated Freight Corridor?

- ◇ **Railway corridor** designed for rapid and efficient transportation of goods and commodities, characterized by **high speed** and **high capacity**.
- ◇ **Aim:** Decongesting India's railway network by separating **freight traffic** from **passenger traffic**
- ◇ **Implementing agency:** Dedicated Freight Corridor Corporation of India Limited (DFCCIL).

### Significance of DFC

- ◇ **Reduce congestion,** Quicker transit times, reduced fuel consumption, and increased carrying capacity.
- ◇ **Infrastructure Upgradation:** modern signalling systems, electrification of tracks etc.
- ◇ **Equitable Regional development:** E.g. Eastern Dedicated Freight Corridor will provide a transportation route from resource-rich regions (e.g., Jharkhand, Odisha) to power plants and industrial centres in other parts (e.g. U. P and Haryana).



## 9.5. Maritime Amrit Kaal Vision 2047

### Why in the news?

Maritime Amrit Kaal Vision 2047 prepared by Ministry of Ports, Shipping and Waterways was launched at Global Maritime India Summit 2023.

### Maritime sector in India

- ◇ Maritime Sector in India **comprises Ports, Shipping, Shipbuilding and Ship repair and Inland Water Transport Systems.**
- ◇ **Ministry of Shipping** is the **nodal central agency** administering the issues related to them.

### Maritime Amrit Kaal Vision 2047 (11 overarching themes)

- ◇ **Sustainable and Green Maritime Sector:** Aims at making all 14 major ports carbon neutral,
- ◇ **Port modernisation**
- ◇ **Global player in shipbuilding, repair & recycling** to attain a spot in top 5 shipbuilding centres.
- ◇ **Quadruple port capacity** to reach 10,000 million tons with 100% PPP model at major ports.
- ◇ Enhance **modal share** of coastal shipping and inland waterways from **6% to 12%**
- ◇ **Offer maritime professional service, World class education, research & training etc.**

### Significance of developing India's maritime sector

- ◇ **Opportunities in Indian Ocean:** Rich mineral resources and connectivity with global cities.
- ◇ **Livelihood & Food security:** India is the **second-largest fish producing nation** in the world
- ◇ **Regional power aspiration:** Role of net security provider in the Indian Ocean region.

### 9.5.1. Blue Economy 2.0

#### Why in the news?

Blue Economy 2.0 Scheme has been announced in Union Interim Budget 2024-25.

#### About Blue Economy and Blue Economy 2.0

- ◇ It is the “**sustainable use of ocean resources for economic growth, improved livelihoods, and jobs while preserving the health of ocean ecosystem.**”
- ◇ **Blue Economy 2.0** is a blueprint **to make further progress on India's existing initiatives** to explore potential of Indian maritime blue economy by promoting climate resilient activities.
  - » Emphasising on **coastal aquaculture and mariculture** etc.

#### Factors limiting the development of Blue Economy

- ◇ **Threat to Maritime security** e.g. recent Houthi attacks, etc.
- ◇ **Other:** Lack of Infrastructure, high operating costs of shipping industry, high installation cost of tidal power plants, climate and pollution due to human activities, etc.

#### Steps taken by India:

Deep Ocean Mission (mine the metals in the Indian oceans); Pradhan Mantri Matsya Sampada Yojana; SAGARMALA project; Draft Blue Economy Policy; Integrated Coastal Zone Management; Maritime India Vision 2030.

## 9.5.2. Inland Waterways

### Why in the news?

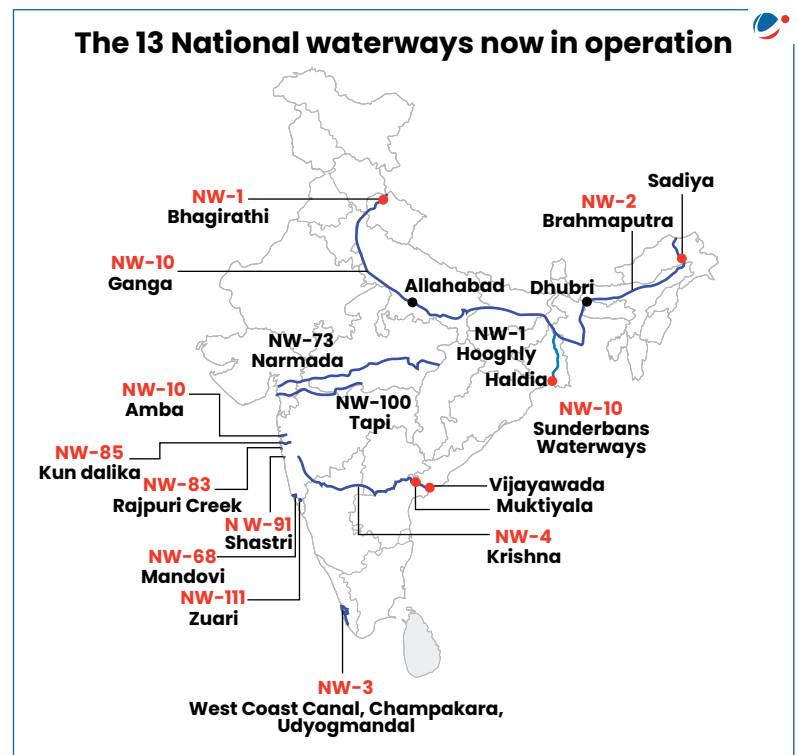
Recently, Standing Committee on Transport, Tourism and Culture submitted its report on 'Development and Expansion of Existing and New National Inland Waterways'.

### Importance of Inland Water Transport (IWT)

- ❖ **Environment friendly:** Least fuel consumption per tonne km, CO<sub>2</sub> emission is 50 per cent that of trucks, Safe mode for hazardous and over-dimensional cargo
- ❖ **Strategic importance:** Offers **natural navigation channels** connecting entire northeast region.
- ❖ **Supplementary mode:** Reduces pressure on road and rail, Reduces congestion and accidents

### Issues associated with the development of IWT

- ❖ **Unviability:** Around 20 out of 111 national waterways have reportedly been found unviable.
- ❖ **Low level of investment** compared to road and rail modes, Poor hinterland connectivity
- ❖ **Maintaining a depth of river which is navigable for vessels** with capacity of 1500-2000 tons.
- ❖ **Low Freight Share: About 2% of modal share** whereas USA stands at 4 %,
- ❖ **Impact on the environment:** Inland waterways **development alters the ecology of the river.**
  - » For instance, dredging and construction on the national waterway-I disrupted the activities of Gangetic Dolphin.



### Way forward

- ❖ **Financial incentives, Public-Private Partnership, Waterway Connectivity** to rail, road and ports be dealt with Detailed Project Report (DPR), **Environmental impact assessment** among others.

### Steps Taken for Inland Water Transport

<p><b>Jal Marg Vikas Project (JMVP)</b> for capacity augmentation of navigation on NW-1.</p>	<p><b>Ro-Ro (Roll-on-Roll-off) and Ro-Pax (Roll-on/Roll-off with passenger)</b> in Various National Waterways.</p>	<p>Digital solutions such as <b>CAR-D (Cargo Data) Portal and PANI (Portal for Asset &amp; Navigation Information)</b></p>	<p><b>Maritime India Vision 2030:</b> Enhancement and development of infrastructure at 23 priority NWS.</p>	<p>Integral role of IWT in <b>Blue Economy Vision 2047</b></p>
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## 10. MINING AND ENERGY

### 10.1. Central Electricity Authority (CEA)

#### Why in the news?

On October 15, 2023, the Central Electricity Authority (CEA) celebrated its 50th foundation day.

#### About Central Electricity Authority

- ◇ **Statutory organization** under Electricity Act 2003.
- ◇ **Functions and responsibilities:**
  - » **Advise central government** on National Electricity Policy, **Specify technical standards** for electrical plants and electric lines, **Specify condition for installation of meters** etc.

Emerging Challenges for CEA	Way forward
<ul style="list-style-type: none"> <li>◇ <b>Integration challenges</b> with increasing share of renewable energy sources.</li> <li>◇ <b>Cyber threats</b> associated with growing digitization of Power sector.</li> <li>◇ <b>Power Infrastructure</b> requires substantial modernization.</li> </ul>	<ul style="list-style-type: none"> <li>◇ Adoption of <b>energy storage technologies</b>.</li> <li>◇ <b>Data Analytics and Predictive Maintenance</b> for grid planning and management.</li> <li>◇ Implementing <b>robust cyber security policy</b>.</li> <li>◇ <b>Collaboration with international organizations</b> and sharing best practices E.g., <b>BIMSTEC energy centre</b> set up in Bengaluru</li> </ul>



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## 11. INNOVATION AND ENTREPRENEURSHIP

### 11.1. Patents

#### Why in the news?

**Patents (Amendment) Rules, 2024** have been notified

#### Key Provisions of Patents (Amendment) Rules, 2024

- ◇ **Certificate of Inventorship** to acknowledge the contribution of inventors.
- ◇ Time limit has been reduced from 48 months to 31 months.
- ◇ **Renewal fee** reduced by 10% if paid in advance through electronic mode for at least 4 years.
- ◇ **Frequency to file working statement of patents** reduced to 1 time in every 3 financial years.

#### Regulation of Patents

##### Global

- ◇ **World Intellectual Property Organization (WIPO)** regulates Patent and other IPR.
- ◇ Under **TRIPS** an agreement of the **World Trade Organisation (WTO)** was signed in **1994**.

##### India

- ◇ Regulated by **Patents Act, 1970**. It repealed the Indian Patents and Designs Act, 1911.
- ◇ **National Intellectual Property Rights (IPR) Policy in 2016**

#### Conclusion

To create robust patent protection system initiatives like re-establishment of the IPAB etc. can be taken. Also, research and development needs to be promoted in academies/Institutes and Industrial sphere so that filing of patents increases.

### 11.2. Start-ups in Rural India

#### Why in the news?

Start-ups are emerging as a beacon of hope in Rural India, especially in the realm of agriculture.

#### Role of Start-ups in Rural Economy

- ◇ **Rural Development:** For overall **rural economic improvement** and '**Atmanirbhar gaon**'.
- ◇ **Employment Generation** in rural India. E.g., **Meesho, Udaan** etc.
- ◇ **Education and Skill Development:** E.g., **Paathshaala, Learning Delight** etc.
- ◇ **Financial Inclusion:** E.g. Microcredit, insurance, and digital payments E.g., **Bank Saathi**
- ◇ **Women Empowerment:** E.g., **Lijjat Papad**
- ◇ **Environmental Sustainability:** E.g., **AgriVijay, Earthshastra Ecotech** pvt. Ltd.

Challenges Faced by the Rural Startups				
<b>Connectivity gap with Suppliers in Urban Areas</b>	<b>Financial Accessibility</b>	Lack of Support System	<b>Difficulty in Finding Early Adopters in Rural Areas</b>	Limited Funding Mechanism in Rural Areas

### Way Forward

Policy and institutional support are crucial for addressing infrastructure, finance, and skill gaps in rural startups. Fostering government-NGO collaboration with emphasis sustainability over scalability could be the mantra to encourage rural entrepreneurship.



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At **VisionIAS**, we recognize the multifaceted nature of this journey. To support our students comprehensively, we have established a dedicated Student Wellness Cell. Since April 2024, our highly professional psychologists and experienced professionals have provided confidential and mindful support as per student needs.

### From Stress Management to Academic Excellence



#### Enhancing Academic Performance:

Effective stress management contributes to better academic outcomes.



#### Professional Mental Health Support:

Seeking professional help is crucial for success in UPSC preparation.



#### Well-Supported Mind for Excellence:

Mental well-being is essential for achieving success in UPSC exams.



#### Comprehensive Wellness Cell:

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#### Confidential and Structured Support:

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**Social Isolation and Loneliness:** Encouraging healthy social interactions and setting personal boundaries.



**Family and Personal Issues:** Offering advice on coping with family dynamics, personal loss, and significant life stressors.



To support the larger student community, **VisionIAS** is now extending our counseling and wellness support to all students preparing for UPSC CSE, regardless of their coaching institute affiliation. Schedule a session by visiting our office at Apsara Arcade near Karol Bagh Metro Station or emailing [student.wellness@visionias.in](mailto:student.wellness@visionias.in).

*Remember, seeking help is a sign of strength, not weakness.*

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AIR

**Animesh  
Pradhan**



5  
AIR

**Ruhani**



6  
AIR

**Srishti  
Dabas**



7  
AIR

**Anmol**



9  
AIR

**Nausheen**



10  
AIR

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**39**  
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**Garima  
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