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INSPIRING INNOVATION

ECONOMICS

Classroom Study Material 2025

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ECONOMY

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Preface

To the Aspirants

The UPSC Civil Services Mains Examination is not merely a test of knowledge but a challenge of precision, clarity, and smart revision. In the vast syllabus of **General Studies Paper III,** the Economy section continues to play a decisive role in boosting overall marks. Recognizing this, **VISION IAS brings to you the Mains 365- Economy,** a meticulously curated document designed to serve as your ultimate revision companion.

This document is **not just a compilation of current affairs—**it is a strategic tool crafted to help aspirants enhance answer quality, incorporate current economic developments with conceptual clarity, and fetch those crucial extra marks that often make the difference in final selection. With **issue-based categorization, value-added insights, and model-ready content,** this compilation allows you to revise comprehensively and quickly, even during those intense last few days before the exam. Designed to be exam-centric, crisp, and insightful, Mains 365 Economy is your shortcut to smart preparation and strategic edge in the examination hall.

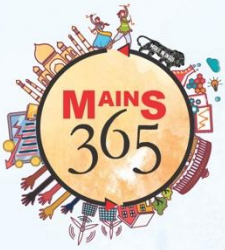
Let this be your go-to guide—for clarity, for revision, and for success.

Q.1 Why do even well-read aspirants struggle with GS-III Economy?

- **Fragmented Sources:** Jumping between multiple sources creates confusion
- **Static-Dynamic Disconnect:** Knowing theories without real-time examples makes answers shallow.
- **Data Fatigue:** Facts are abundant, but few know where and how to use them effectively.
- **Concept Cramming:** Without analytical framing, even the best data fails to impress UPSC.

Mains 365 Economy is built to solve these.

Q2. Why this document is your edge in GS Paper-III Economy?



- It mirrors UPSC's demand for **interlinked, analytical answers**—e.g., how the gig economy links to social security, or how WPI base revision shapes inflation debates.
- Every topic from Public Investment to Land Reforms, from FDI to Skill India—is mapped to current affairs with a clear **Context→Analysis→Way Forward/Conclusion** framework.
- Infographics, Tag tables, and data boxes help you recall faster and write sharper, especially under time pressure.

Q3. How does it enhance answer writing?

Let's take a Question: "Discuss the significance of Microfinance Institutions (MFIs) in driving socio-economic transformation in India's informal economy. What are the key challenges they face in fulfilling this role? Suggest suitable measures to enhance their effectiveness."

Answer: Mains 365 – Economy enables you to answer such questions with ease and precision. For instance:

INTRODUCTION CAN BE ADDED FROM HERE:

3.4.2. 50 YEARS OF MICROFINANCE

Why in the News?

Self Employed Women's Association (SEWA) Bank, started in Gujarat in 1974 as a cooperative bank marks the completion of 50 years of microfinance institution (MFI) in India.

BODY PART-1 FROM HERE:

What is microfinance?

- **Definition:** Microfinance, also called microcredit, is a banking service targeting poor households and small enterprises in rural areas.
- **Services:** Providing credit to poorer households and small enterprises, but many also take deposits, some MFIs offer other financial services, such as insurance, or advice and training to their clients.

Significance of microfinance in India

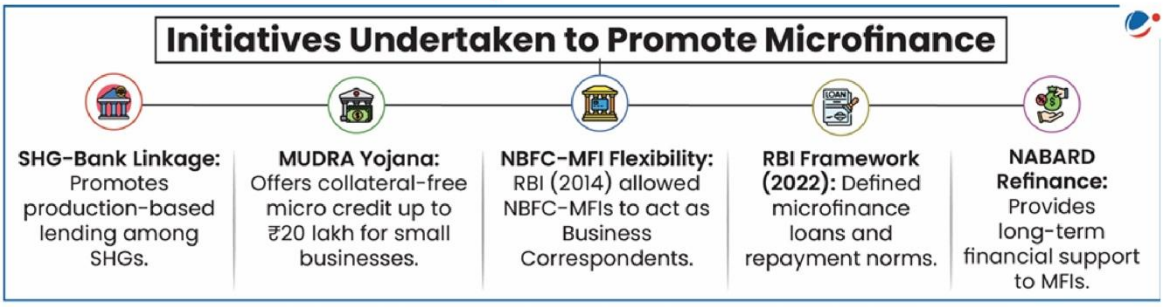
- **Poverty Alleviation:** NABARD through **SHG Bank Linkage Programme** which is the largest microfinance programme in the world, **empowers 17.8 crore households** through more than **144 lakh SHGs.**
- **Entrepreneurship Promotion:** 46% of microfinance loans are provided to families having monthly income less than Rs. 20,000, for **working capital for their income generating activities** and **assets.**
- **Empowerment of Women:** 88% of SHGs linked to banks being women-led. E.g., **Kudumbashree in Kerala**
- **Financial Inclusion:** Microfinance fills the gap left by traditional banks.
  - Client of MFIs had grown substantially within the last ten years touching 140 million families in FY 2024.
- **Social Impact: E.g., Ujjivan Small Finance Bank Chote Kadam** initiative, has made significant contributions to the healthcare sector by renovating multiple Primary Health Centres (PHCs) and hospitals.

BODY PART-2 FROM HERE:

Challenges in Microfinance in India

- **Over-Indebtedness:** 8-10% of the sector's total assets under management (AUM) is linked to borrowers with more than four lenders. Micro credits are also charged at higher interest rates.
- **Multiple Regulator:** MF Banks in India are regulated by the **RBI, State governments through State Cooperative Societies Acts** (for cooperative banks) regulate microfinance cooperative banks and cooperative societies.
- **Lack of collateral and risk of default: Increases NPAs.**
- **Sustainability of Microfinance Institutions:** Striking a balance between social impact and financial sustainability is an ongoing challenge as very few MFI are actually profitable.

INFOGRAPHICS FOR VALUE ADDITION:



WAY FORWARD FROM HERE:

Way forward

- **Limiting the number of lenders per borrower to three from four**: Cap outstanding loans per borrower at Rs 2 lakh from Rs 3 lakh.
- **MFIs can be classified under various sectors:** such as affordable housing, climate action, water and sanitation, to usher in holistic development at the bottom of the financial pyramid.
- **Financial Literacy**: Can improve financial inclusion,through insurance and growth of microfinance industry.
- **Learning from best practices:** Southern states including Tamil Nadu, Karnataka, and Kerala have well-developed microfinance distribution networks, making microfinance operations easier.

Conclusion

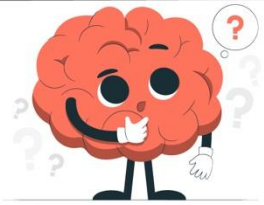
The 50-year journey of microfinance in India reflects its transformative role in **poverty alleviation, women empowerment, and financial inclusion**. Going forward, a more **sustainable, tech-driven, and regulated microfinance ecosystem** will be crucial to deepen its impact on India's socio-economic development.

Result? You don't just answer the question—you demonstrate policy awareness, data precision, and UPSC's desired multidimensional thinking.

Q4. What makes it 'exam-ready'?

- **GS-III-Aligned Structure:** Each chapter aligns with syllabus heads—Growth, External Sector, Fiscal Policy, Agriculture, Infrastructure etc.
- **Ready-to-Quote Facts:** E.g. 7.7 million workers engaged in gig economy; Agriculture contributes ~16% of the country's GDP etc.
- **Comparative Insights:** Global innovation Index rankings, middle-income trap issue, Nobel Prize in Economics all explained in usable formats.

Q5. What's the last-mile benefit in exam hall?

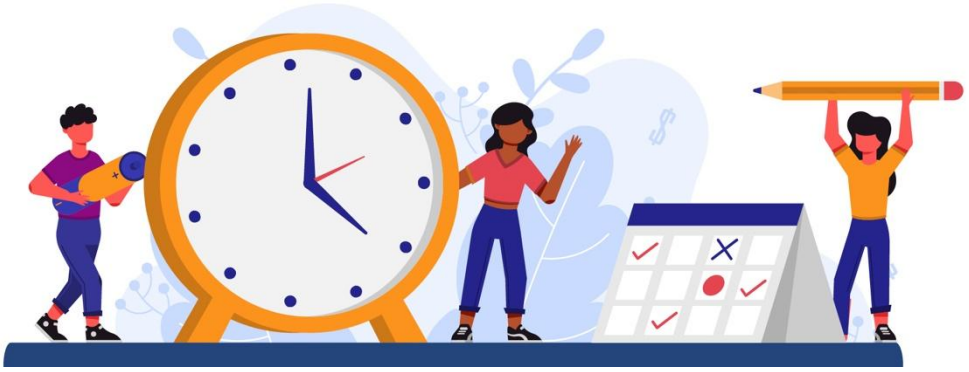


When others are thinking "what to write," you'll already be structuring your 250-word answer with impact. Mains 365 is built not just for coverage, but for retention, recall, and razor-sharp delivery.

Final Word

Treat this document as your answer bank. Use it to enrich your notes, simulate questions, and visualise answers in UPSC language. Remember—when content meets clarity and context, marks follow.

Let this be your economic toolkit—not just for the exam, but for the future administrator in you.



1. SNAPSHOT OF INDIAN ECONOMY

1.1. INDIAN ECONOMY AT A GLANCE

Indian Economy

Key Economic Indicators

National GDP	External Trade	Unemployment	Debt	Poverty
At **current prices,** India's **GDP** is estimated at **₹331.03 lakh crore** in **2024–25.** **Currently its** world's **fourth-largest economy**	India's exports reached **USD 778.21 billion in 2023-24.** India's goods trade deficit narrowed to $21.88 billion in May 2025.	Unemployment rate in India for April 2025 was 5.1% as per monthly Periodic Labour Force Survey (PLFS).	India's external debt is usd 717.9 billion in december 2024. The **external debt to GDP ratio** stood at **19.1%.**	India's extreme poverty, fell sharply from 16.2 % in 2011-12 to just 2.3 % in 2022-23 (WB).

Sectoral Composition of Nominal GVA in FY 2024-25

Public Administration, Defence & Other Services 15%	Agriculture, Livestock, Forestry & Fishing 18%	Mining & Quarrying 2%	Manufacturing 14%	Electricity, Gas, Water Supply & Other Utility Services 2%

Construction 9%	Trade, Hotels, Transport, Communication & Services related to Broadcasting 17%	Financial, Real Estate & Professional Services 23%

Key Goals

Government has set a goal of becoming a **developed country by 2047.**	India has targeted to become **third largest economy with a GDP of $5 trillion by 2027–28** and **$7 trillion by 2030.**	Foreign Trade Policy 2023 aims to boost **India's exports to USD 2 trillion by 2030.**	Government aims to raise **per capita income to $4,418** from around $2,500.	Government aims to reach a **fiscal deficit level below 4.5% of GDP by 2025–26.**

Key Constraints

A **large debt stock and interest burden** persist.	Risks emanate from **higher global crude and commodity prices.**	Increased **geoeconomic fragmentation and slowdown of hyper-globalisation**.	**Artificial Intelligence** poses a big challenge as 40% of global employment is exposed to AI.	**Availability of talented and appropriately skilled workforce** to the industry.	**Other challenges include** digital divide, infrastructural deficit.

Way Forward

Cautious **fiscal policy** diminishing government's elevated debt and interest burden.	**Increase public investment in infrastructure** and incentivise private infrastructural investment.	Improve **central bank's monetary policy effectiveness** to effectively manage inflation risks.	**Diversify export basket and reduce commodity dependency** to shield the economy from global shocks.	**Streamline tax system** with low rates, a thorough assessment and rationalisation of tariff structure.	**Integrate** Indian economy in the **global value chain** through specialisation and value addition activities.	Increased focus on the **Manufacturing sector,** aiming to make **India, a global manufacturing hub.**

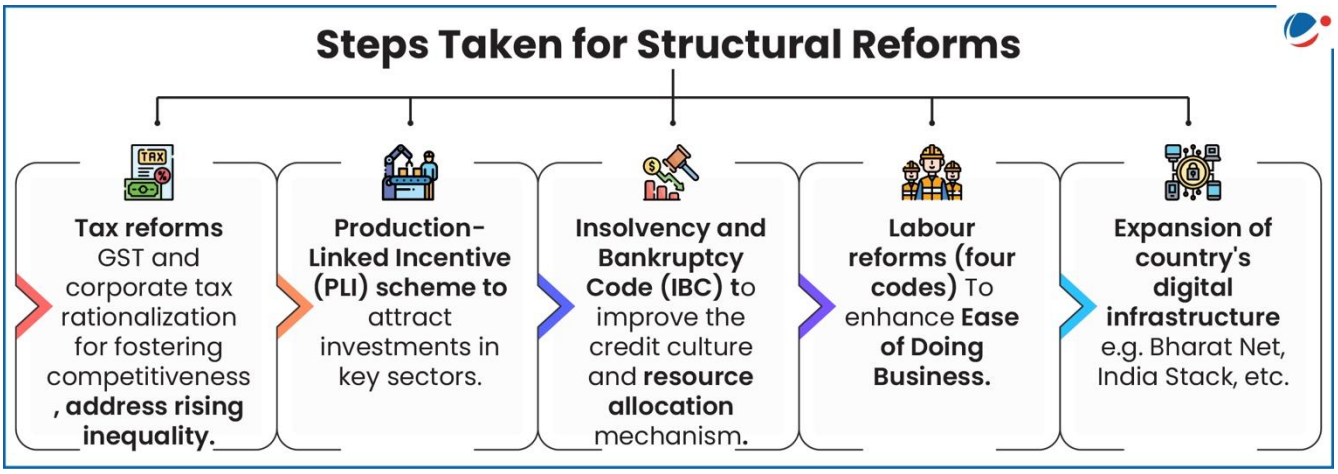
1.2. INDIA'S STRUCTURAL TRANSFORMATION

Why in the news?

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

More on News:

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



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

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

Key Policy Recommendations:

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

Conclusion

A balanced and inclusive structural transformation is vital for India to sustain high growth, generate quality jobs, and fully harness its demographic dividend. Timely policy interventions in education, labour reforms, and ease of doing business can accelerate this transition toward a more productive and equitable economy.

1.3. KEY WORDS

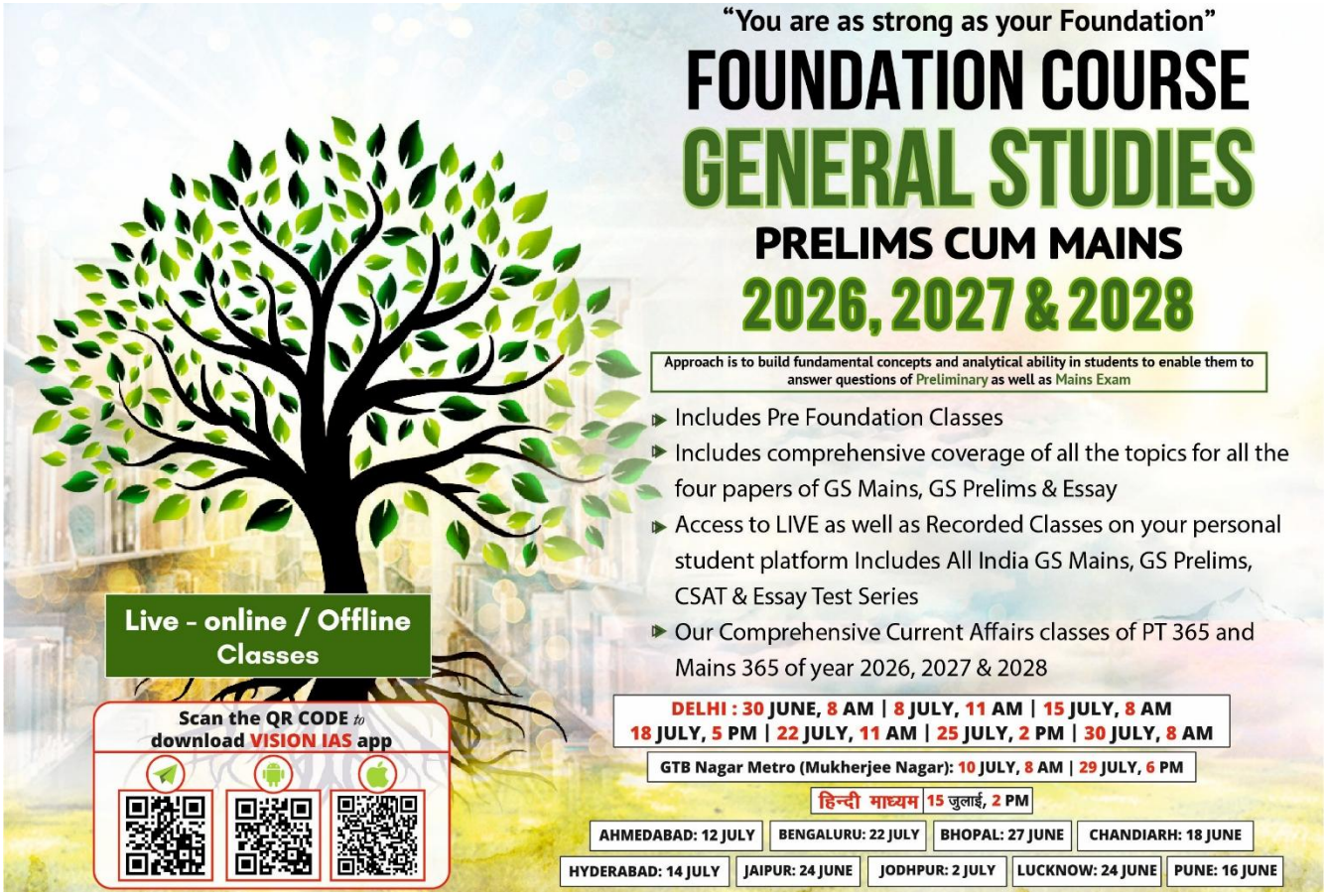
Key Words				
Structural Transformation	Technology Frontier	Sectoral Imbalance	Tech-Adoption	Low-Skill Jobs
Labour Productivity	Education & Skilling	Labour Market Reforms	Trade Integration	Bilateral Trade Agreements
Red Tape Removal	Public Investment	Social Safety Net	Ease of Doing Business	Demographic Dividend

1.4. PRACTICE QUESTION

Answer Canvas

Examine the key issues hindering India's structural transformation from an agrarian to a modern industrial-service economy. Discuss the major policy initiatives taken to accelerate this transition, and suggest further measures needed.

Introduction	Body Part: 1	Body part: 2	Conclusion
Introduce Structural Transformation	Key issues	Mention Initiatives taken	Way Forward



2. GROWTH AND DEVELOPMENT

2.1. HOUSEHOLD CONSUMPTION EXPENDITURE SURVEY (HCES), 2023-24

Household Consumption Expenditure Survey (HCES), 2023-24

Important Findings of HCES: 2023-24

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

About Household Consumption Survey Expenditure (HCES)

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

2.2. INCLUSIVE GROWTH AT A GLANCE

Inclusive Growth

Definition: Inclusive growth is an economic growth that "creates opportunity for all segments of the population and distributes the dividends of increased prosperity, both in monetary and non-monetary terms, fairly across society (OECD).

Dimensions of Inclusive Growth

Social	Economic	Political	Environmental	Stakeholders
E.g. Affordable Education, Quality Healthcare etc.	**E.g.** Financial Inclusion and Literacy, Agriculture Development etc.	**E.g.** Transparent and Efficient Governance, zero Corruption etc.	**E.g.** Sustainable Development, Biodiversity protection etc.	**E.g.** Private Sector, Government, NGOs etc.

Challenges to Inclusive Growth in India

Poverty	Inequality	Social and Cultural Barriers:	Unemployment	Others:
E.g. 129 million (2024) Indians still living in extreme poverty (World Bank).	**E.g.** By the end of 2023, India's richest citizens owned **40.1 percent of the country's wealth** (World Inequality Lab study 2024).	Discrimination based on caste, gender, religion, or other factors restricts access to education, employment, and healthcare for many.	**E.g. Unemployment Rate** saw a minor drop (5.0% to 4.9%) (PLFS data)	Agricultural issues, Skill Gaps, Corruption etc.

Initiatives

Education and Skill Development:	Health and Social Security:	Financial Inclusion:	Employment Generation:	Others:
E.g. New Education Policy, Pradhan Mantri Kaushal Vikas Yojana etc.	**E.g.** Pradhan Mantri Jan Arogya Yojana, Pradhan Mantri Jeevan Jyoti Yojana etc.	**E.g.** Prime Mantri Jan Dhan Yojana, Pradhan Mantri MUDRA Yojana etc.	**E.g.** Mahatma Gandhi National Rural Employment Guarantee Act Scheme, Prime Minister's Employment Generation Programme etc.	Agricultural issues, Skill Gaps, Corruption etc.

Way Forward

Focus on Financial empowerment	Expand Health and Social Security:	Universal Basic Income:	Others:
through credit, financial skills and entrepreneurship development.	**E.g.** Expanding Pradhan Mantri Jan Arogya Yojana to cover missing middle class.	A periodic cash payment unconditionally delivered to all can reduce poverty, Improve financial inclusion etc.	Strengthen Skill Development initiatives, expanding corporate Social responsibility, promoting Circular Economy etc.

2.3. NORTHEAST AS 'FRONTRUNNER OF GROWTH'

Why in the News?

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

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

Sectors	Highlights
Textiles, Handlooms & Handicrafts	• **NER** is a hub for sustainable textiles and handicrafts, features Assam's GI-tagged Muga silk, Nagaland's tribal shawls, Tripura's bamboo crafts etc. • More than **50%** of looms and weavers in the country belong to North East States.

Renewable Energy	• It holds **over 60 GW** of exploitable conventional hydropower potential (**40%** of India's total).
IT & ITES	• Rapid IT infrastructure development. E.g. **100-acre IT Park** in Assam, **IT SEZ** at **Imphal** etc.
Infrastructure and Logistics	• **In FY 2024–25,** 78 km of NH were built with bridges like **Dhola-Sadiya** and **Bogibeel** further enhances connectivity. • **Air connectivity** has been improved with 17 airports (up from 9 in 2013).
Education	• **High literacy:** Mizoram (91.3%), Tripura (87.2%), Nagaland (80.1%)
Agriculture	• **Rich agro-biodiversity** and climate support organic & high-value crops (Assam tea, Joha rice, Kachai lemon, kiwi, pineapple). • **There are Over 70% population** in agriculture, mostly small/marginal farmers.
Sports	• **Indigenous sports** (archery, thang-ta, polo etc).

Challenges in the North-Eastern Region

- **Poor connectivity:** E.g. **Narrow Siliguri Corridor (or Chicken Neck)**.
- **Insurgency and armed conflicts: For e.g.,** NSCN-IM (National Socialist Council of Nagaland - Isak-Muivah) demands "**Greater Nagalim**", Kuki -Meitei clashes in Manipur, etc.
- **Narco terrorism:** Porous border with **Golden Triangle (Myanmar, Laos, Thailand)** countries.
- **Human Rights violations:** Supreme Court, NHRC etc. raised concerns about lack of accountability under Armed Forces (Special Powers) Act (AFSPA), 1958.
- **Environmental vulnerabilities: For e.g.,** Annual **Brahmaputra floods** displace lakhs in Assam.

Initiatives for Development of NER

India	International
• **North East Special Infrastructure Development Scheme (NESIDS).** • **Act East Policy.** • **Prime Minister's Development Initiative for North East Region (PM-DevINE):** Aimed at rapid and holistic development of NER. • **Mission Organic Value Chain Development for North East Region (MOVCDNER)** • **Peace and security initiatives:** NLFT and ATTF Peace Agreement 2024, ULFA Peace Accord 2023 etc.	• **Regional connectivity projects:** Kaladan Multi Modal Transit Transport Project, IMT (India-Myanmar-Thailand) Trilateral Highway, BBIM Motor Vehicle Agreement etc. • **Act East Forum (AEF):** Led by India and Japan to promote connectivity within NER and between this region and Southeast Asia. • **SASEC (South Asia Subregional Economic Cooperation):** It brings together Bangladesh, Bhutan, India, Maldives, Myanmar, Nepal, and Sri Lanka in a **project-based** partnership.

Way Forward

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

Conclusion

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

2.4. MIDDLE INCOME TRAP

Why in the News?

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

What is Middle Income Trap?

- It refers to a situation wherein **rapidly growing economies stagnates at middle-income levels and fails to graduate into** the ranks of **high-income countries.**
- World Bank classifies Economies having per capita Gross National Income between US$ 1,135 to US$13,846 as MIC.
- **Trend:** During the **last decade** the prospects of MICs migrating to High Income Countries have worsened.
  - This is due to the **rapidly aging populations and burgeoning debt, fierce geopolitical and trade frictions,** and the growing difficulty of speeding up economic progress without fouling the environment.

What makes India vulnerable to Middle Income Trap?

- **Untapped Human Capital**
  - **Skill Gap:** Only ~51% graduates are employable (Economic Survey 2023-24).
  - **Lack of innovation capability:** India's R&D investment as a percentage of GDP stands at just 0.64% against 2.4% by China and 3.47% by US.
- **Rising Income inequality:** India's **top 1% own 22.6% of income** (World Inequality Lab,2022-23).
- **Stagnated Industrialization:** India leapfrogged from agricultural to **services sector and manufacturing share in** output and employment has generally remained **below 20%.**
- **Declining Private Investment:** Private investment surged post-1990s reforms but it has **fallen as a share of GDP,** particularly since the global financial crisis in 2008.
- **Contemporary Global Headwinds:**
  - **Rising external debt** (it rose by 6.4% in March 2024 as compared to the previous year)
  - **Accelerating Climate Action** presents new challenges of accelerating growth.

Way Ahead

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

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

Conclusion

India and other MICs need to adopt a well-sequenced and increasingly sophisticated set of policies tailored to their specific circumstances and developmental stage in order to move up the income ladder successfully and avoid middle income trap.

2.5. POVERTY IN INDIA AT A GLANCE

Poverty in India

Current Status of Poverty in India

India's poverty rate: At the 3.65 dollars per day line fell from 61.8 percent in 2011-12 to 28.1 percent in 2022-23	**Poorer states (UP, Bihar, Odisha) record faster decline** in poverty indicating reduction in disparities.	**Significant fall** in Indians living in extreme **poverty** from **431 million (1990) to 129 million (2024). (World Bank)**

Factors Behind Poverty in India

Historical Reasons: e.g., Exploitative colonial rule	**Low Agricultural Productivity** due to small landholdings, lack of investment, and outdated practices	**Social Inequalities: E.g. India has 53% of women outside the labour force due to care responsibilities (ILO)**	**Environmental factors: E.g., Recurrent floods in Assam and Bihar.**	**Other: Population Explosion, Economic Inequality**

Initiatives Undertaken

Financial inclusion: Jan Dhan Yojana, PM PM-Kisan Samman Nidhi etc.	**Infrastructure & Basic Services:** PM Gram Sadak Yojana, PM Awas Yojana – Grami, Ujjwala Yojana etc.	**Livelihood Security: MGNREGA, One Nation One Ration Card, Deendayal Antyodaya Yojana – National Rural Livelihoods Mission etc.**	**Human Capital Development:** Sarva Shiksha Abhiyan, **PM Kaushal Vikas Yojana,** Ayushman Bharat etc.

Way Forward

Two Way Strategy: Modernizes agriculture to increase productivity & create more jobs in industry and services	**Enabling Inclusive Growth:** improving core infrastructure like power, roads etc.	**NITI Aayog Recommendation:** Employment-intensive Sustained Rapid Growth, Making anti-poverty programs effective etc.	**Focus on "Amartya Sen's Capability Approach i.e.** investment in people's capabilities

2.5.1. INDIA'S POVERTY MEASUREMENT FRAMEWORK

Why in the news?

India's poverty measurement framework needs urgent revision to reflect rising living standards: Study

More about the News

- The study compares 2022-24 **Household Consumer Expenditure Survey** data with 2011-12, highlighting poverty and inequality changes.
- **Key Findings**
  - **Poverty headcount ratio (HCR): Poverty HCR,** at the **$1.90 PPP** (Purchasing Power Parity) the **poverty line,** has **dropped from ~ 12% in 2011-12 to 1% in 2023-24.**
    - > **Poverty HCR: Percentage of a population living below defined poverty line.**
  - **Poorest households**: Saw significantly higher growth in consumption expenditures than wealthier households.
  - **Existing official poverty lines (Tendulkar and Rangarajan):** Are outdated and don't reflect current deprivation.

The Study Proposes Two New Relative Poverty Thresholds:

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

New Poverty Line Significance:

- **Reflects updated consumption** patterns, addressing current deprivation.
- **Ensures poverty thresholds adjust** automatically with economic growth.
- **Provides a more accurate measure** of poverty in modern India.

Conclusion

The study underscores the urgent need to revise India's poverty measurement framework to reflect rising living standards and evolving consumption patterns. Adopting relative poverty thresholds offers a more accurate and dynamic assessment of deprivation in today's economy, ensuring inclusive growth tracking.

2.5.2. URBAN POVERTY

Why in the News?

Odisha government launched a collaborative initiative **'SAHAYOG'** to facilitate **access to government welfare schemes for the urban poor.**

Current Status of Urbanization and Urban Poverty in India

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

World Bank Poverty & Equity Brief findings:

- **Extreme urban poverty dropped** from **10.7% (2011-12) to 1.1% (2022-23).**
- **Urban poverty** (poverty line for lower-middle-income standard: $3.65/day) **fell from 43.5% (2011-12) to 17.2% (2022-23).**
- **Gini index improved** from **28.8 to 25.5**, showing **reduced income inequality.**
- **Urban unemployment fell** to 6.6% in Q1 FY24/25, **lowest since 2017-18.**

Differences between Urban and Rural poverty

- **Relative poverty: e.g.,** Co-existence of Dharavi, one of the largest slums in Asia, and skyscrapers, luxury hotels, etc., in Mumbai.
- **Income sources:** Urban poor often rely on informal employment, whereas In rural areas, poverty is closely linked to limited access to land, water, and other agricultural resources.
- **Access to services:** Rural areas often lack adequate infrastructure and basic services. Urban poor, on the other hand, may face barriers in accessing basic services despite their availability.
- **Social networks:** In urban settings, the poor may have weaker social networks and support systems compared to rural areas, where community ties and traditional support structures may be stronger.

Reasons for persistence of Urban Poverty

- **Lack of Planned Development:** Haphazard urbanization, migration, and policy gaps excluding urban poor (e.g., lack of affordable housing projects).
- **Regional Disparity: Under-developed Tier II/III cities** create excessive pressure on megacities like Delhi, Mumbai.
- **Social Security Gaps:** Poor migrants lack residency/identity **proof, excluding** them from **welfare programs.**

- **Poverty Cycle:** Poverty **limits access** to education and employment, perpetuating **inter-generational poverty.**

Government Initiatives

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

Way Forward

- **Inclusive Urbanization:** Decentralize decision-making with **people's participation. E.g. Kudumbashree (Kerala women's network)** in National Urban Livelihoods Mission (NULM) implementation.
- **Tier-II/III Development:** Improve rural infrastructure reducing distressed migration.
- **Sustainable Urbanization: Urban Local Bodies** prioritizing sustainability (e.g. Indore's SBM success).
- **Empowerment:** Encourage skill development, labor-intensive industries,etc.
- **Targeted Social Security:** Improve portability, fix inclusion-exclusion errors, and enhance monitoring.

Conclusion

By **2050**, Indian cities are expected to contribute **more than 75% of our GDP** and about **60% of our Green House Gas emissions.** Thus, it is vital to effectively **tackle the issue of urban poverty** for **sustainable development** of our urban areas. This will contribute to the goal of **'Viksit Bharat'** and make **India a $5 trillion economy.**

2.6. ECONOMIC INDICATORS

2.6.1. GDP BASE YEAR REVISION

Why in the News?

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

More on the News

- The **NAS under chairmanship of Biswanath Goldar** has been formed.
  - **Central Statistics Office (CSO)** brings out NAS annually which includes **GDP estimates from multiple approaches.**
- **Advisory Committee on NAS** will review data sources to align GDP with inflation and industrial indices.
- The **previous base year revision in 2015** changed base **year from 2004-05 to 2011-12.**
  - In the new series, CSO did away with **Gross Domestic Product (GDP) at factor cost,** and adopted the international practice of valuing industry-wise estimates as **Gross Value Added (GVA) at basic prices.**

What is Base Year?

- A base year is the **reference year** whose **prices are used to calculate the real growth** (minus inflation) in national income. Thus, Base year is a **benchmark used for GDP calculation**.
  - For example: If 2011-12 is the base year, GDP for other years is adjusted to match 2011-12 prices.

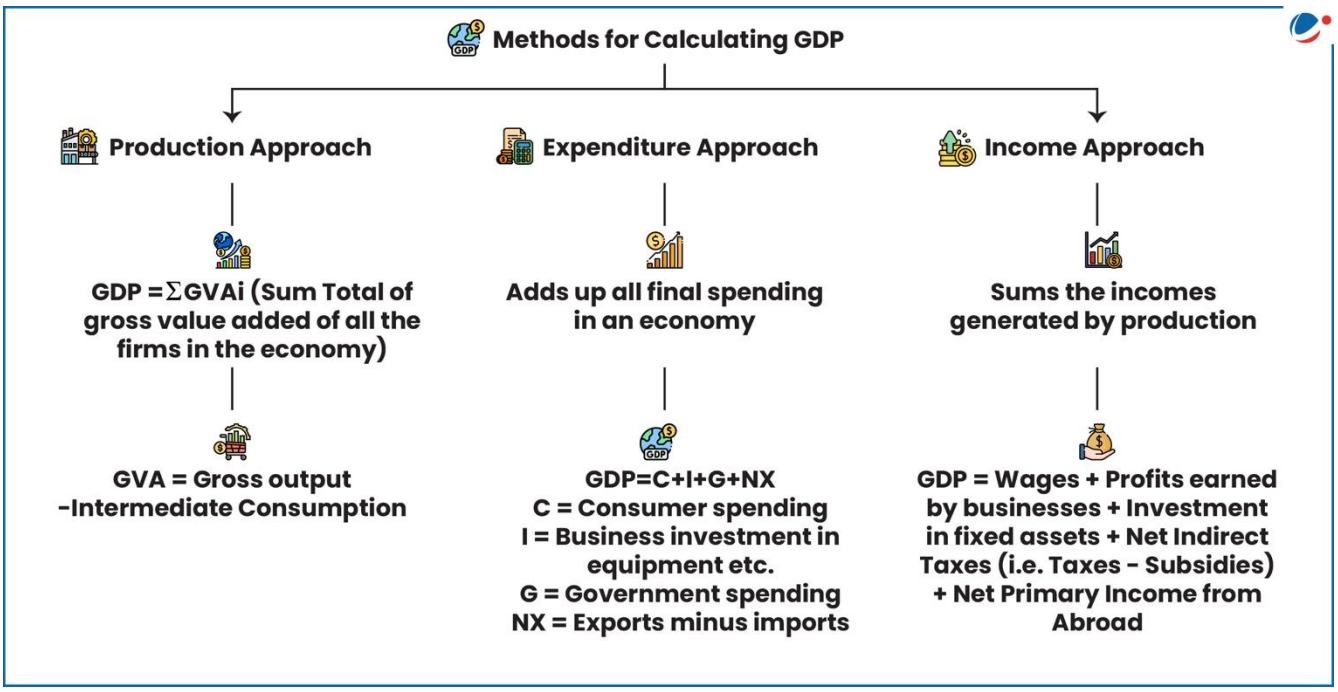
Need to Update the GDP Base Year

- **Removing Inflation Effects:** Outdated base years can overestimate GDP by ignoring rising prices.
- **Enhances Data Quality:** Includes new data from digitization, enhances more reliable data use, etc.
- **Global Comparison:** Aids in comparing GDP with other countries.
- **Other Reasons:** Adapts to post-pandemic dynamics, supports policymaking, etc.

- **Relevance of it to other Metrics:** Such as the Index of **Industrial Production (IIPs), the Wholesale Price Index (WPI) and the Consumer Price Index (CPI).**

About GDP

- **Measurements of GDP:** Theoretically, GDP can be measured in three different way, each of which should give the same answer (refer to the infographic)
  - **Nominal GDP:** Measured at current market prices, ignores inflation.
  - **Real GDP:** Adjusted for inflation using base year prices, showing true economic growth.
- **Limitations of GDP:** Excludes non-market activities (e.g., household work), Ignores income inequality, Overlooks environmental damage, Misses informal economy contributions, Doesn't measure welfare or living standards etc.



Conclusion

Updating the GDP base year to 2022–23 is a timely step that will ensure **more accurate, inflation-adjusted, and policy-relevant economic data**. It reflects changing economic dynamics, improves data reliability, and strengthens India's ability to **benchmark its growth against global standards**.

2.6.2. WPI BASE YEAR REVISION

Why in the News?

The **Government of India** has constituted a **Working Group chaired by Prof. Ramesh Chand** for **base revision** of the current series of **Wholesale Price Index (WPI)** from base **2011-12 to 2022-23.**

About WPI

- Measure of the **average change of prices of a fixed set of goods** at the **first point of bulk sale** in a **commercial transaction in the domestic market** over a given period of time.
- **Released by:** Office of the Economic Adviser, Department for Promotion of Industry and Internal Trade.
- **Measurement**: Measured as a **weighted average of a basket of commodities.**
- **Composition of Basket:** Comprises **697 items** categorized into **three major groups**:
  - **Primary Articles (Weight:** 22.618 out of 100**)**
  - **Fuel and Power (Lowest weight:** 13.152 out of 100**)**
  - **Manufactured Products (Highest weight:** 64.230 out of 100**)**

Need for revision in WPI Base Year

Structural Changes: Fundamental changes in the production and consumption patterns.

Updating Commodities basket: To allow for inclusion of emerging products and the removal of obsolete ones.

Goods and Services Tax: To ensure compatibility of WPI series with GST

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

Need to replace WPI by PPI

- **Multiple Counting Bias:** WPI has inbuilt bias due to double/ multiple counting of same product.
- **Exclusion of Services:** WPI also excludes the service sector (about 55% of GDP).
- **Exclusion of taxes**: News WPI (2011-12) series considers only basic prices and does not include taxes, rebate/trade discounts, transport and other charges.
- **Advantages of PPI:** Cover services, exclude indirect taxes among some, **International Prominence of PPI being u**sed by advanced economies like U.S.A. etc.

Conclusion

The WPI base year revision and the planned transition to PPI may pa**ve the way for a more precise and globally aligned inflation metric**. Moving forward, adoption of PPI can also e**nhance economic policymaking, improve price tracking across sectors**, and provide a **robust framework for data-driven decisions** in a dynamic economy.

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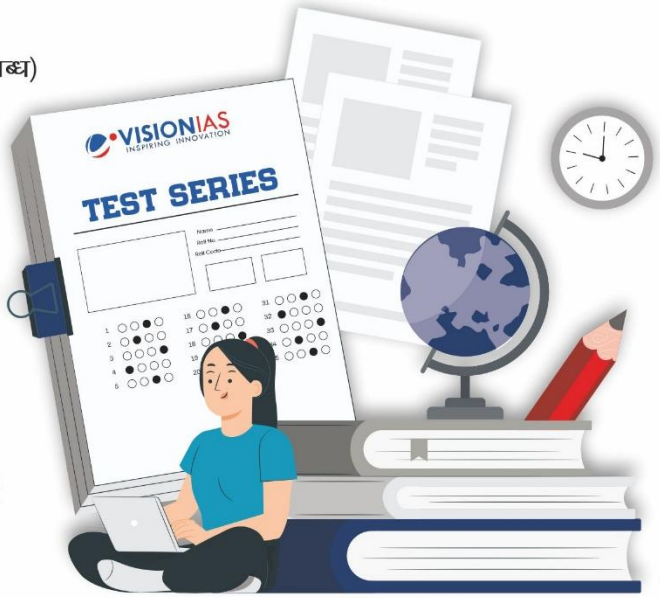

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2.7. FINANCIAL INCLUSION

2.7.1. STATUS OF FINANCIAL INCLUSION IN INDIA AT A GLANCE

Financial Inclusion in India

Status of Financial Inclusion in India

About 78% of Adult population is estimated to have a bank account in India **(World Bank Global Findex Database, 2021)**	RBI's Financial Inclusion Index for March 2024 stands at 64.2 vis-à-vis 60.1 in March 2023.

Initiatives

PM Jan Dhan Yojana	**National Strategy for financial Inclusion**	**UPI,** Direct Benefits Transfer (DBT), Aadhaar-enabled e-KYC system	Kisan Credit Card Scheme (KCC)	India Post Payment Banks, Small finance Banks etc.

Significance of Financial Inclusion

Plugs Credit gap: E.g., it **allows MSMEs to access credit.**	**Encourages Saving Habits:** This can help **increase capital formation in the country.**	**Inclusive Growth: Creates Multiplier Effect** by encouraging investment in education & health.	**Plugs Subsidy leaks:** Saving through Direct Benefit Transfer during FY22-23 crossed **₹63,000 crore.**	**Key enabler for 7 of the 17 Sustainable Development Goals**

Challenges for Financial Inclusion

Demand Side: Lower income or asset holdings, lack of awareness	**Supply side:** Financial institutions' **refusal to serve low-value & non-profitable consumers** with uneven income.	**Regulatory Barriers:** E.g. **stringent Know-Your-Customer (KYC)** requirements.	**Gender & Socio-Economic Barriers.**	**Other: Digital & Infrastructure Gaps, Lack of Financial Literacy etc.**

Way Forward

Foster Public-Private Partnerships E.g., JAM trinity (public infrastructures, private bank BCs+fintech support).	**Promote Financial Literacy**	**Leverage Fintech Innovations** like mobile banking.	**Tailored Financial Products E.g. PM Atal Pension Yojana.**	**Strengthen cyber security and data protection** by creating secure data sharing protocol etc.

2.7.2. 10 YEARS OF PMJDY

Why in the news?

Recently, India celebrated the **10th anniversary of the Pradhan Mantri Jan Dhan Yojana (PMJDY),** launched to promote Financial Inclusion in India.

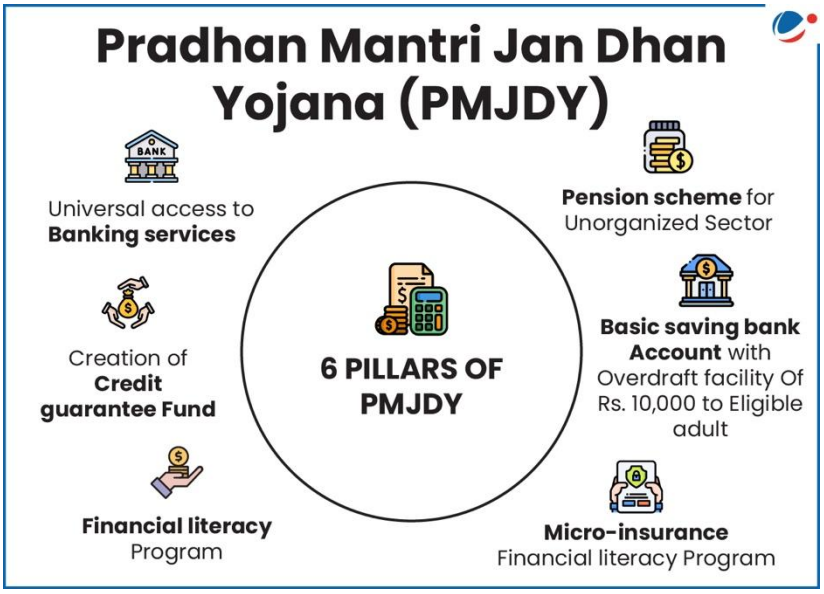
About PMJDY

- It is a **National Mission for Financial Inclusion (NMFI),** and it is the **world's largest financial inclusion scheme.**
- **Aim: For every Indian, ensure access to financial services**, namely, Basic Savings Bank Deposit Account (BSBDA), remittance, credit, insurance, pension in an affordable manner.

- **Ministry: Ministry of Finance** (Department of Financial Services)
- **Basic Tenets of the Scheme**
  - **PMJDY is made up of six pillars (Refer Infographics)**
  - **Banking the unbanked**: Focus on **every unbanked adult.**
  - **Securing the unsecured**:
    - **Free accidental insurance cover on RuPay cards** increased from Rs. 1 lakh **to Rs. 2 lakhs for PMJDY accounts** after 28th August 2018.
  - **Funding the unfunded**: Other financial products like micro-insurance, overdraft for consumption, micro-pension & micro-credit.

Key-achievements under PMJDY

- **Large number of New Accounts**: By August 2024, **53.13 crore Jan Dhan accounts** were opened, whereas by March 2015, it was 14.72 crore accounts only.
- **Boost to digital economy**: 36.14 crore RuPay cards have been issued to **PMJDY account holders**, facilitating cashless transactions and providing access to the inbuilt accident insurance cover.
- **Bridging Financial gaps in rural areas**: Almost 100% of villages are covered with banking outlets within 5 km mapped as per Jan Dhan Darshak App.



- **Average Deposit in PMJDY accounts increased: B**y 4.12 times between 2015- 2024, with total **deposits exceeding ₹2.3 lakh crore.**
- **Number of zero balance accounts decreased:** To 4.26 crores as against 8.52 crores in 2015.

Conclusion

The ten-year journey of PMJDY highlights a **transformative shift in India's financial inclusion landscape**, bringing millions into the formal banking system. By bridging rural-urban financial gaps and promoting digital payments, PMJDY has laid a **strong foundation for inclusive and resilient economic growth**.

2.7.3. 50 YEARS OF MICROFINANCE

Why in the News?

Self Employed Women's Association (SEWA) Bank, started in Gujarat in 1974 as a cooperative bank marks the completion of 50 years of microfinance institution (MFI) in India.

What is microfinance?

- **Definition:** Microfinance, also called microcredit, is a banking service targeting poor households and small enterprises in rural areas.
- **Services:** Providing credit to poorer households and small enterprises, but many also take deposits, some MFIs offer other financial services, such as insurance, or advice and training to their clients.

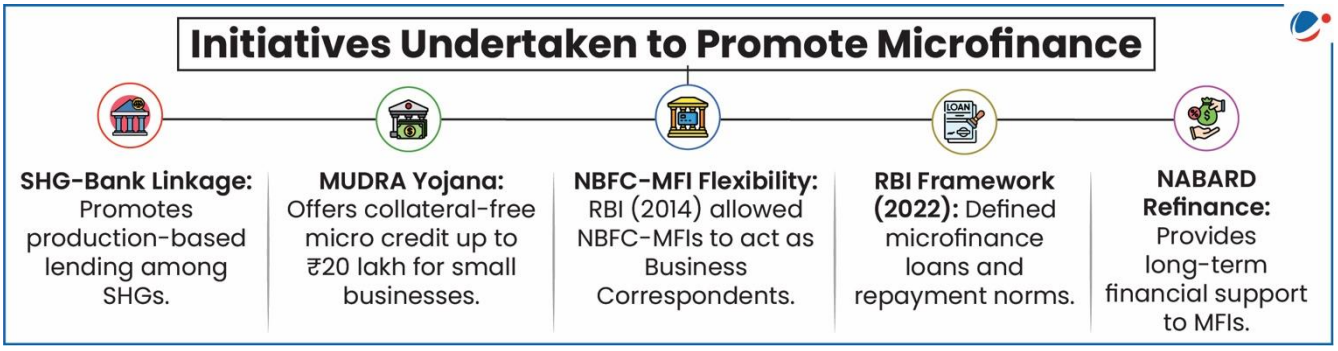
Significance of microfinance in India

- **Poverty Alleviation:** NABARD through **SHG Bank Linkage Programme** which is the largest microfinance programme in the world, **empowers 17.8 crore households** through more than **144 lakh SHGs.**

- **Entrepreneurship Promotion:** 46% of microfinance loans are provided to families having monthly income less than Rs. 20,000, for **working capital for their income generating activities** and **assets**.
- **Empowerment of Women:** 88% of SHGs linked to banks being women-led. E.g., **Kudumbashree in Kerala**
- **Financial Inclusion:** Microfinance fills the gap left by traditional banks.
  - Client of MFIs had grown substantially within the last ten years touching 140 million families in FY 2024.
- **Social Impact: E.g., Ujjivan Small Finance Bank Chote Kadam** initiative, has made significant contributions to the healthcare sector by renovating multiple Primary Health Centres (PHCs) and hospitals.

Challenges in Microfinance in India

- **Over-Indebtedness:** 8-10% of the sector's total assets under management (AUM) is linked to borrowers with more than four lenders. Micro credits are also charged at higher interest rates.
- **Multiple Regulator:** MF Banks in India are regulated by the **RBI**, **State governments through State Cooperative Societies Acts** (for cooperative banks) regulate microfinance cooperative banks and cooperative societies.
- **Lack of collateral and risk of default: Increases NPAs.**
- **Sustainability of Microfinance Institutions:** Striking a balance between social impact and financial sustainability is an ongoing challenge as very few MFI are actually profitable**.**



Way forward

- **Limiting the number of lenders per borrower to three from four**: Cap outstanding loans per borrower at Rs 2 lakh from Rs 3 lakh.
- **MFIs can be classified under various sectors:** such as affordable housing, climate action, water and sanitation, to usher in holistic development at the bottom of the financial pyramid.
- **Financial Literacy**: Can improve financial inclusion,through insurance and growth of microfinance industry.
- **Learning from best practices:** Southern states including Tamil Nadu, Karnataka, and Kerala have well-developed microfinance distribution networks, making microfinance operations easier.

Conclusion

The 50-year journey of microfinance in India reflects its transformative role in **poverty alleviation, women empowerment, and financial inclusion**. Going forward, a more **sustainable, tech-driven, and regulated microfinance ecosystem** will be crucial to deepen its impact on India's socio-economic development.

2.7.4. DIRECT BENEFIT TRANSFER (DBT) AT A GLANCE

Direct Benefit Transfer

As per a recent report by the SBI, the **DBT amount to women** through various schemes has crossed ₹ 2 trillion.

Direct Benefit Transfer	
Cash Transfers: Examples include PM-KISAN (farmer income support), pensions (old-aged, widows), and scholarships.	**In-Kind Support:** Fertilizer subsidies, food grain distribution (PDS), and school meals (PM Poshan).

Key Enabler for DBT			
JAM (Jan Dhan, Aadhaar, and Mobiles) trinity	Mobile money	Business Correspondents (BC) Infrastructure	Payments Bank

Impacts of DBT			
Effective implementation of schemes: Since 2016, DBT has delivered over **450 schemes to 900 million people**	Provided essential relief during the lockdown, E.g., transferred ₹27,442 crore to 11.42 crore beneficiaries.	Reduced Corruption ensuring accurate targeting of beneficiaries	**Financial inclusion. IMF praised India's DBT scheme as a "logistical marvel**

Challenges			
Identification of beneficiaries E.g. In 2022, about 6.65 lakh farmers lost the PM Kisan scheme benefit.	Compliance and operational Issues	**Inconsistent Payment Systems:** Only 27% percent of villages have financial presence of Banks.	Low Financial Inclusion, Digital divide and illiteracy

Way Forward			
Targeted Outreach for marginalized groups such as **informal workers.**	**Digital literacy among rural populations**	Promoting Digital Infrastructure	**Single-window grievance redressal system**

2.8. INEQUALITY

2.8.1. ECONOMIC INEQUALITY IN INDIA AT A GLANCE

Economic Inequality in India

Status of Inequality in India

Income Inequality: India's **top 1% own 22.6% of income** (World Inequality Lab, 2022-23).	**Wealth Inequality:** The top 5% of Indians own more than 60 % of the country's wealth.	**Rural-Urban Divide:** Average Monthly Per Capita Expenditure (MPCE): Rural: ₹4,122, Urban: ₹6,996.	**Gender Pay Gap:** Indian women earn Rs 40 for every Rs 100 earned by men: **Global Gap Report 2024**

Reasons for Rising Economic Inequality

Uneven Economic Growth: Certain states, and certain sectors benefiting disproportionately.	**COVID-19 Pandemic:** COVID-19 has led to the diminishing of wealth for the bottom 50% of the Indian population.	**Tax System:** Corporate tax reduced to 22%, while excise duties and GST were significantly increased.	**Lack of Quality Education and Healthcare:** Perpetuates intergenerational poverty and limits economic mobility

Measures Undertaken to Reduce Economic Inequality

Inclusive Growth: Deendayal Antyodaya Yojana-National Rural Livelihood Mission, MGNREGA etc.	**Financial Inclusion:** PM Jan-Dhan Yojana, PM Mudra Yojana, Stand-Up India Scheme etc.	**Social security Measures:** Atal Pension Yojana, PM Suraksha Bima Yojana etc.	**Gender Equality:** Beti Bachao Beti Padhao Scheme, One Stop Centre Scheme, SWADHAR Greh etc.

Challenges in Countering the Wealth and Income Inequality

India's limited financial resources	**Persistent Social Inequalities:** Based on caste, gender etc.	**Inefficient governance:** corruption, and poor implementation of policies.	**Resistance to Structural Reforms e.g.,** land reforms, progressive taxation etc.

Way Forward

Promote policies that create job opportunities	Access to Education and Healthcare	Strengthening Social Security Measures	Addressing Social and Cultural Barriers	Taxing India's Wealthiest

2.8.2. REGIONAL DISPARITY IN DEVELOPMENT

Why in the News?

A working paper "Relative Economic Performance of Indian States: 1960-61 to 2023-24" by Economic Advisory Council to the Prime Minister (EAC-PM) highlights the uneven growth across Indian states.

Key trends highlighted in working paper

- **Disparity in Relative Per Capita Income: Western and Southern regions are outperforming:** Delhi, Telangana, Karnataka, and Haryana have the highest per capita income. E.g., Delhi's per capita income is 250.8% of the national average.

- **Dominance of Southern States in GDP Contribution:** Karnataka, Andhra Pradesh, Telangana, Kerala, and Tamil Nadu contributed over 30% of India's GDP in 2023-24.
- **Better Performance of Maritime States:** Overall, maritime states have clearly outperformed the other states, except for West Bengal.
- **Eastern states remain a concern:** West Bengal's relative economic performance has weakened. While Bihar's relative position has stabilized in the last two decades, it still lags significantly behind other states.

Factors responsible for regional disparity

- **Historical:** British policies favoured resource-rich areas (like Kolkata, Mumbai and Chennai).
- **Geographical**: Difficult terrain (e.g., North-Eastern states) and adverse climates, like frequent floods in Bihar and Assam slows down development.
- **Economic:**
  - **Dominance of primary economic activities:** States with more people in manufacturing and services sectors have higher income compared to those dependent on agriculture. E.g., Maharashtra and Gujarat
  - **Infrastructure Deficit:** limits growth in underdeveloped regions.
- **Governance**
  - **Political Instability:** Unstable governments and law and order issues discourage investment.
  - **Failure of Planning Mechanisms:** Industries prefer locations with established resources such as consistent power and water supply, road and railway infrastructure and skilled labour.

Way Ahead to Reduce Regional Disparity in Growth

- **Tailored Approaches**: E.g. Increased focus on programs such as Hilly Area Development and Drought Prone Area Development with target specific regional needs instead of a one-size-fits-all approach.
- **Performance-Based Funding:** Funding should be tied to meeting development standards.
- **Strengthening of Good Governance in backward states:** Effective administration helps states raise revenues, attract investment, and improve resource use, especially in backward regions.
- **Balanced Infrastructure Development**: Improving infrastructure (power, transport, telecom, irrigation) in underdeveloped states is key to boosting investment and quality of life.
- **Investment in agriculture**: Especially in the lagging regions with a focus on backward and forward linkages.

Conclusion

For achieving balanced regional development, focus should be on creating an environment that fosters innovation, attracts investment, and ensures efficient utilization of resources. Strengthening governance, improving infrastructure, and promoting healthy competition between states through cooperative and competitive federalism are essential steps.

2.9. RURAL DEVELOPMENT

2.9.1. RURAL INDUSTRIALIZATION AT A GLANCE

Rural Industrialization

Role of rural industrialisation in National Development

Crucial for growth of rural economy	Provides additional and offseason employment	Inclusive national development	Balanced industrialisation	Others: Preservation of India's rich culture; Women Empowerment etc.

Major hurdles in the path of Rural Industries to flourish

The **Protection Syndrome** wherein the items reserved for SSIs were unable to compete with the imported products after economic reforms in 1990s	**Inability to access adequate credit** on time	**Inadequate infrastructure for marketing,** transportation, scientific storage facilities, etc.	**Competition for procuring raw materials** from urban industries	**Lack of appropriate technology and inability of adoption** of available technologies

Key Initiatives to overcome the challenges and promote Rural Industrialisation

Formal Institutional Arrangements: KVIC and NSIC Limited	**Promotion of Traditional industries:** SFURTI and USTAD scheme	**Facilitating Credit needs of small enterprises**: Establishing NABARD and SIDBI, Promoting formation of Cooperative Societies	**Imparting training and development of skills:** Micro Enterprise Development Programme (MEDPs) etc.	**Schemes for agro based industries:** ASPIRE scheme for agro based industries, PM SAMPADA for food processing, etc.

Way ahead to revitalise and fast track the process of rural industrialisation

Formulation of Rural Industrial Policy	**Defining rural industries**	**Upgrading the techniques of production**	**Integrated approach for Skills development**	**Others: Harnessing the potential of rural women; Fulfilling the gaps in Infrastructure etc.**

2.9.2. ROLE OF TECHNOLOGY IN RURAL GROWTH

Why in the news?

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

About RSVC

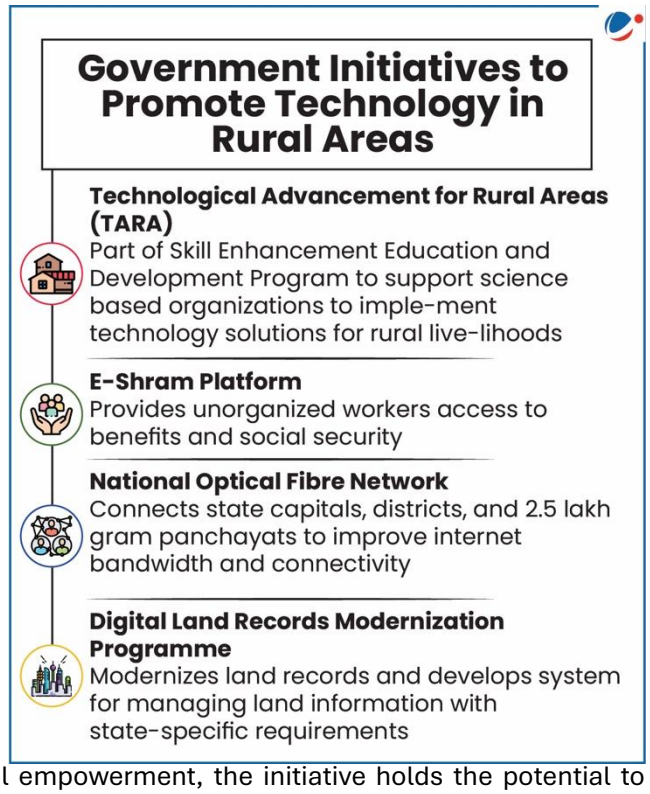
- RSVC was **developed under aegis of Office of Principal Scientific Adviser (PSA)**.
- It aims to **integrate cutting-edge technologies with rural needs**.
- PSA conceptualized RuTAGe in 2003-04.

Key Features of RSVC Model

- **Physical Presence**: Offers **long-term tech support at Panchayat level**, etc
- **Market Access**: Emphasizes collaboration with platforms like **ONDC, Amazon, etc.**
- **Scalability**: Plans to expand with 20 new centers and **empower women entrepreneurs** through Techpreneurs.

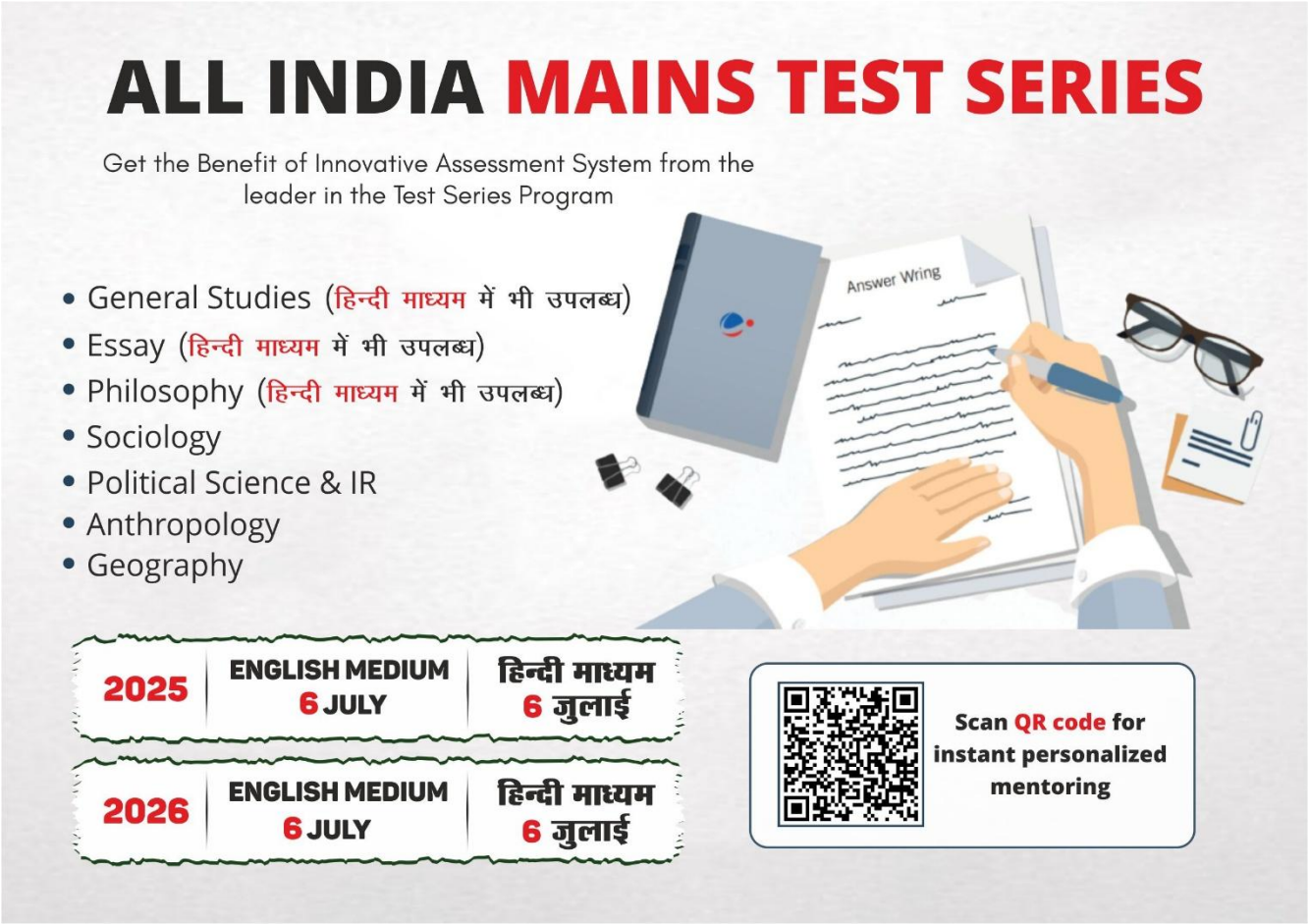
Role of Technology in Rural Growth

- **Agricultural Innovation**: Platforms like **e-NAM** connect farmers to markets, offering better prices and transparent trade.
- **Entrepreneurship: E-commerce** and **3D printing** support small businesses, allowing them to access global markets and reduce dependency on imports.
- **Education**: Programs like **PM e-VIDYA** and **SWAYAM** offer online education, improving access to quality learning and bridging digital divide.
- **Financial Inclusion**: **DBT program** and PM Jan Dhan Yojana facilitate direct, cashless transfers, reducing fraud and increasing transparency.
- **Water Management**: **National Program on Aquifer Mapping and Management** uses technology to manage groundwater resources, ensuring efficient water use in agriculture.



Conclusion

The launch of the RSVC marks a significant step toward **technology-driven rural transformation**, bridging the gap between innovation and grassroots needs. By promoting scalable solutions, market access, and local empowerment, the initiative holds the potential to **catalyze inclusive and sustainable rural development**.



2.10. LAND REFORM AT A GLANCE

Land Reforms

Key Facts

1.15 ha was the average farm size in 2010–11	**<10%** of the land is under non-agricultural uses	**25%** of the total geographical area is forest

Key Objectives

Legalize and ease **land leasing**	**Consolidate fragmented plots** of farmers to enhance efficiency and equity	Create a **digitized and integrated land records system** that is easily accessible in all states.	Increase efficiency in the **management of forest land**	**Strengthen property rights,** especially community rights over forest land

Constraints

Land inequality: For instance, in India the top 10% own 45% of farmland.	**Land Fragmentation:** For instance, as per National statistical office, 35.6% of farmers own less than one hectare of land (2019).	**Legal complexity:** Land being a state subject, has resulted in conflicting state laws.	**Lack of credit:** Lack of land records, conflicting claims etc. limits access to formal credit.

Initiatives

Digital India Land Records Modernization Programme (DILRM)	**SVAMITVA** (Survey of Villages and Mapping with Improvised Technology in Village Areas) Scheme	**National Land Records Modernization Programme (NLRMP)** (MERGED INTO DILRMP)	**Model Land Leasing Act, 2016**

Way Forward

Adopt the Model Land Leasing Act, 2016: States may consider this for formalizing and easing land leasing.	**Land pooling:** Consolidate smaller plots to improve productivity.	**Leverage land for urban growth:** Use land as a financial resource to support urban development.	**Modernize land records, Promote Public Private Partnerships (PPPs):** For the development of wastelands etc.

2.10.1. DIGITIZATION OF LAND RECORDS

Why in the News?

Union Minister of Rural Development recently notified that nearly **95% of the land records** have been **digitized in Rural India since 2016** due to **the Digital India Land Records Modernization Programme (DILRMP).**

About Digital India Land Records Modernization Programme (DILRMP)

- **Launched:** In **2016** by revamping the National Land Records Modernization Programme.
- **Ministry: Central Sector Scheme** under the **Department of Land Resources, Ministry of Rural Development.**
  - It has been **extended** from **2021-22 to 2025-26** with the **addition of two new components** viz.
    - **Computerization** of all **Revenue Courts** in the country & their **integration** with land records.
    - Consent-based **linking of Aadhaar number with Records of Rights (RoR).**
- **Aim**: To **replace** the **manual presumptive land-title system** with a **digital conclusive land titling system**.

- **Key Initiatives under DILRMP**: Bhu-Aadhar, National Generic Document Registration System, e-Court integration, Bhoomi Samman.

Need for Digitization of Land Records

- **Land ownership disputes**: Lack of a **conclusive titling**, **illegal land acquisition** through forgery and **Benami property,** have led to increased land ownership disputes.
  - More than **60% of the litigation** in India is **land-related**.
  - In conclusive land titling system, land records **designate actual ownership**. The title is granted by the government.
- **Inefficient administrative processes**: The **system of updating and correcting land records** is very **complex, elaborate and tedious**, which can lead to corruption, land grabbing, etc.
- **Outdated mapping**: Lack of updated records has resulted in **records not being representative** of the present **ground realities** relating to possession and ownership.
- **Impact on Targeted public service delivery**: **E**.g., Through the **PM-Kisan scheme,** the government provides income support to all landholding farmers' families
- **Strengthening revenue administration**: Property tax and land-based financing form a major source of revenue for **local governments**.

Other initiative for land digitalisation

- **SVAMITVA:** It provides legal ownership of rural residential land using drone-based surveys.
  - It aims to empower rural citizens with property cards, enabling **access to credit, dispute resolution, and better planning.**

Challenges in the digitalisation of land

- **Presumptive land titling:** The transfer of land based on **Transfer of Property Act, 1882** requires **registration of sales deeds** and **not of land titles**.
- **In silos approach of Departments**: E.g. **Sale deeds** are stored in the **registration department**, **maps** the **survey department**, and **property tax receipts** in the **revenue department**.
- **Legal provisions related to registration**: **Non-mandatory** registration for transactions such as **acquisition** of land by the **government**, etc. leading to **increased litigation.**
- **Others**: **Legacy data** issues, **stakeholders' resistance** to change, **infrastructure gaps** in certain regions, **procedural complexities, technological constraints, etc.**

Conclusion

Adopting conclusive land titling with state-guaranteed ownership, supported by legal reforms, technological integration, and capacity building, will enhance the transparency, accuracy, and efficiency of land record management.

2.11. NOBEL PRIZE IN ECONOMICS: INSTITUTIONS & PROSPERITY

Why in the news?

The 2024 Nobel Prize in Economics was awarded to **Daron Acemoglu, Simon Johnson and James A. Robinson** for their research on **"how institutions are formed and their impact on prosperity".**

Key Highlights of their research

- **Colonial Impact on Prosperity**: Colonizers established systems from the 16th century that caused a "reversal of fortunes" - the poorest became the richest.
- **Factors influencing the type of institutions**: Settler mortality rates, which were higher in disease-prone areas near the equator, and population density influenced the types of institutions established during colonization.

- **Institutional Traps**: some societies are trapped in extractive institutions, limiting progress.However, they emphasize that change is possible; reforms can lead to democracy and the rule of law, reducing poverty.

Role of Economic and Political Institutions in Shaping National Prosperity

- **Resource Allocation and Property Rights**: Economic institutions dictate resource allocation and protection.
  - **E.g. Article 300A** (Right to Property) ensures that no person shall be deprived of their property except by authority of law.
- **Incentives for Investment**: Inclusive institutions foster competition and entrepreneurship, promoting development. **E.g.** The **National Innovation Foundation** (NIF) promotes grassroots innovation.
- **Sustainability**: Effective institutions ensure sustainable resource management. Poor institutions can lead to over-extraction, harming the environment and future growth. E.g., the **National Green Tribunal**.
- **Regulations**: Good regulation promotes competition and innovation. E.g., **Competition Commission of India (CCI)**.
- **Governance and Rule of Law**: Political institutions ensure stable governance and the rule of law, reducing corruption and fostering a fair environment for investment. **E.g., The Central Vigilance Commission (CVC).**
- **Inclusiveness**: Democratic institutions promote participation in decision-making, leading to policies that meet the population's needs. **E.g., Tribal Advisory Council (TAC)**.
- **Conflict Resolution:** Effective institutions that provide conflict resolution mechanisms promote political stability, attract investment, and support economic growth. E.g., **National Legal Services Authority (NALSA)**, **Lok Adalats**.

Steps Taken by India to Build Strong Economic Institutions	Steps Taken by India to Build Strong Political Institutions
• **Nationalization of Banks**: To **control credit and direct resources to key sectors like agriculture and small industries.** • **LPG Reforms**: It has attracted foreign investment and stimulated growth. • **Enforcement Directorate (ED):** Combats economic crimes. • **Parliamentary Committees**: Ensuring accountability and fostering public debate.	• **India's democratic framework:** Regular elections and a multiparty system. • **Decentralization:** By the **73rd and 74th Constitutional Amendments.** • **Anti-Corruption Measures**: Institutions like the **Lokpal and the Comptroller and Auditor General of India.** • **Civil Society Engagement**: Supporting **NGOs and civil society.**

Conclusion

The relationship between economic and political institutions is key to national prosperity. Strong economic institutions that protect property rights and encourage investment, combined with effective political institutions that ensure good governance and inclusiveness, foster growth.

2.12. KEY WORDS

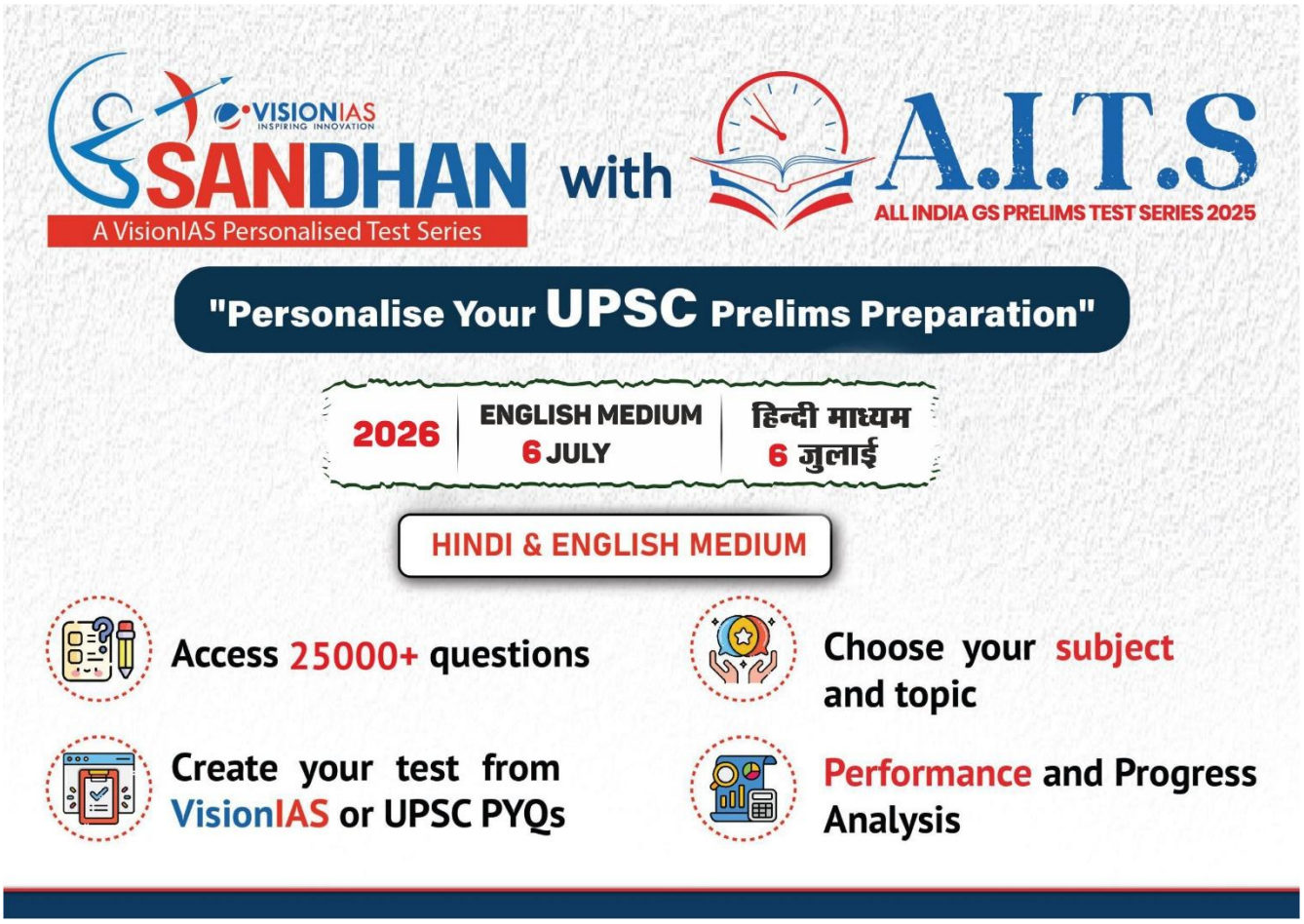
Key Words				
Frontrunner of Growth	Renewable Energy	Textiles & Handicrafts (Muga silk, GI-tagged products)	Act East Policy	Middle Income Trap
GDP Base Year Revision	Wholesale Price Index	Producer Price Index	Household Consumption Expenditure Survey	Financial Inclusion
Regional Disparity	Rural Industrialization	Agricultural Export Policy	Poverty Measurement Framework	Public Investment

2.13. PRACTICE QUESTION

Answer Canvas

Explain the three conventional methods of calculating GDP. Discuss why GDP remains an inadequate measure of economic welfare in India, highlighting recent methodological changes in national accounting.

Introduction	Body Part: 1	Body part: 2	Conclusion
Introduce GDP	Methods of calculating GDP	Limitations	Way Forward



3. EMPLOYMENT, LABOUR, AND SKILL DEVELOPMENT

3.1. UNEMPLOYMENT AT A GLANCE

Unemployment in India

Periodic Labour Force Survey (PLFS), 2024

India's unemployment rate at 5.1% in April 2025. (Monthly PLFS)	**Labour Force Participation Rate (LFPR) is** 59.6%.	Urban Unemployment Stands At 6.5%, while rural unemployment is recorded at 4.5%.

Reasons Behind High Unemployment in India

Demand supply mismatch: India's population exceeds 1.4 billion, nearly **65% of whom are of working age** (15–64 years)	**Skill Mismatch:** Only 4.4% of youth aged 15–29 have received formal vocational training (Economic Survey, 2023-24)	**Jobless Growth:** Economic growth has been **capital-intensive**, not labor-intensive.	**Dependence on Agriculture:** About 45.76% of the total workforce is engaged in agriculture. (Seasonal Employment)	**Other:** Slow Industrial & Manufacturing Growth, Technological advancement etc.

Initiatives Undertaken

Skill India Mission	Pradhan Mantri Kaushal Vikas Yojana	National Apprenticeship Promotion Scheme	Prime Minister's Employment Generation Programme	Atmanirbhar Bharat Rojgar Yojana	Other: PM-SVANidhi Scheme, Make in India, etc.

Way Forward

Promote Labour-Intensive Industries such as Textiles, leather etc.	**Revamp Education and Skill Development**	**Boost MSME Sector** such as cluster based MSME Development	**Promote Self-Employment & Entrepreneurship** by providing hand holding support, scheme convergence etc.	**Other:** Formalize the Informal Sector by extending social security benefits etc.

3.1.1. REVAMPED PERIODIC LABOUR FORCE SURVEY (PLFS)

Why in the News?

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

About Periodic Labour Force Survey (PLFS)

- **Conducting agency:** National Statistics Office (NSO)
- **Ministry: Introduced in 2017 by** Ministry of Statistics and Programme Implementation
- **Objectives:**
  - To estimate the **key employment and unemployment indicators in the short time interval of three months** for urban and rural areas only in the **'Current Weekly Status' (CWS).**

- To estimate employment and unemployment indicators in both **'Usual Status' (ps+ss) and CWS in both rural and urban areas annually.**

Key changes in PLFS Introduced:

- **Availability of monthly estimates of key labour market indicators at the country level.**
- **Extending quarterly estimates to rural areas in CWS:** Previously PLFS provided quarterly labour market indicators for urban areas only.
- **Calendar year reporting:** From year 2025, annual PLFS results will be based on calendar year.
- **Enhanced sample size**: 2.65 times increase in sample households to be covered in PLFS.
- **Improved Geographical Representation:** District has been made the **primary geographical unit.**
- **Improved social indicators data availability:** Additional details about education; land possessed and land leased out; and households' usual monthly income is now covered.

Significance of Changes introduced in PLFS: Enhanced sample size, Industry decision support, Timely updating of India's labour market statistics, Assist in timely rural labour interventions, District level planning etc.

Other methodologies/Reports to compute Employment related indicators in India

- **Employment Market Information Programme:** Provide information at short intervals about structure of employment in public and private sectors at the area, state and national levels;
- **ILO reports:** Reports such as **World Employment and Social Outlook etc.**
- **Census:** Data collected on workers include for main and marginal worker.
- **Labour Bureau**: It collects statistics through statutory and voluntary returns under different Labour Acts such as Plantation Labour Act, 1951; Minimum Wages Act, 1948 etc.
  - **Data on Labour Statistics** are collected through the Annual Survey of Industries (ASI), etc.

Issues with methodologies to compute Employment related indicators in India

- **Inconsistencies in data:** Due to differences in sampling methods, survey timing etc.
- **Relaxed criteria:** CWS counts individuals as employed if they worked ≥1 hour in the preceding week.
- **Unmatching definition:** The Indian definition of employment does not meet international standards.
- **Restrictive nature of Many Surveys:** Quarterly Employment Survey (QES) is presenting employment data but does not present unemployment numbers.
- **Inadequate sample size:** Sample size of PLFS is only 2, 72,304 households.

Conclusion

The revamped PLFS enhances the accuracy, frequency, and coverage of labour market data, aiding timely and evidence-based policymaking. Going forward, harmonization and tech integration remain crucial for a robust labour data ecosystem.

3.1.2. STAGNANT WAGES

Why in the News?

India is witnessing a steady **increase in employment** opportunities across various sectors. However, despite this positive trend, wage growth has not kept pace with rising inflation.

Status of Stagnant Wages

- **PLFS (Periodic Labour Force Survey) Annual Report 2023-24:**
  - **Job Growth: worker-population ratio** increased from 34.7% in 2017-18 to 43.7% in 2023-24, indicating job growth exceeding population growth.
  - **Wage Disparity**: While casual workers' real wages have increased, regular salaried workers have seen stagnant wages due to inflation.

- **Economic Survey 2023-24:**
  - **Corporate profitability:** Soared to a 15-year peak in FY24. **Corporate profits climbed 22.3 %** in FY24, but **employment grew by a mere 1.5 %.**
  - **Stagnant Wages:** Despite Indian companies achieving a stable EBITDA margin of 22 % over last four years, wage growth has moderated particularly at entry-level IT positions.

Concerns

- **Slowdown in Economy:** A higher profit share and stagnant wage growth risk slowing economy by **curbing demand**.
- **Income Inequality:** Disproportionate rise in **corporate profits** predominantly among large firms raises concerns about income inequality.

Conclusion

Balancing wage growth with rising profitability is essential for sustained economic growth, as higher employment incomes drive consumer demand and investment. Ensuring an equitable distribution between capital and labour fosters long-term economic stability and social cohesion.

3.2. GIG ECONOMY

Why in the News?

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

Key Features

- Establishment of '**Welfare Board**'.
- **Welfare fund:** A dedicated fund for gig workers will pool contributions from aggregators, gig workers, and government.
- **Rights-based bill:** Seeks to protect the rights of gig workers.
- **Other Features:** Provides **safeguards against unfair dismissals**, a **two-level grievance redressal mechanism**, etc.
- Currently, **Rajasthan** is the **only state** with **legislation for the welfare of gig workers.**

Factsheet

Gig Workers in India (NITI Aayog)

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

Gig Workers

- A gig worker is a person who performs work or participates in a work arrangement and earns from such activities outside of a **traditional employer-employee relationship (Code on Social Security, 2020).**

Benefits of a Gig Economy	
Benefits to Workers	• **Flexible working hours** with remote working opportunity, autonomy. • **Can work for two or more companies** as freelancer.
Benefits to Employers	• **Cost-Effectiveness** due to reduced employee cost and overhead cost • **Diversifying into new service areas** (e.g., Uber Eats in India).
Benefits to Consumers	• **Cheaper goods and services.** • **Greater Convenience** through personalised services/products.

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

Steps taken for Gig Workers in India

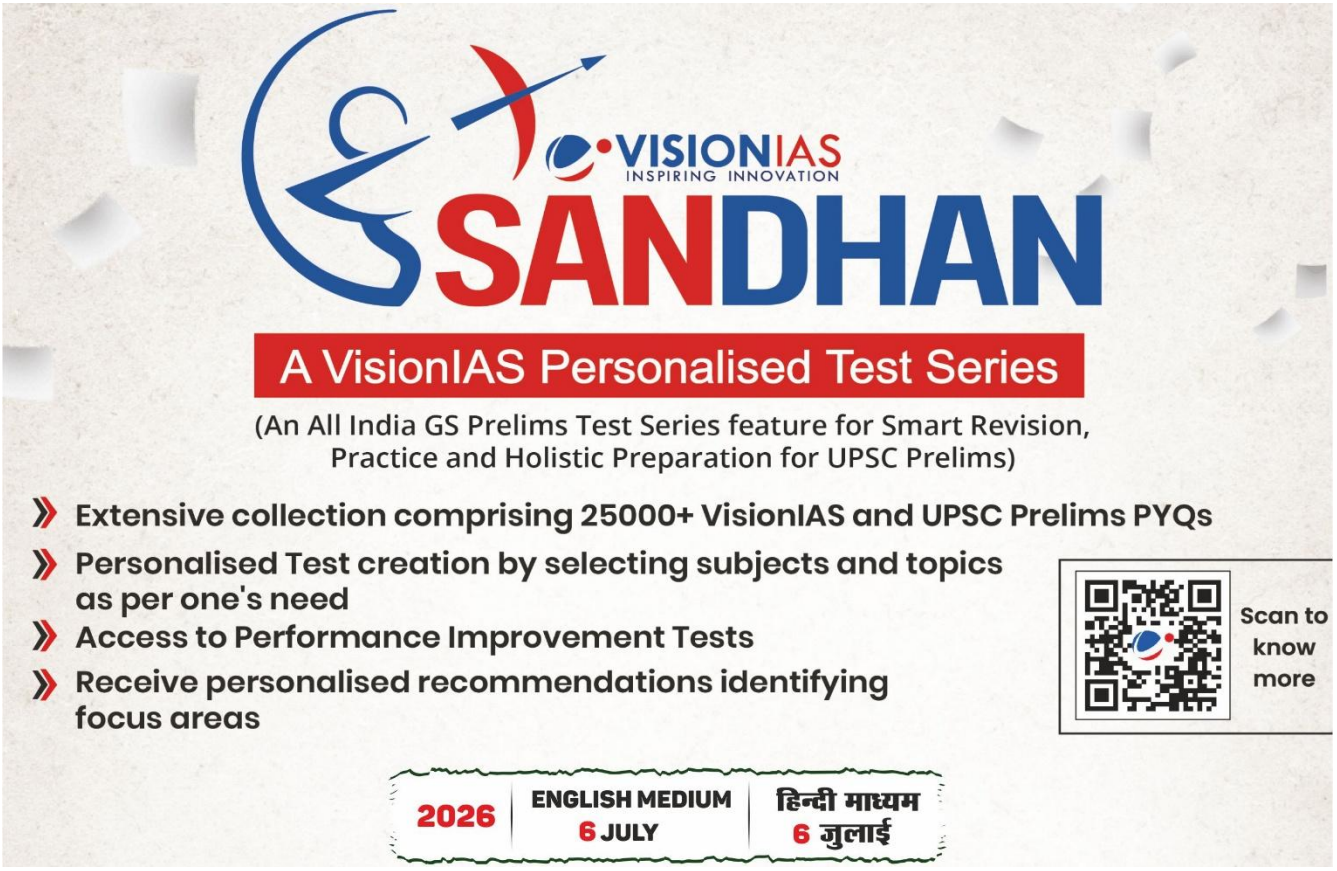
- **Code on Social Security, 2020:** Provides for the extension of social security benefits to gig workers as well.
- **Code on Wages, 2019:** Provides for universal minimum wage and floor wage across organized and unorganized sector which include gig workers.
- **e-SHRAM Portal:** National Database of Unorganised Workers including gig workers.
- **Pradhan Mantri Suraksha Bima Yojana (PMSBY):** All eligible registered unorganised workers including gig workers are entitled to get benefit of an accidental insurance cover of Rs. 2.0 Lakh for a year.

Way Forward

- **Proper Estimation of Gig Workers:** By having separate enumeration exercises.
- **Accelerate Financial Inclusion:** By leveraging FinTech industry.
- **Enhancing Social Inclusion: e.g. women workers and PwDs to take up employment opportunities** in platform sector.
- **Skill Development for Platform Jobs:** Integrate employment and skill development portals such as E-shram and National Career Services Portals or Udyam portal with ASEEM portal.
- **Universal Social Security Coverage:** By extending social security measures in partnership mode as envisaged in Code on Social Security 2020.

Conclusion

The proposed welfare initiatives for gig workers mark a significant step toward formal recognition and protection of their rights in a rapidly evolving labour market. However, for meaningful impact, there is a need to ensure **implementation of labour code**, fair working conditions, & stronger institutional safeguards that go beyond token welfare provisions.



3.3. SKILL DEVELOPMENT

3.3.1. SKILL DEVELOPMENT AT A GLANCE

Skill Development

Need for Skill Development

Improve employability: 65% of India's population is under 35.	**Skill Mismatch:** Only 4.4% of youth aged 15–29 have received formal vocational training (Economic Survey, 2023-24).	**Changing Market:** In the next 5 years, 23% of the jobs are expected to change globally (WEF's Future of Jobs report, 2023).	**To Provide Quality Jobs:** Over 90% of India's workforce continues to be employed in the informal sector, primarily due to inadequate skill.

Challenges in Skill Development

Negative Perception: Vocational training viewed as inferior to academic education.	**Fast-changing job market** which require constant upskilling and reskilling.	**Lack of quality skilling:** Lack of quality faculty, curriculum etc.	**Lack of adequate apprenticeship ecosystem,** inadequate infrastructure etc.	**Gender inequality:** Low participation of women

Initiatives Undertaken

SANKALP (Skill Acquisition & Knowledge Awareness for Livelihood Promotion)	**PM Kaushal Vikas Yojana,** & PM-DAKSH Yojana.	**Revised Model Skill Loan Scheme (2025)**	**National Education Policy 2020:** Special focus on vocational education and skill development.	**National Apprenticeship Promotion Scheme**	**Other:** Skill India Mission, PM Vishwakarma Yojana, Skill Impact Bond etc

Way Forward

Industry-Education Alignment through internship & faculty secondments, etc.	**Revamp Education & Skill Development,** Inclusive Skill Access etc.	**Sharada Prasad Committee recommendations:** Creation of a Reimbursable Industry Contribution; Dedicated Vocational Education and Training System; Ensure upward mobility of students etc.

3.3.2. BRIDGING GLOBAL WORKFORCE GAPS

Why in the news?

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

Global labour market scenario

- **Shrinking working age population:** By 2050, the working-age population in many high-income countries will **shrunk by more than 92 million**.
- **Ageing population:** Elderly populations (65 and older) will grow by over 100 million in **high-income countries.**
- **Globalized Job Market:** Due to Increasing accessibility to digital systems.
- **Shifting international trade:** Due to geopolitical situations, trade restrictions and friendshoring (companies focus on building supply chain networks in countries that are regarded as allies).

India's demographic advantage

- **Working population:** India's population exceeds 1.4 billion, nearly **65% of whom are of working age** (15–64 years).
- **Bridging Skill Gap:** The 'Global Skill Gap Study' by National Skill Development Corporation (NSDC) showed a **growing demand for Indian talent** across diverse sectors worldwide.

Impacts of labour mobility

- **Global Productivity enhancement:** Connect potential migrants with employers in need.
- **Poverty alleviation:** Migrants can **expect to increase their incomes by 6 to 15 times**.
- **Social welfare: Remittances sent back home** can play a crucial role in social welfare.
  - In 2022, India **received over US$ 111 billion in remittances**.
- **Long-term impact on India:** Mass migration of workers may **impact India's skill development, and potential brain drain**, adversely affecting the various sectors.

Challenges in labour mobility

- **Anti-immigration policies & sentiments**: Creating barriers for potential migrants.
- **Complex immigration processes**: E.g. H1B1 Visa issue.
- **Lack of comprehensive integration programs: To help migrants** adapt to their new environments.
- **Automation and advancements in technology:** Like AI are fundamentally changing the nature of work.

Way Forward

- **Align with global demand:** Match India's labour supply with the needs of advanced economies by **Investing in educational and vocational institutions** for skilling.
- **International agreements:** Strengthen bilateral/multilateral pacts and simplify immigration.
- **Lower mobility costs:** Reduce transaction costs & support returning workers' reintegration.

Conclusion

Recognising its demographic advantage, India is actively positioning itself as a global talent hub through initiatives like **Skill India Mission, Restructured Skill India Programme** and **PM Kaushal Vikas Yojana**, along with early vocational training under the **NEP 2020**. Migration and skill partnership agreements with countries like **Italy, France, and Germany** further reflect India's strategic push for global labour mobility.

3.4. KEY WORDS

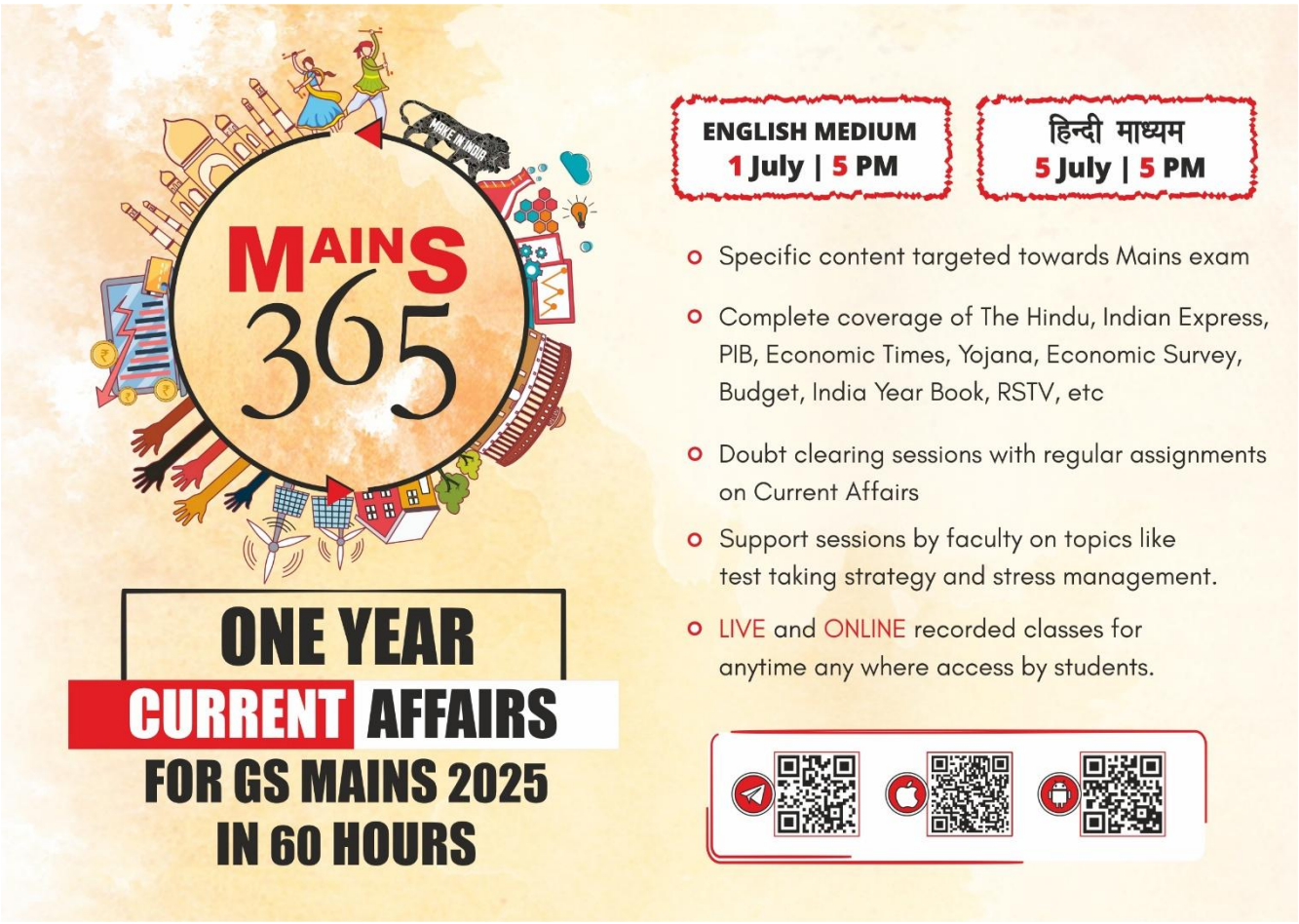
Key Words				
Wage Growth	Gig Economy	Social Security	Periodic Labour Force Survey (PLFS)	Corporate Profitability
Income Inequality	Algorithmic Management	Unified Pension Scheme (UPS)	Skill India Programme	PM Kaushal Vikas Yojana (PMKVY)
Global Workforce Gap	Remittances	Demographic Dividend	Apprenticeship	National Skills Qualification Framework

3.5. PRACTICE QUESTION

Answer Canvas

Despite having a young population, India faces a significant skill mismatch in its workforce. Examine the key challenges in India's skill development ecosystem and mention recent government initiatives in addressing them.

Introduction	Body Part: 1	Body part: 2	Conclusion
Introduction on Skill Mismatch	Key challenges in India's Skill Development	Recent Government Initiative	Way Forward on Skill Development



4. FISCAL POLICY

4.1. STATE FINANCES

Why in the News?

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

Fiscal Position of the State Governments as per Report

- **Decline in consolidated Gross Fiscal Deficit (GFD):** From an average of 4.3% of GDP during 1998-99 to 2003-04 to 2.7% of GDP during 2004-05 to 2023-24.
  - State governments contained their **GFD within 3% of GDP** during 2021-22 to 2023-24.
- **Revenue Deficit:** States maintained the **revenue deficit at 0.2% of GDP** during 2021-22 to 2023-24.
- **Expenditure Quality Improved:** Capital outlay, to 2.6% of GDP in 2023-24 from 2.2% in 2022-23.
- **Debt of States:** Declined from **31.8% of GDP** in March 2004 to **28.5% of GDP** in March 2024

Why Fiscal Deficit is still high in some States?

- **Reduction in Transfer of Money from Centre to state:** Due to end of GST compensation and the reduction of Finance Commission grants by more than 18% in 2022-23 to 2023-24. (Budget 2024-25).
- **Power Sector Losses**: DISCOMs losses reached ₹6.5 lakh crore by 2022–23, equivalent to 2.4% of GDP.
- **Rising subsidy burden**: Driven by farm loan waivers, free/subsidised services, etc.

Issues In Fiscal Management in States			
Absence of Fiscal Data: Many States/UTs delay or do not release quarterly data.	**Delays in the setting up of State Finance Commissions:** Affects fund transfers to local bodies.	**Too many Central government schemes**: Limits States' spending flexibility.	**Rising uncertainties:** Economic, climatic, and geopolitical factors increase fiscal risks and deviations from budget estimates.

Reforms undertaken

- **Fiscal Responsibility Legislations (FRLs): by State government** has incentivised formulation of fiscal policy strategies, creation of Medium-Term Fiscal Plans (MTFPs) and improvement in transparency.
- **Institutional Reforms**: Setting up of **State Institutions of Transformation** with help of NITI Aayog by several states like Assam, Gujarat and others.
- **Expenditure Reforms**: **Direct Benefit Transfer** (DBT), Adoption of the **National Pension System (NPS)**, Implementation of a **Single Nodal Agency (SNA)** for the centrally sponsored schemes etc.
- **Tax Reforms:** Adoption of **goods and services tax (GST)**; **Modernisation of Tax Administration.**
- **Greater reliance on market-based financing:** Share of market borrowings in financing of GFD increasing from 17% in 2005-06 to 79% in 2024-25.
- **Power Sector Reforms:** UDAY scheme, 15th finance commission allowed an additional borrowing space of **0.5% of GSDP** for States for power sector reforms.
- **Fiscal Health Index Report 2025:** Recently, NITI Aayog released **FHI Report 2025** focusing on **fiscal health of Indian states**.

Way Forward: Recommendations of the report

- **"Next generation" fiscal rules**:
  - **Counter-cyclical fiscal** policy to provide flexibility in the face of large exogenous shocks.
  - **Risk-based fiscal framework**: E.g., States with higher debt levels may require stricter fiscal rules.
  - **Medium-Term Expenditure Framework:** Links policymaking to budgeting by ensuring forward planning for fund availability and improving accountability.
- **Data Driven Fiscal Policy Making:** Data analytics, & AI can be used for improved taxation system.

- **Contain DISCOM Losses**: **Enhancing productivity**, reducing transmission and distribution losses, etc.
- **Implementing of the 'golden rule'**: It requires that all current/revenue expenditures be financed from current revenue while capital expenditure is financed through borrowings.

Conclusion

The State governments have demonstrated **fiscal prudence**. However the state finances will increase due to several developmental expenditure and liabilities. Therefore, the **reforms have to be undertaken** which would strengthen **public finances and ensure fiscal sustainability and management.**

4.2. DIRECT TAXATION AT A GLANCE

Direct Taxation

Status of Direct Taxation in India

11.7% tax–GDP ratio in FY 2024–25 (6.7% for direct taxes and 5.0% for indirect taxes)	**Corporate Tax and Personal Income Tax** as the main contributors to Direct Tax.	**Direct tax buoyancy** at 2.52 in 2021–22 was the highest in the last 15 years but declined to 1.18 in 2022–23.

Key Achievements

India's direct tax collections have grown by 16.15% year-on-year, reaching Rs 25.86 lakh crore in FY 2024-25	The growth is driven by higher corporate (Rs 12.40 lakh crore) and non-corporate tax revenues (Rs 12.90 crore).

Policies/Schemes/Initiatives

Taxpayers' Charter for a transparent and taxpayer-friendly tax regime.	**Faceless Assessment Scheme**	**Amendments to Income-tax Act** to cover **virtual digital assets.**	**Vivad se Vishwas Scheme** for reducing litigations in the direct tax payments.	**Double Taxation Avoidance Agreements (DTAA)** and **Tax Information Exchange Agreement** etc.

Constraints

Tax–GDP ratio is much lower than OECD countries (33.9% in 2023).	**Issues of tax evasion & corruption, Lack of global consensus** over tax rates etc.	**High exemption limit and deductions.**	**MNCs setting up offices in low–tax jurisdiction countries/tax havens.**	**Issues surrounding Digital taxation.**

Way Forward

Direct Tax Code on lines of GST & **Base widening** by increasing the number of taxpayers.	Exploring **taxation on agricultural income**	**Rationalisation** of incentive provisions	Participating in OECD **Automatic Exchange of Information (AEOI)** to check **tax evasion.**

4.2.1. ANGEL TAX

Why in the News?

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

What is Angel Tax?

- **Definition:** Refers to the income tax that the government imposes on funding raised by **unlisted companies,** or **startups**, if their valuation exceeds the company's **fair market value**.
- **Objective:** It was introduced in 2012 to curb money laundering and tax evasion.
- **Legal Provision:** It was levied under the **Income Tax Act, 1961**.
- **Coverage**: Earlier it applied only to local investors but the Budget 2023-24 widened its ambit to include foreign investments (with some exceptions).

Why Angel Tax has been abolished?

- **Improves Ease of Doing Business:** Angel tax imposed an additional financial and compliance burden on Start-ups thus affecting their growth potential as well as Ease of doing business.
  - It will promote **Reverse Flipping** of start-ups.
- **Streamlining Investment:** Indian start-ups witnessed over 60 % decline in funding in terms of value in 2023.
  - Also, imposition of Angel tax on foreign investors reduced opportunity for Funding. Foreign investor played key role in increasing the valuation of start-ups.
    - For instance, Tiger Global (foreign investors in India) has invested in over a third of the start-ups that have turned **unicorn**, with a valuation of at least $1 billion.

Concerns related with abolishing Angel tax: It will primarily impact the government's revenue. Additionally, there is an issue that start-ups can be used to launder money or shell start-ups can be created.

Conclusion

Abolition of Angel Tax will promote fund availability for entrepreneurs. In order to ensure that money laundering and tax evasion do not take place government can emphasise on registration of angel investors and disclosure of beneficial ownership of Private Equity/Venture capitalist/angel funds. This will help in plugging the potential abuse.

4.2.2. LONG-TERM CAPITAL GAINS (LTCG)

Why in the News?

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

More on the news

- **Union Budget 2024 eliminates indexation benefit for all assets** (barring property acquired prior to July 23, 2024).
- Indexation refers to **adjusting the purchase price of an asset for inflation** while computing the capital gain.
- It will allow taxpayers to **neutralize the impact of inflation** while lowering the tax liability and ensures that **taxpayers are taxed on real gains than gains at prevailing prices** due to **inflation**.

Key Provisions of Amendment Act

- **Choices to taxpayers**: Taxpayers can choose to pay **the lower tax amount of the following two**
  - **Old scheme/regime** - **Pay 20% LTCG tax with indexation** benefit on sale of property acquired before July 23, 2024.
  - **New Scheme/regime -** Pay **12.5% LTCG tax without indexation** (down from earlier 20%)**.**
  - However, **for purchases of property after the cut-off date of July 23, 2024, only the new regime** will be applicable.
- **Enhanced Exemption:** Exemption limit of 1 lakh for LTCG on **listed equity, Equity oriented mutual fund** and **units of business trust** has **increased to 1.25 lakh.**
  - Similarly, **the rate** for these assets for long-term has increased from 10 to **12.5%.**

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

- **It** is levied on the profit earned from the **sale of capital assets**, such as real estate, stocks and bonds.

- There are 2 **types of capital gains taxation - LTCG Tax & Short-Term Capital Gains (STCG) Tax.**
- **LTCG Tax is** levied on the profit earned from the sale of assets held for longer periods.
  - The holding period **varies** - More than 12 months for Listed equity shares, Equity oriented Mutual funds; 24 Months for immovable assets like House/land etc.;
- **How LTCGs Taxed?**
  - For **equity shares and mutual funds**, **LTCG exceeding Rs 1.25 lakh is taxed at 12.5%** without the benefit of indexation.
  - For other assets like property, LTCG is taxed according to recent amendments.

Significance of Current Amendments		
Tax Flexibility Property owners can choose the lower tax regime, with no indexation if there's a loss.	**Boost to Real Estate** Restoring indexation encourages investment by lowering selling costs.	**Curbing Black Market** Reduced tax burden improves compliance and discourages unreported transactions.

Concerns Associated with Amendments

- **Higher Tax Liability:** 12.5% LTCG **tax without indexation** may lead to a **higher tax liability** than 20 %.
- **May increase black money transactions**: Due to potential sale of properties at **circle** rates (minimum price at which a real estate is to be sold).
- **Tax Evasion**: Higher tax liability could encourage **undervaluing of assets** resulting in a loss of tax revenue.
- **Disincentive for Investment:** May **discourage individuals from investing** in property, particularly as a long-term asset.

Conclusion

Restoring the indexation benefit for LTCGs on property sales is a fair and equitable measure that benefits both taxpayers and the economy. However, it also raises **concerns regarding unfair cutoff date, undervaluing of assets, tax erosion** etc. Thus, there is need for **careful consideration and potential adjustments to the LTCG tax regime** to ensure a **fair and equitable system** for all taxpayers.

4.2.3. EQUALISATION LEVY

Why in the News?

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

Equalization Levy

- It is a **direct tax** introduced by **Finance Act, 2016**, taxing **digital transactions** i.e. income accruing to foreign e-commerce companies from India.
- This **covers income from advertising** also which is aimed at taxing **business to business transactions.**
- **Finance Act 2020** has extended scope of this levy to **e-commerce supply and services.**

Reasons Behind Imposing Equalization Levy			
Fair Competition It aimed to **level the playing field for domestic and international companies.**	**Bridging Tax Gaps** **Prevents companies from avoiding taxation** due to a lack of physical presence in India.	**Taxing Foreign Digital Companies** Ensures that foreign e-commerce giants contribute to India's tax system.	**Revenue Collection** Recognizes the boom in digital transactions, further accelerated by COVID-19.

Associated Concerns

- **Trade friction with the US:** Equalization levy is **barrier to overseas trade (Foreign trade barrier report).**

- **Retaliatory Tariffs: Other nations may impose countermeasures,** affecting Indian companies operating overseas.
- **Double Taxation & Compliance Burden:** Foreign companies may face dual taxation, increasing their costs.

Conclusion

The Equalisation Levy ensured tax fairness in the digital economy but led to trade tensions and compliance burdens. Its removal from April 1, 2025, signals a shift towards global tax cooperation for balanced and equitable digital taxation.

4.3. GOOD AND SERVICE TAX (GST) AT A GLANCE

GST

GST is a unified tax system **launched in July 2017** after the **101th Constitutional Amendment, Act, 2016.**

Key Features

One Nation, One Tax: GST replaced multiple indirect taxes levied by the Central and State Governments.	**Dual Structure:** Comprising **Central GST (CGST) & State GST (SGST).** Additionally, an **Integrated GST (IGST) is also levied.**	**Destination-Based Indirect Tax:** Imposed at every level of supply chain	**Different Tax Slabs: 5%, 12%, 18%, and 28%.**	**GST Council under Article 279A:** Makes decisions on various aspects of GST.

Achievements of GST

Tax collection: 20.18 lakh crores in 2023-24, with an impressive average monthly collection of 1.68 lakh crores.	**Improvement in tax buoyancy** for states to 1.22 from 0.72 in pre-GST regime.	It ended tax cascading by allowing businesses to claim input tax credit across the supply chain, reducing overall tax burden.	**Market integration** and ease of doing business.

Key Issues in GST highlighted by the parliamentary committee

Issues of MSMEs: Struggle with compliance due to complexity of Inverted Duty Structure.	**Issues of Exporters:** Face delays in input tax credit (ITC) refunds.	**Issues of steel rolling mills:** Pay dual taxes as scrap dealers evade GST.	**Tax evasion by Online Gaming Sector:** From October 1, 2023, online gaming is taxed at 28% GST.

Way Forward

Rationalization of tax rates for ease of compliance.	**Tightening enforcement** provisions to curb leakages and evasions	Use of **technology-based monitoring** systems	**Expansion of tax network** to cover products such as alcohol, petroleum etc.	**Dedicated fast-track refund processing system**

4.4. INFLATION TARGETING FRAMEWORK

Why in the News?

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

Inflation Targeting in India

- **Inflation-targeting Framework**: India formally adopted an **inflation-targeting framework** in 2016, with the RBI mandated to maintain **Consumer Price Index (CPI) inflation** within a 4% ± 2% band.
- **Food Items:** Constitute a large component of the CPI basket nearly **45%**. As a result, fluctuations in food prices significantly influence **headline inflation** figures.
  - India's pulse and oilseed deficits, along with volatile tomato and onion output, drive price pressures.

Arguments in **Favour of Excluding Food Prices**	**Arguments against Excluding Food** Prices
• **Supply-Side Driven Inflation:** Food prices are impacted by non-monetary factors (weather, pests, global shocks), which **interest rate policy cannot address**. • **Avoiding Pro-cyclical Monetary Policy:** Tightening interest rates in response to food inflation **may reduce growth.** • **International Practice:** Many central banks (e.g., the US Federal Reserve) focus on **core inflation** for policy formulation. • **Focus on Long-Term Growth:** Avoiding short-term, reactive measures enables a stable investment environment.	• **Public Perception & Credibility:** Food inflation affects **the daily lives of the poor**, risking policy discontent if ignored. • **Second-Round Effects:** Persistent food inflation can **spill over into core inflation.** • **Undermining Inflation-targeting Framework:** Exclusion could dilute the **legitimacy and accountability** of the inflation-targeting mandate. • **Data Limitations:** Core inflation itself can be mismeasured or subject to revision; over-reliance may be risky.

Way Forward

- **Hybrid Framework:** Retain headline inflation as the target, but use core inflation to guide policy decisions for better precision and stability.
- **Strengthen Supply Chains:** Investment in **warehousing, cold chains, logistics, and e-NAM** to reduce supply bottlenecks.
- **Use of Buffer Stocks & Trade Policy:** Actively manage **public grain stocks and export-import policies** to stabilise prices.
- **Improve Inflation Forecasting Models:** Incorporate **climate models, global trends**, and **real-time data** into predictive tools.

Conclusion

The Economic Survey's proposal to exclude food prices may enhance monetary policy precision, but careful implementation is vital to maintain transparency and credibility. A **hybrid approach**, retaining headline inflation as the formal target while using core inflation to guide policy may offer a balanced path forward.

4.5. KEY WORDS

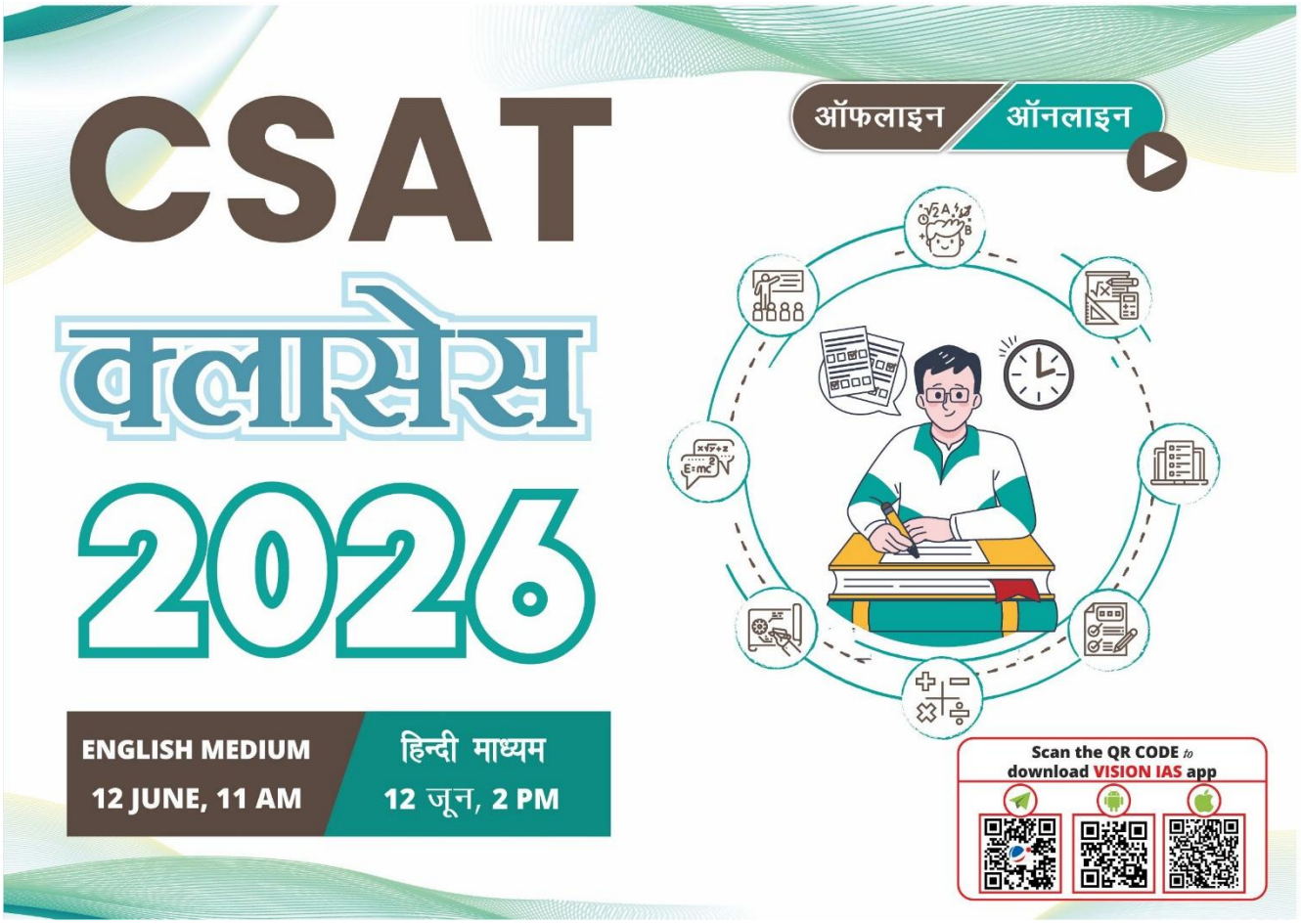
Key Words				
Gross Fiscal Deficit	Revenue Deficit	Capital Outlay	Debt-to-GDP Ratio	GST Compensation
DISCOMs Losses	Subsidy Burden	Fiscal Responsibility Legislations	Medium-Term Fiscal Plans	Direct Benefit Transfer
Angel Tax	Long-Term Capital Gains (LTCG) Tax	Indexation Benefit	Equalization Levy	Inflation Targeting Framework

4.6. PRACTICE QUESTION

Answer Canvas

While many Indian states have shown improved fiscal indicators in recent years, some continue to face significant fiscal stress. Analyze the key factors contributing to this fiscal stress and discuss the recent reforms in addressing these challenges.

Introduction	Body Part: 1	Body part: 2	Conclusion
Give recent context	Improved Fiscal Indicators and fiscal stress factors	Recent Reforms	Way Forward



5. BANKING, PAYMENT SYSTEMS AND FINANCIAL MARKETS

5.1. BANKING SECTOR IN INDIA AT A GLANCE

Banking Sector in India

Status of Banking Sector in India (March 2024)

There are 12 public sector banks (PSBs), 21 private sector banks, 45 foreign banks etc. in India.	**Profitability of banks** improved for the 6th consecutive year in 2023-24.	**Gross non-performing assets (GNPA)** ratio fell to its lowest in 13 years at 2.7 %.	**GNPA ratio remained highest** for agricultural sector (6.2 %) & lowest for retail loans (1.2 %)

Initiatives Undertaken for Banking Sector

Consolidation of PSBs (merger of 10 PSBs into 4 in 2019), **recapitalization of PSBs** to Basel III norms.	Amendments to Banking Regulation Act, 1949 to empower **RBI to supersede boards in case of governance failures**	**Asset Quality Review and Prompt Corrective Action Framework** for time-bound resolution of NPAs, etc.	**Digital Banking Push: E.g.,** UPI, Aadhaar-linked banking, Mobile Banking etc.

Challenges

Digital Frauds: in 2023-24, the share of internet and card frauds in the total stood at 44.7% in terms of amount & 85.3% in terms of number of cases.	**Poor Governance:** i.e. **PSBs** lack of autonomy and inefficiencies in decision-making due to government interference.	**Regulatory Overlap:** Coexistence of multiple regulatory bodies like the RBI, SEBI, IRDAI, CCI, etc.,	**Others:** Rising Non-Performing Assets; Low Financial Inclusion; Slow Technology Adoption etc.

Way Forward

P J Nayak Committee recommendations: Autonomy of PSBs, Align the compensation of bank executives with profits, fostering a results-driven approach.	**Strengthen transparency** in decision making and financial disclosure through real-time reporting to RBI.	**Narasimham Committee – II Recommendations: A robust whistleblower** mechanism, Simplify and streamline regulatory coordination by fostering collaboration RBI, SEBI, IRDAI, etc.

5.1.1. LIQUIDITY DEFICIT

Why in the News?

Reserve Bank of India (RBI) has conducted liquidity infusion operations to curb the high liquidity deficit, which has hit its lowest level in nearly 15 years.

More on the News

- RBI injected liquidity into the banking system through:
  - **OMO (Open Market Operation) purchase auctions of Government Securities** for an aggregate amount of ₹1,00,000 crore in two tranches of ₹50,000 crore each.
  - **USD/INR Buy/Sell Swap auction** of USD 10 billion for a tenor of thirty-six months.

Banking Liquidity: It refers to reserves provided by a central bank to the banking system.

- In Jan 2025, **liquidity deficit hit a 15 year high** at 3.15 trillion**.**

Factors leading to Liquidity Deficit

- **Tax outflows:** In December 2024, corporations paid over ₹3 trillion in advance taxes, significantly reducing available liquidity.
- **Just-in Time (JIT) SNA-SPARSH Transition:** Transfer through SNA-SPARSH results in **shorter intermediate halt of funds in the banking system**.
- **Volatility in capital flows: Sell-offs** by Foreign Institutional Investors (FIIs) **pushed the total capital outflows.**
- **RBI intervention in Forex market:** When the **RBI sells dollars, it helps prevent excessive rupee depreciation** but absorbs rupees from the system, **reducing liquidity.**

Impact of Liquidity Deficit				
Higher Borrowing Cost: Can impact NBFCs and strain sectors like housing and MSMEs.	**Delay in Monetary Policy Transmission:** Rate cuts are ineffective without liquidity.	**Reduced Credit:** Banks tighten lending, slowing investment	**Profit Squeeze for banks:** Banks' margins decrease, lowering profitability	**Market Volatility:** Shakes confidence, impacting asset prices

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

Conclusion

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

5.1.2. REVISED PRIORITY SECTOR LENDING NORMS

Why in the News?

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

Revised Priority Sector Lending Norms

- **Incentive framework: More weight (125%) will be given to fresh priority sector loans** in districts where **loan availability is low**.
- **Disincentive framework:** In districts with **high loan availability (more than Rs 42,000 per person),** the loans will have a weight of **90%.**
- **Other districts**: All other districts will continue to have the current importance level of **100%.**
- **MSME loans:** All bank loans to MSMEs shall **qualify for classification under PSL.**

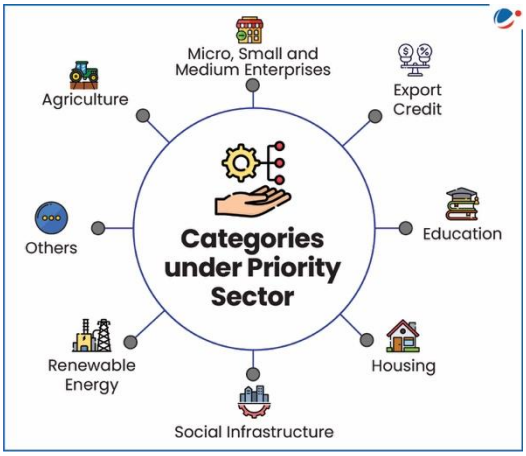
Need for New Priority Sector Lending Norms

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

About Priority Sector Lending (PSL)

- **Priority Sector** means those sectors **which Government and RBI consider as important** for **development of the country** and are to be given priority over other sectors.
- **PSL Targets:** Banks have to mandatorily allocate a portion of their **Adjusted Net Bank Credit (ANBC) or Credit Equivalent of Off-Balance Sheet Exposure (CEOBE),** whichever is higher, towards PSL.

- **Mandated target differs for different banks** and is 40% for Scheduled commercial banks and foreign banks (with 20 or more branches) while it is 75% for Regional Rural Banks and Small Finance Banks.



Positive Impact of priority sector lending on Indian economy:

- **Financial Inclusion:** Ensure that credit reaches under banked segments of population e.g. weaker sections.
- **Support to Agriculture:** Agricultural credit increased from 2000 to 2020 at a compound annual growth rate (CAGR) of 19.81%. PSBs have frequently met **their 18% agricultural lending target.**
- **Promotion of MSMEs***:* Facilitate credit flow to MSMEs,helps in creating jobs and boosting local economies.
- **Income Augmentation: E.g.,** Andhra Pradesh showed that Beneficiaries reported enhanced income.
- **Achieving PSL Targets:** Lending to the priority sector has consistently exceeded 40% across various periods and bank categories, influenced by individual banks' strategies.

Issues with PSL

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

Way-forward

- **Strengthen Microfinance Institutions and Encourage Opening of "Small" Finance Banks:** To increase the credit supply to unbanked rural and semi-urban areas."
- **Use of Technology:** E.g. Mobile banking app for loan approval to farmers to Reduce Cost of Credit Delivery and increase the reach and efficiency of PSL
- **Create a robust credit infrastructure and Risk Assessment Tools:** To better evaluate the creditworthiness of borrowers and reduce NPAs.

Conclusion

Priority Sector Lending in India stands at a critical juncture of transformation. While the framework has successfully channelled institutional credit to underserved sectors over decades, its evolution now demands both structural reforms and technological innovation.

5.1.3. ONE STATE, ONE RRB

Why in the News?

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

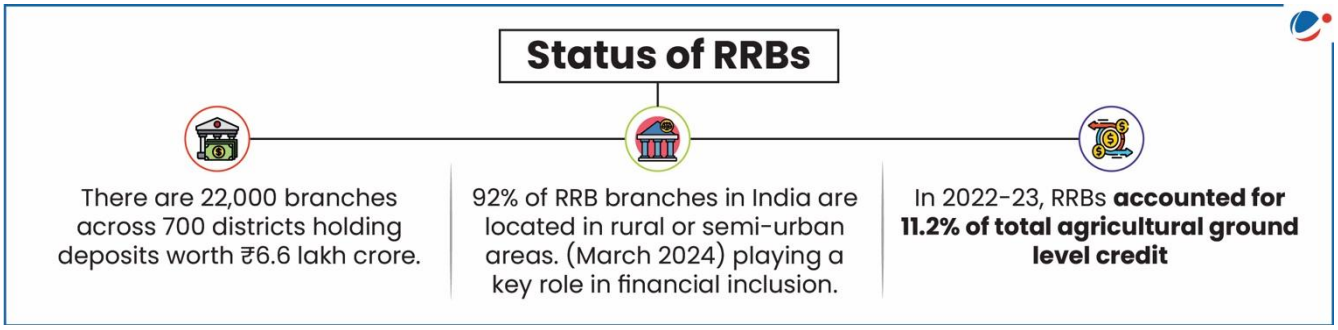
More on the news

- The amalgamation was done by the **Central Government** in exercise of the powers conferred under **Regional Rural Banks Act, 1976.**
- This is **the 4th phase of amalgamation** and post amalgamation, there will be **28 RRBs** (down from 43 earlier) **in 26 states and 2 UTs**.

About Regional Rural Banks

- **Genesis:** Established in **1975** based on the recommendations of the **Narasimham Working Group.**

- **Joint Ownership:** GOI **(50% stake),** concerned **State Government (15%),** & **sponsoring commercial bank (35%).**
- **Regulation and Supervision: Regulated by the RBI** under the **Banking Regulation Act, 1949** & **supervised by the National Bank for Agriculture and Rural Development (NABARD).**
  - For tax purposes, they are treated as cooperative societies under the Income Tax Act, 1961.
- **RRBs must allocate 75%** of ANBC (Adjusted Net Bank Credit) or CEOBE (Credit Equivalent of Off-Balance Sheet Exposure) whichever is higher **to Priority Sector Lending (PSL).**



Significance of One State One RRB

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

Challenges in Amalgamation of RRBs

- **Operational: Differences in operational & organizational structure** of amalgamated banks.
- **Financial: Inconsistencies in the chart of accounts** and **variability in the mapping** of branch and corporate ledgers
- **Governance and stakeholder management:** Issues related to **workforce realignment and employee movement**.
- **Technological: High volume of data** related to transaction histories and migrated data backups

Conclusion

To ensure the success of the "One State-One RRB" amalgamation, it is crucial to harmonize HR policies, integrate digital systems, streamline branch operations, and tailor products to local needs. Strengthening NPA recovery, forming state-level monitoring committees, and conducting regular financial reviews will help address challenges and promote financial stability and rural inclusion.

5.1.4. COOPERATIVE BANKS AT A GLANCE

Cooperative Banks

Cooperative Banks works on principle of cooperation and are **owned and operated by their members.** They can be divided into **Rural and Urban co-operative banks (UCBs).**

Significance of UCBs

Financial Inclusion: Banking services to rural and semi-urban areas.	**Local Focus:** strengthen **local economies by funding micro-enterprises,** cottage industries etc.	**Priority Sector Lending:** Support to Agriculture and Allied Activities.	**Promotes Democratic Values:** Run on **principles of cooperation, democracy, & self-governance**

Initiatives

Banking Regulation Amendment Act, 2020: Empowered RBI to supersede boards, & formulate resolution plans.	RBI extended **Revised Prompt Corrective Action (PCA) Framework to Cooperative Banks** and revised **NPAs Provision Norms**	**4-tiered regulatory framework for UCBs introduced by RBI** to tailor regulatory approaches effectively.	RBI allowed UCBs to offer **doorstep services to their customers & open new branches up to 10% (maximum 5 branches) without RBI approval.**

Challenges faced by Cooperative Banks

Dual Regulation: By state governments and **RBI /NABARD.**	**Weak Governance:** Political interference, nepotism, & financial mismanagement	**Regional Disparity:** 82 % of total UCBs are **concentrated in Western & Southern regions** (2020).	**Other:** High Non-Performing Assets, Technological Obsolescence etc.

Way Forward

Strengthening Governance & Supervision	**Consolidation and Mergers**	**Independent Audits**	**Technology Adoption**

5.1.5. NON-BANKING FINANCIAL COMPANIES (NBFCS) AT A GLANCE

Non-Banking Financial Company (NBFCs)

NBFC is a company registered under the Companies Act, 1956/2013 engaged in the business of loans and advances, acquisition of shares/stocks/bonds etc.

Different from banks: Cannot accept demand deposits (accepts only term deposits), is not part of payment & settlement system, and cannot issue cheques drawn on themselves.

Status (2023)

There are a total of 9,356 NBFCs registered with the RBI.	The NBFC sector has reached an impressive size of USD326 billion.	Housing & infrastructure loans are major chunk of the overall NBFC portfolio.	Microfinance loans have increased their share from approximately 2 % to 3 % between FY19 & FY23.

Initiatives

Mandatory **Liquidity Coverage Ratio (LCR)** norms	**Scale Based Regulation Framework for NBFCs.**	RBI's push for NBFCs to adopt **Core Financial Services Solution.**	Prompt Corrective Action (PCA) Framework (2022)

Challenges

Asset-Liability mismatches (e.g., IL&FS crisis)	Weak Governance and Transparency	High Dependence on Market Borrowings	Credit & Operational Risk. E.g., High NPA ratios due to poor borrower profiles

Way Forward

Strengthen Regulation & Supervision	Enhance Liquidity Management	Promote Technology Integration	Access to Refinancing Options

5.2. FINANCIAL MARKET

5.2.1. CAPITAL MARKET IN INDIA AT A GLANCE

Capital Market in India

Capital markets are part of the financial markets where buyers and sellers can engage in the trade of long-term (period greater than one year) financial instruments.

Deficiencies in the Indian capital market

Inadequate disclosure: Lack of quality information disclosed by companies.	**Inadequate Protection to Investors** like lack of grievance redressal mechanism.	**Slowing retail participation** and lack of investment from smaller cities.	**Fragmentation of regulatory power** between SEBI and RBI.	**Others: Malpractices, unfair practices and scams, Issue of independence of Credit Rating Agencies etc.**

Step required to sustain growth in the Capital market

Expanding the participation of retail investors.	**Strengthening the legal and regulatory framework for investor protection.**	**Enhancing the quality of disclosures** by increasing the quality of financial results, annual reports, etc.	**Effectively curbing malpractices and scams.**	**Reforming credit rating industry** through measures like 'investor pay' model, etc.

5.2.2. FINANCIALISATION

Why in the news?

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

What is Financialization?

- Financialization is **a process whereby financial markets**, financial institutions, and financial elites **gain greater influence over economic policy** and economic outcomes.
- Thus, **financial intermediaries** and technologies gain **unprecedented influence over our daily lives.**
- It also describes **moving investments away from traditional, 'physical' asset** (like real estate, gold) **towards 'financial assets'** (like mutual funds).

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

Why is Excessive Financialisation a Concern?

- **Increased Inequality:** Financial income is funneled to top 1% of population through equity ownership.
- **Distorts functioning of economy:** Profits flow increasingly from financial investments, rather than trade in goods and services. Thus, **movements of stock market primarily determine functioning of economy** instead of production of employment or rising standards of living.
- **Rising Household debts:** Stagnation of real wages may increase Households' reliance on loans (as seen in U.S economy).

- **Adverse impacts on policies:** Fincialisation may push for policies favouring **predatory lending, higher risk-taking and erosion of worker protections.**

Conclusion

Developing countries often face debilitating crises when financial market 'innovations' and growth run ahead of economic growth for e.g. the Asian crisis of 1997-98. Therefore, India needs to have an orderly and gradual evolution of the financial market.

5.3. PAYMENT SYSTEM AT A GLANCE

Payment Systems in India

Status of Payment System in India

Cash accounts for nearly 50% of all transactions in India. (RBI)	**50% volume** of India's digital payments is dominated by **Debit Cards, PPIs, and IMPS**	**53% value** of India's digital payments is dominated by **RTGS and NEFT.**	**22.4 digital transactions per capita in 2019** (up from 2.4 in 2014).

Key Objectives

Providing **real-time, secure, accessible and easy payment** mechanisms.	**Integrated payment system & Expand interoperability** between different payment mechanisms.	Making the **transaction costs as low as possible.**	Creating **institutional, digital & physical** infrastructure to manage & sustain high transaction volumes.

Schemes / Initiatives

RBI's Payments Vision 2025	**Payments Infrastructure Development Fund**	RBI's **Mission Har Payment Digital and 75 digital villages programme**	**Setting up of Fintech Repository** by RBI

Constraints

Cyberattacks, data leaks, platform downtimes.	**Lack of Digital Financial Awareness**	**Low internet & smartphone penetration in rural areas**	Issues of cost & **connectivity**, especially in the hinterland

Way Forward

Strengthening **foundational infrastructures** like telecommunications.	Need of **single regulatory mechanism** for the system.	Providing more options for **offline payments through mobile devices.**	Increased coordination **among regulators, financial inclusion etc.**

5.3.1. DIGITAL PAYMENTS AT A GLANCE

Digital Payments in India

Status of Digital Payments in India

More than 40% of all payments done in India are digital (highest digital transaction in the world)	In 2024, UPI processed around **172 billion** transactions, marking a **46% increase from 117.64 billion in 2023.**	Number of credit cards has more than doubled in five years

Initiatives For Promoting Digital Payments in India

Immediate Payment Service (IMPS): Real-time, 24x7 electronic funds transfer service	Incentive scheme for promotion of low-value BHIM-UPI transactions (P2M)	**Unified Payments Interface (UPI), Integration of RuPay credit cards with UPI etc.**	**Other:** Jan Dhan-Aadhaar-Mobile (JAM) Trinity, **National Electronic Toll Collection FASTag etc.**

Challenges

Digital Divide: Limited internet access & smartphone penetration in rural and remote areas.	**Cybersecurity Risks:** Rising incidents of online frauds, phishing, and data breaches.	**Trust Deficit:** Fear of transaction failures and money loss discourages adoption.	**Limited Financial Inclusion:** Although Jan Dhan accounts exist, many remain dormant or inactive.

Way Forward

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

5.3.2. CENTRAL BANK DIGITAL CURRENCY

Why in the News?

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

What is Digital Currency?

- It is money that is **exclusively available only in digital or electronic form**. They are generally **handled, preserved and exchanged using digital computer systems**, connected to the Internet.

3 Types of Digital Currencies		
Cryptocurrency	**CBDCs**	**Stablecoins**
• Regulates the **generation of new units** and secures transactions **using cryptographic methods**. • **Blockchain** ledger is used to verify transactions.	• **Digital version of fiat currencies** issued by Central Banks. • Maintains the **reliability and security of traditional currencies.**	• Typically **backed by underlying asset's reserves or by algorithms** that modify the supply based on market demand.

• **Control**: Decentralized • **E.g.,** Bitcoin.	• **Control**: Centralized • **E.g.,** Digital Rupee (e₹)	• Designed to have a **constant value in comparison to a traditional currency** or other asset. • **Control**: Centralized or hybrid • **E.g.,** Tether (USDT)

About CBDC

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

About India's Digital Rupee (e₹)

- It is a **digital form of fiat currency**, issued and regulated by the RBI. It is **available in the same denominations as physical currency**.
- It is **currently in pilot mode (ongoing with 15 Banks).**
- It is **legal tender** and is the **liability of Reserve Bank of India** (as per Section 26 of the Reserve Bank of India Act, 1934).

Potential benefits of CBDCs

- **Financial inclusion:** CBDCs can give unbanked or under-banked people access to digital payment services.
- **Reduced transaction costs:** By elimination of intermediaries like commercial banks.
- **Reduced dependence on cash:** Help in reducing the cost of printing, distributing, and managing physical currency.
  - CBDCs operate on digital ledgers, allowing for **better tracking of transactions, reducing corruption, tax evasion**, and **illicit activities**.
- **Other: Improve monetary policy transmission, Simplify Cross-Border Payment** reducing reliance on intermediaries like SWIFT.

Challenges with CBDCs

- **May Compromise Financial Stability:** Vulnerable to cyberattacks, hacking, and data breaches.
- **Privacy Concerns**: Transaction tracking and identity verification raise data protection issues.
- **Digital divide:** Need for digital literacy in using CBDCs could widen the gap between tech-savvy and less technologically adapted populations.
- **International Regulatory Challenges**: Cross-border use of CBDCs requires coordination between countries to prevent financial crimes, money laundering.
- **Threat to Monetary Sovereignty:** If people prefer a foreign CBDC over their national currency, it could weaken the local monetary system.

Conclusion

CBDCs offer a promising path to enhance financial inclusion, reduce cash dependence, and improve payment efficiency. However, careful regulation and global coordination are essential to address privacy, security, and stability concerns.

5.3.3. INTERNATIONALIZATION OF UPI

Why in the news?

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

About Unified Payments Interface (UPI)

- **UPI,** launched in 2016, is an **instant real-time payment system** developed by **National Payments Corporation of India (NPCI)**
- **Achievement:** From just one million transactions in 2016, UPI has since crossed the landmark 10 billion (1,000 crores) transactions. **Over30 crore individual** and over 5 crore merchants in India use UPI.

Initiatives for Internationalisation of UPI

- **NPCI International Payments Limited (NIPL): Setup in 2020 by NPCI** to take the payments system outside the country. It has been operational in UK, Nepal, Sri Lanka, France etc.
- **UPI Global Acceptance (International Merchant Payments):** It allows users to make QR code-based payments at select international merchants directly through UPI apps using Indian bank accounts.
- **Foreign Inward Remittance (FIR):** Enables UPI users to receive remittances directly.
- **Inclusion of Non-Resident Indians (NRIs):** UPI has been extended to include NRIs with Non-Resident (External) Account.

Benefits of Internationalization of UPI

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

Challenges in global adoption of UPI

- **Regulatory compliance:** Challenges like currency conversion, exchange rates, and wallet integration.
- **Competition from other Players:** E.g., Foreign-owned UPI apps, such as PhonePe and Google Pay, dominate the market.
- **Legacy System limitations:** Traditional banks face high costs and complex integration for real-time payments, making it difficult for smaller banks and fintech firms to adopt UPI.

Conclusion

India's export of UPI is a strategic move in soft power diplomacy. As UPI expands, it strengthens India's economic ties with partner countries. In the long term, India's success with UPI could pave the way for the export of other elements of its Digital Public Infrastructure (DPI), further boosting the country's influence in global financial and technological sectors.

5.3.4. CROSS BORDER PAYMENTS AT A GLANCE

Cross Border Payments

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

Status of Cross Border Payments

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

Significance of Cross-Border Payments for India

Ease Remittances	Facilitating Travel and tourism	Facilitating Travel and tourism	Access to global markets

Constraints in Cross Border Payments

Differing government regulations	Lack of Standardization of financial data	**Security Risks** (Money laundering, terror financing and cyber fraud).	High cost and delay in settlement

Initiatives

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

Way ahead

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

5.4. KEY WORDS

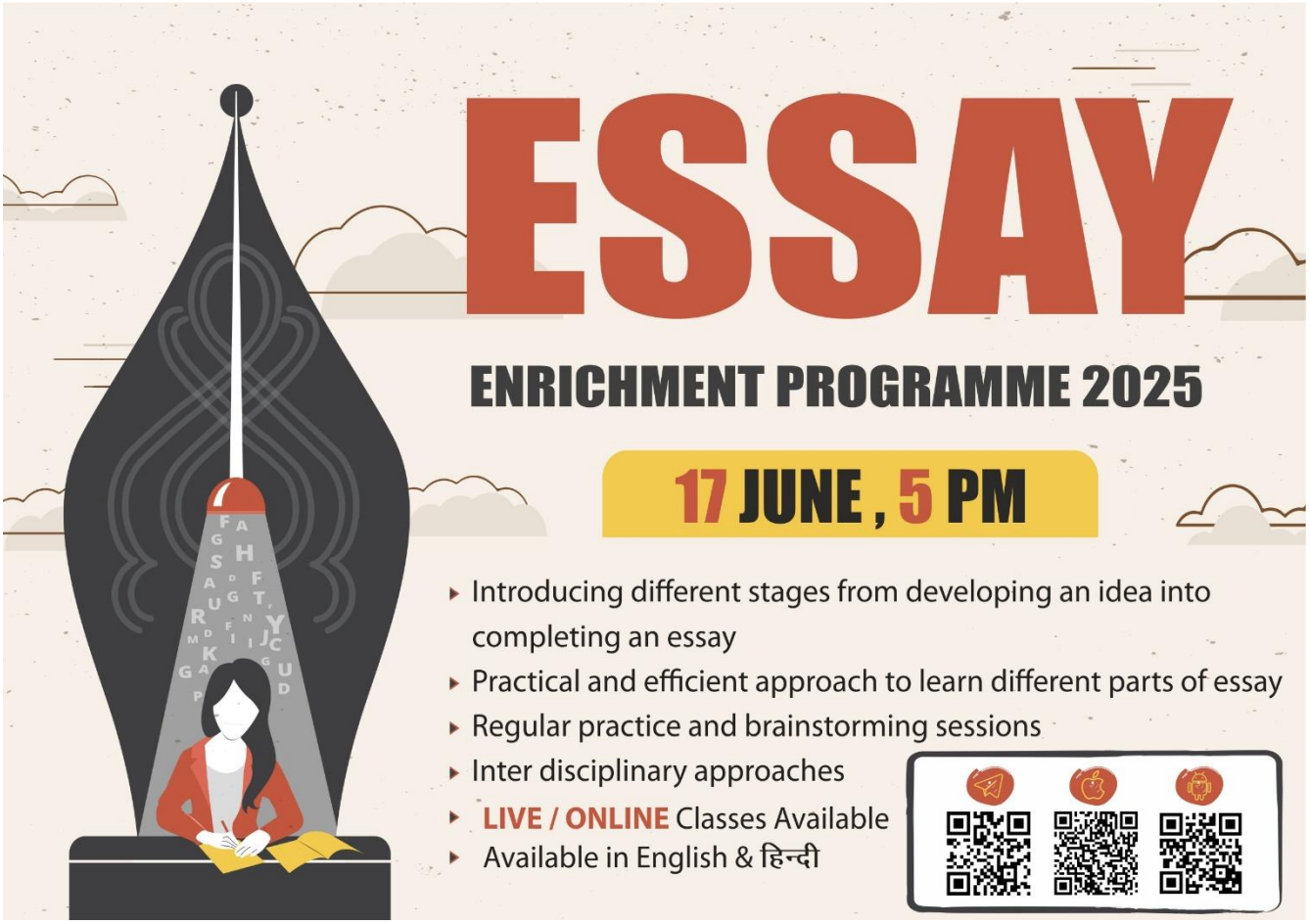
Key Words				
Liquidity Deficit	Open Market Operations	Forex Swaps	Priority Sector Lending	Non-Performing Assets
Financialisation	Capital Market	Central Bank Digital Currency	Unified Payments Interface	Algorithmic Bias
Microfinance Institutions	Statutory Liquidity Ratio	Cross-Border Payments	Systemic Risk	

5.5. PRACTICE QUESTION

Answer Canvas

Regional Rural Banks play a crucial role in India's priority sector lending. How does the 'One State, One RRB' policy aim to strengthen their functioning? Discuss the measures needed to ensure its successful implementation.

Introduction	Body Part: 1	Body part: 2	Conclusion
Introduce RRBs	Significance of One State One RRB	Measures for successful implementation	Conclude



6. EXTERNAL SECTOR

6.1. INDIA'S EXPORT SECTOR AT A GLANCE

India's Export Sector

Status of India's Export Sector

US$ 824.9 billion was India's overall exports (merchandise and services combined) in 2024-25.	In 2023, India accounted for **4.3% of global services exports and 1.8% of merchandise exports.** (Eco Survey 2024-25)	India's exports are about 23% of its GDP (UNCTAD)	India's **services trade has been a major driver** of its exports.

India's Trade Deficit (FY 2023-24)

Trade deficit recorded with **9 of top 10 trading partner.**	Trade deficit with **China, Russia, South Korea, and Hong Kong increased** as compared to 2022-23.	USA, Netherlands, UK, Belgium, and Italy are top 5 trading partners with which India has **trade surplus.**	**Reasons of Trade Deficits:** Reliance on imported inputs, Changing consumption patterns, Domestic policies such as inverted duty structure etc.

Steps taken to boost India's exports

New Foreign Trade Policy 2023 and automatic **'Status Holder' certificates.**	Trade Infrastructure for Export Scheme	RoDTEP (Remission of Duties and Taxes on Exported Products) Scheme	**Others:** Export Promotion Capital Goods Scheme, Export Preparedness Index etc.

Way Forward for India's exports

Increasing Competitiveness of Made in India Products: Promoting Ease of Doing Business, Focus on R&D etc.	**Strengthening potential sectors:** Diversification of India's export basket etc.	**Free Trade Agreements (Surjit Bhalla Committee recommendations):** › Implement extensive training programme on technical regulations; › Objective database for utilization of FTAs; › Use trade remedies like Anti-dumping etc.

6.2. IMPORTANCE OF LARGE TRADE AGREEMENTS

Why in the news?

Recently, NITI Aayog CEO recommended India join large trade agreements like **Regional Comprehensive Economic Partnership (RCEP)** to boost global trade integration.

Significance of involvement in large trade agreements

- **Exports**: The trade blocs can serve as a **vibrant export market** for realizing the manufacturing potential.
- **Trade Competitiveness**: Parity in tariffs with ASEAN nations can help India attract private investment and benefit from the 'China Plus One' supply chain strategy.
  - **China Plus One Strategy** refers to a strategy where companies diversify their manufacturing and supply chain operations while still maintaining a presence in China.
- **FDI:** This will attract more **Foreign Direct Investment (FDI) inflows &** increase **employment opportunities.**
- **Economic Growth:** An independent study found that upon joining the RCEP, the **Indian economy could gain up to USD 60 billion by 2030.**
- **Strategic relevance**: **E.g.** RCEP is in line with the objectives of **India's Act East Policy**.

- **Integration into Global Value Chain**: It may aid in easy imports of capital goods and inputs required to develop the indigenous industry.

Challenges

- **Trade imbalance**: RCEP's gains are **disproportionately skewed toward China**, which risks **worsening** the huge **trade deficit of India with China (USD 85 billion in FY2024).**
  - **E.g. ASEAN's trade deficit** with **China grew sharply** from USD 81.7 billion in 2020 to USD 135.6 billion in 2023.
- **Marginal benefits**: India already has **robust free trade agreements (FTAs)** with 13 out of 15 RCEP members.
- **Stringent Competition:** Regional FTAs will make **cheap imports easier**. E.g. **Dairy industry.**
- **Hinder indigenous enterprise: Stringent provisions** of the agreements will hinder the development of **indigenous entrepreneurship and manufacturing ecosystem** due to limitations posed by the provisions.

Way forward

- **Revisiting FTAs and Deliberation**: There needs to be **thorough discussion and deliberation** inclusive of **all stakeholders** on the cost-benefit analysis of joining the large trade agreements.
- **Improving trade competitiveness:** Working on measures like **the reduction of non-tariff barriers** and **trade diversification will aid in** improving **India's integration** with the **Global Value Chain**.
- **Continued negotiations:** India needs to keep negotiating for **favourable terms in the trade agreements.**
- **Prioritize long-term goals:** The goals of **Atmanirbhar Bharat,** transforming into a **global manufacturing hub** and upholding the principle of **strategic autonomy** need to be prioritized.

Conclusion

India's growth trajectory has been **sui generis**. While **trade** forms a major aspect of economic growth, any form of integration, including **binding terms** in the global trade agreements, needs to be analysed considering the **net benefits accrued by India** from the arrangements. **As global powers encourage India** to join these large trade agreements, India needs to decide based on **rational and pragmatic analysis**.

6.3. FREE TRADE AGREEMENT (FTA) OF INDIA

Why in the news?

Recently, the **India-Australia Free-Trade Agreement (FTA) utilisation rate reached as high as 90%** in some products showing a good output from FTAs.

About Free Trade Agreement (FTA)

- FTA is **a treaty between two or more countries** that reduces or eliminates barriers to trade between the countries.

India's FTA

- India has signed **13 FTAs with various countries and 6 PTAs.**
- Exports to countries/regions with which India shares trade agreements such as FTAs have registered a **growth of 20.75% in the last five years**.

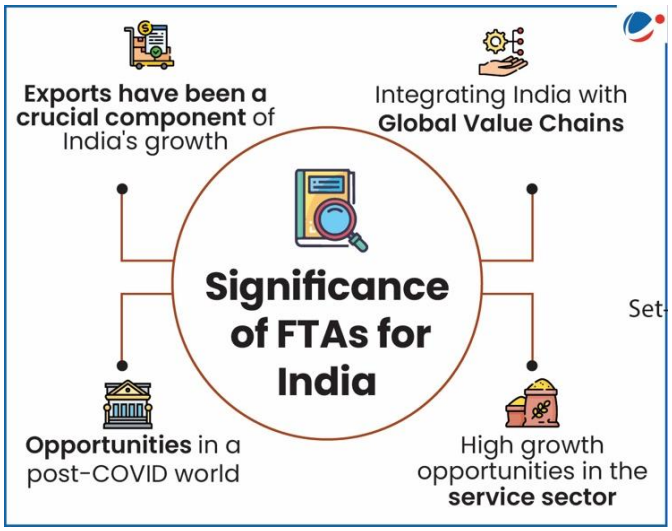
Recent developments in FTAs of India:

- **Innovative design:** For the first time, India has included **digital trade within the ambit of its FTA with UAE**.
- **Addressing NTBs:** Recently, signed FTAs like Australia-India also address the non-tariff barriers (NTBs).
- **Focus on the services sector:** Previous agreements did not pave for a robust trade in services.
- **Natural trading partners:** The trade baskets of these nations show a good degree of complementarity.

Related News

- India and the Association of Southeast Asian Nations (ASEAN) have agreed to **conclude the review of the existing FTA** in goods by 2025.
- The review of **ASEAN-India Trade in Goods Agreement (AITIGA),** signed in 2009 is expected **to enhance and diversify trade**.

Analysis of Indian FTAs



- **Low-value-added goods:** The **proportion of high-technology goods** within manufactured exports has remained **around 10% over the past decade.**
- **Cost and Quality issues:For example,** India's fuel exports dropped by as much as 65% in the years post the Indo-Japan FTA due to issues such as quality and cost.
- **Non-tariff barriers (NTBs)**: It **reduces trade by almost 2-11%.**
- **Lack of regional trade agreement:** India's trade regionally is highly restricted, even in the presence of an agreement like South Asian Free Trade Area (SAFTA).
- **Spaghetti bowl effect:** Increasing the number of overlapping FTAs between countries can lead to inconsistencies.
    - For example, **India has an FTA with Malaysia and Singapore separately** while they are also a **member of India ASEAN CECA.**

Way forward

- **Trade facilitation measures**: To address issues like high logistic costs, inverted duty structure, Rules of Origin, etc.
- **Equal focus on the service sector:** There is a need to re-negotiate existing FTAs by incorporating provisions for greater market access for services.
- **Aligning future FTA with the Atmanirbhar Bharat strategy:** There should be a phase-wise reduction of import tariffs over years under the FTA in order to completely integrate with global value chains (GVCs).
- **High-value product:** There is a need to move towards manufacturing sophisticated goods over the medium term.

Conclusion

India's evolving FTA strategy shows positive trends like high utilisation rates and focus on digital trade and services. However, addressing non-tariff barriers, quality issues, and leveraging complementarities are essential to maximize benefits.

6.4. BILATERAL INVESTMENT TREATY (BIT)

Why in the News?

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

About Bilateral Investment Treaties (BITs)

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

Key Features of Model BIT 2015

- **Enterprise-based investment:** Requires compliance with host state laws.
- **Non-discrimination and National Treatment:** Equal footing for foreign/domestic investors.
- **Expropriation safeguards:** Limits state takeover of assets.
- **Regulatory carve-outs:** Excludes taxation, subsidies, national security.

- **ISDS mechanism:** Mandates 5-year local remedy exhaustion.

Issues with India's BIT Architecture

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

Conclusion

The planned revision of India's Model BIT aims to address existing investor concerns. A more balanced and investor-friendly framework could boost foreign investment while safeguarding India's regulatory autonomy.

6.5. FOREIGN DIRECT INVESTMENT (FDI)

Foreign Direct Investment (FDI)

Status of FDI in India

2000-2024: Cumulative amount of FDI inflows **crossed the $1 trillion milestone** in Sept 2024.	**Maharashtra received highest FDI** followed by **Karnataka and Delhi** in Q1FY 2025.	Singapore was the top source of foreign inflows followed by Mauritius and USA in FY 2023-24.	**Computer software & Hardware,** followed by **Service sector received highest FDI** (FY 2023-24).

Challenges for FDI in India

Complex Regulation and policy uncertainty E.g., Retrospective taxation on Vodafone leading to legal disputes.	**Institutional deficiencies** E.g., Flipkart case led to India losing Generalised System of Preferences benefits from the US.	**FDI Concentration:** Inflows are largely focused in sectors like services and urban regions (e.g., Maharashtra, Karnataka)	**Others:** Impact on Local Businesses and Labour market etc.

Steps taken to promote FDI inflows

Schemes: Make in India, Start-up India, , Production Linked Incentive (PLI) Scheme etc.	**Promoting Ease of Doing Business (EoDB):** E.g., Jan Vishwas Act, 2023;	**State Investment Summits:** E.g., Vibrant Gujarat Global Summit helped attract FDI worth USD 55 billion (2002-22)	**Technological interventions:** National Single Window System & Foreign Investment Facilitation Portal etc.	**Project Development Cells:** In all concerned Ministries/Departments to fast-track investments.

Way ahead

Strengthen Competitiveness: Through multimodal connectivity, robust infrastructure, and workforce upskilling.	**Policy reforms:** Separate SEZ rules for manufacturing and services to boost FDI in manufacturing **(Baba Kalyani Committee).**	**Streamlining Dispute Resolution:** By setting up adequate number of arbitration and commercial courts	**Bilateral Investment Treaties (BITs):** Updating BITs can establish the terms and conditions for foreign investments and enhance investor confidence.	**Other:** Strengthened Contract Enforcement to promote legal certainty, Incentivize FDI in smaller cities etc.

6.5.1. FRAMEWORK FOR RECLASSIFICATION OF FPI TO FDI

Why in the News?

The RBI issued framework for reclassification of FPI to FDI.

More on the news

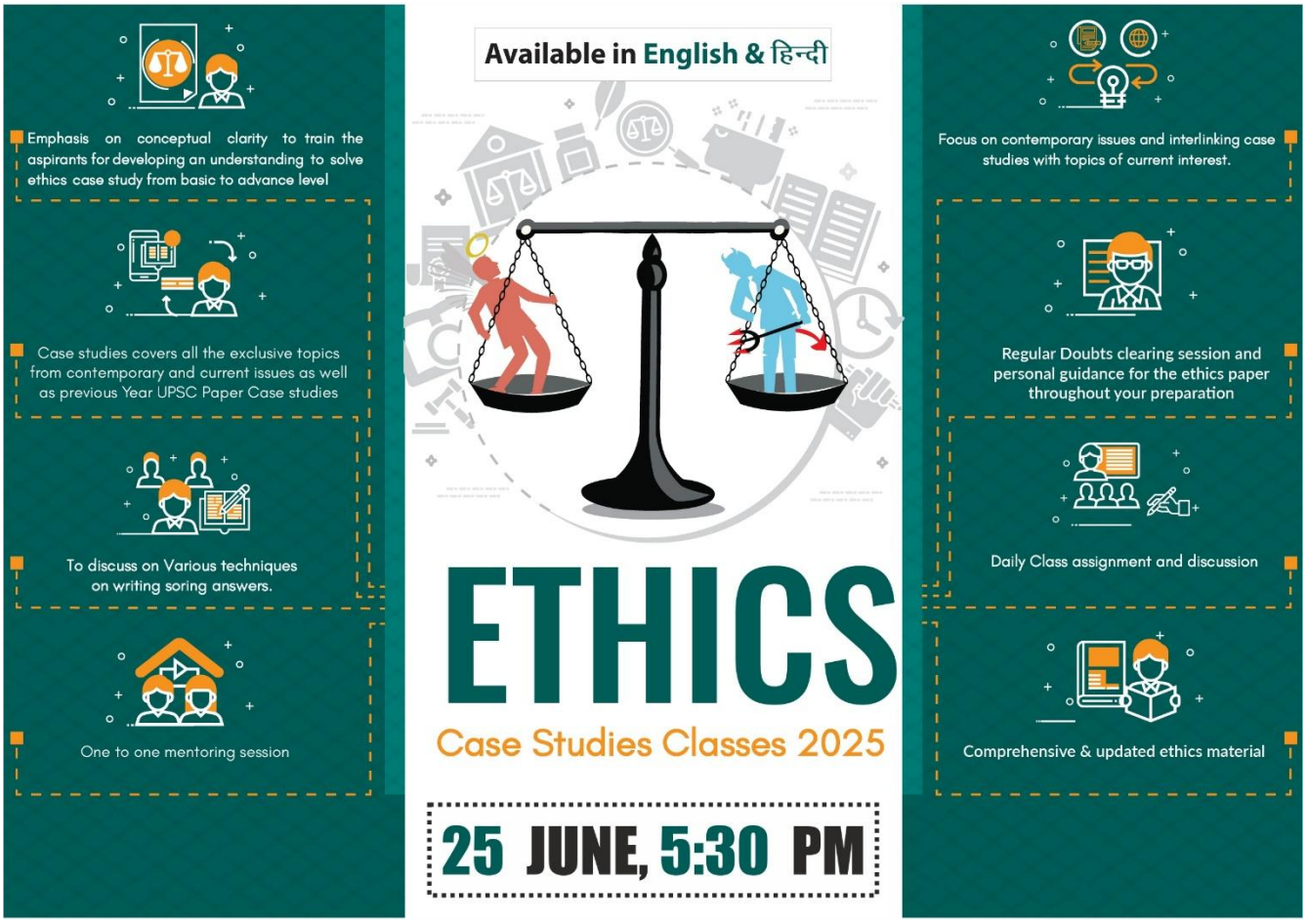
- Under current regulations, **foreign portfolio investment (FPIs)** can hold a **maximum of 10%** of an Indian company's total **paid-up equity capital**.
- **Exceeding this 10% cap (**prescribed limit of FPI**)** had previously left FPIs with **two choices: Divesting** (selling off) the **surplus shares** or **reclassifying** them **as FDI.**
- Now, in case the FPI intends to reclassify its FPI into FDI, the FPI shall follow the operational framework as given below.

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

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

Conclusion:

The RBI's framework for reclassifying FPI to FDI enhances regulatory clarity and investor confidence by offering a structured pathway for transitioning from passive to strategic investments. This move is expected to boost foreign capital inflow, support long-term economic growth, and align with India's evolving investment ecosystem.



6.6. GLOBAL VALUE CHAIN AT A GLANCE

Global Value Chains (GVCs)

A global value chain (GVC) is a **series of stages involved in producing a product or a service** that is sold to consumers. It embodies value addition at each stage of production **and at least two stages are produced in different countries.**

Key benefits of participation in GVCs

Raise productivity: Rise in per capita income is about twice as much as standard trade.	**Reduced poverty:** Due to employment opportunities and an expansion in firm output	**Greater scope for Specialisation:** A country can create targeted industries for a particular stage	**Facilitates knowledge sharing:** Leading to industrial upgrading, improvement of product quality, etc.	**Strengthening local firms:** Achieving economies of scale, sharing of know-how and technology, etc.

Roadblocks that hinder India's participation in GVCs

Limited lead firms: Due to shortage, lack of access to finance, custom procedures, etc.	**Not leveraging MSMEs:** Due to weak innovation, inadequate linkages with lead firms, etc.	**Less regional integration:** SAARC is inactive and India withdrew from RCEP recently	**Technological shift:** The pace of re-skilling and up-skilling of the workforce is slow in India.

Key initiatives taken by India to integrate itself into GVCs

Production Linked Incentives (PLI): To make India hub of manufacturing in 14 key sectors like automobile and auto parts, etc.	**Labour reforms:** Formulating four codes covering wages;occupational safety, health and working conditions; industrial relations; and social security	**Infrastructure development:** Bharatmala, Sagarmala,National Infrastructure Pipeline programme, PM Gati Shakti, etc.	**Foreign Direct Investment (FDI):** In most sectors of the economy, India allows foreign investments of up to 100%.	**Foreign Trade Policy (FTP) 2023:** Aims at re-processing and automation

Ways to enhance India's integration in GVCs

Skill development: For high-tech sectors like electronics, semiconductors, etc.	**Sectoral diversification:** Sectors like defence, aerospace, etc. can jumpstart the process of increasing engagement in GVC.	**Support to MSMEs:** Access to reliable credit, ensure access to finance and encourage and facilitate digitisation, etc.	**Upgrading Infrastructure:** Enhance ICT, broadband, and 5G connectivity, effective implementation of the 'National Logistics Policy', etc	**Others:** Improving the Business Environment, Ensure resilience of linkages to GVCs etc.

6.7. UN GLOBAL TAX TREATY

Why in the news?

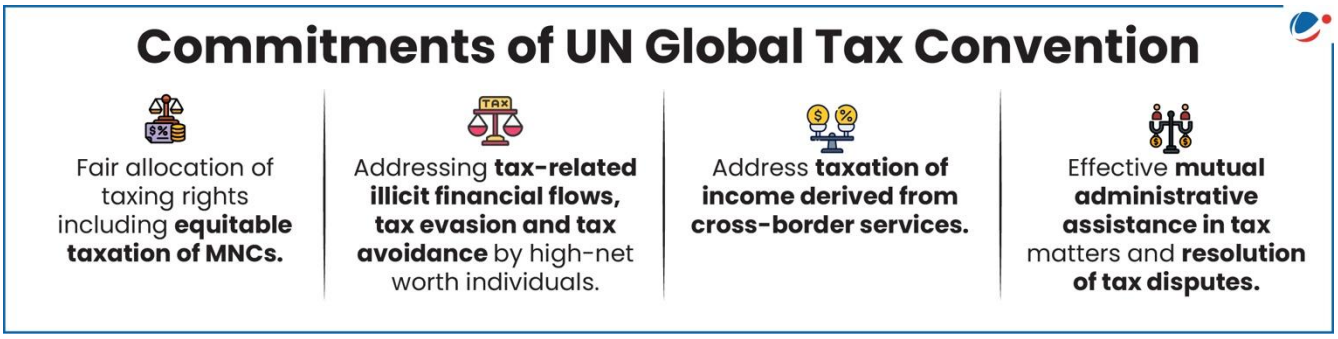
UN's Ad Hoc Committee to Draft Terms of Reference for a United Nations Framework Convention on International Tax Cooperation approved **a package of guidance** for UN Global Tax Convention.

More on the news

- It aims at establishing a **UN Global Tax Treaty** for **legitimate, fair, stable, inclusive and effective international tax system**.
- **Developing countries (including India) largely voted in favour** of treaty's terms of reference while industrialized nations such as Australia, Israel, Japan, UK and USA voted against it.

Objectives of UN Global Tax Convention

- **Strengthening international tax cooperation** and making it inclusive and effective.
- **Addressing existing tax-related challenges** including digitalization and global operations of large Multinational Corporations (MNCs).
- **Mobilize domestic resources** and use tax policy for sustainable development.
- Accelerating implementation of the **Addis Ababa Action Agenda** on Financing for Development and 2030 Agenda for SDGs.



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

- Countries are losing **US$492 billion a year** to global tax abuse. **Global South endures the deepest losses as a share of their tax revenues**.
- Out of this, **2/3rd is lost to MNCs shifting profit offshore** to underpay tax & remaining 1/3rd is lost to **wealthy individuals hiding their wealth offshore**.
- **Nearly half the losses (43%)** are enabled by the 8 countries (all OECD members) that oppose UN tax convention.

Global Tax Reforms

- **OECD's Global Minimum Tax (GMT)**: Policy which is about imposing a minimum effective rate of 15% on corporate profits.
- **OECD's Base Erosion and Profit Shifting (BEPS)**: Action Plan equips governments with instruments to address tax avoidance.
- **OECD's Common Reporting Standard (CRS)**: For automatic exchange of information about financial accounts.

Conclusion

A UN tax convention and upcoming global tax cooperation talks (2025–2027) offer a chance to curb tax evasion and promote fairness. Furthermore, Wealth and excess profits taxes can reduce inequality and ensure fair contribution to public welfare.

6.8. DOUBLE TAXATION AVOIDANCE AGREEMENT (DTAA)

Why in the News?

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

About Double Taxation Avoidance Agreement (DTAA)

- The DTAA ensures that the same income is not taxed twice—once in the **source country** (where it is earned) and again in the **residence country** (where the taxpayer lives).
- India has signed DTAAs with over 90 countries, including the USA, UK, UAE etc.
- India and Switzerland entered into DTAA **originally in 1994** and subsequently **amended in 2010.**
- **The DTAA** (and therefore MFN clause within it) does not automatically grant the tax benefits that India extends to other countries with better tax rates.

MFN Clause in Double Taxation Avoidance Agreement (DTAA)

- **Definition:** The MFN clause within DTAA is a provision in tax treaties that ensures a country grants the same or better tax benefits to the other country as it provides to any of its other "most favored" treaty partners.
- If India offers a **better tax rate on dividends** or other income **to a third country (say France**), S**witzerland** can also claim the **same favorable rate** for its taxpayers.
- **MFN Principle is also found within WTO Framework.**

Significance of DTAA in Global Tax Governance				
Provides Legal Certainty: To taxpayers by offering clear guidelines on their tax duties.	**Provides Mutual Agreement Procedures:** e.g., resolving transfer pricing disputes between India & Japan.	**Prevention of Tax Evasion**: By setting forth definitive tax compliance measures for cross-border income.	**Certain DTAAs includes anti-abuse clauses, e.g.**, India-Mauritius DTAA prevent round-tripping of funds.	**Tax Savings**: Individuals/businesses can take advantage of the lower tax rates between the two countries

Challenges in DTAA Architecture

- **Treaty Shopping and Abuse:** E.g., Mauritius **was historically used by foreign investors** to route funds into India to claim capital gains tax exemptions under the India-Mauritius DTAA.
- **Disputes**: Differences in interpreting DTAA provisions between countries lead to disputes and double taxation.
  - Delays and inefficiencies in resolving disputes create uncertainty for taxpayers.
- **Lack of Harmonization with Domestic Laws: E.g.,** recent 2023 Nestle issue between India-Switzerland.
- **MAP is an alternative available to taxpayers for resolving disputes** giving rise to double taxation whether juridical or economic in nature.

Conclusion

Switzerland's suspension of the MFN clause in the India-Switzerland DTAA reflects evolving global tax norms, emphasizing the need for clear treaty interpretations, compliance with domestic laws, and alignment with international tax standards.

6.9. REMITTANCES TO INDIA AT A GLANCE

Remittances to India

Key Trends in Remittances Inflows to India

Secured **14.3% ($129 billion)** of Global Remittances in 2024, **highest ever (World Bank).**	Top 3 source countries (2023-24): US (27.7%) >UAE>UK.	**Gulf nations' share** in remittances fell to 38%, now behind **advanced economies (>50%).**	**Top 3 recipient states (2023-24): Maharashtra (20.5%)>Kerala >Tamil Nadu.**

Factors behind the shift in the remittance inflows

Low Remittance costs: It is below global average due to **digitization.**	**US & Europe job growth,** wage hikes, and stimulus have raised **migrant earnings.**	GCC countries job prospects for low-skilled workers declining due to automation and diversification.	**Canada, UK, and Australia** emerging as top study destinations; aided by pacts like **India-UK Migration & Mobility Partnership (2021).** **E.g. Indian migration to the UK tripled between 2020 and 2023.**

Importance of Remittance for the Economy

Balance of Payments (BoP): Net remittances **finance ~50% of trade deficit,** cushioning external shocks.	**Household Impact:** Remittances support food, health, and education, raising living standards. **E.g.,** In 2021, remittances constitute over **36% of Kerala's state domestic product.**	**Macro-Economic Role:** Remittances account **for 3-3.5% of India's GDP** since 2000.	**Debt Sustainability:** Remittances lower country risk and borrowing costs, aiding fiscal stability.

6.10. RUPEE DEPRECIATION

Why in the News?

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

What is Rupee Depreciation?

- It refers to the **decline in the value of the Indian Rupee** (INR) **relative to a foreign currency**, typically the US Dollar (USD) or other major global currencies.

Key Factors Responsible for Rupee's Depreciation

- **Inflation:** Higher inflation in India compared to trading partners **erodes purchasing power** of Indian Rupee.
- **Capital Outflows: Foreign investors pulling out funds from Indian markets** reduce Forex reserves.
- **Trade Deficit:** When **imports exceed exports**, demand for foreign currency rises, weakening the rupee.
- **India's traditional demand for high-value imports:** Like crude oil boosts dollar demand.
- **Illiquidity:** It arises out of short term foreign currency debt becoming larger than liquid foreign currency assets.
- **Global economic factors: US Federal Reserve interest rate hikes**, or **global recessions,etc.**

Impact of Rupee's Depreciation

Positive Impact	Negative Impact
• **Boost to Exports**: Goods and services become more competitive in international markets due to lower prices in dollar terms.	• **Higher Import Costs**: It further leads to the widening of Trade Deficit. Also erodes consumer sentiment.

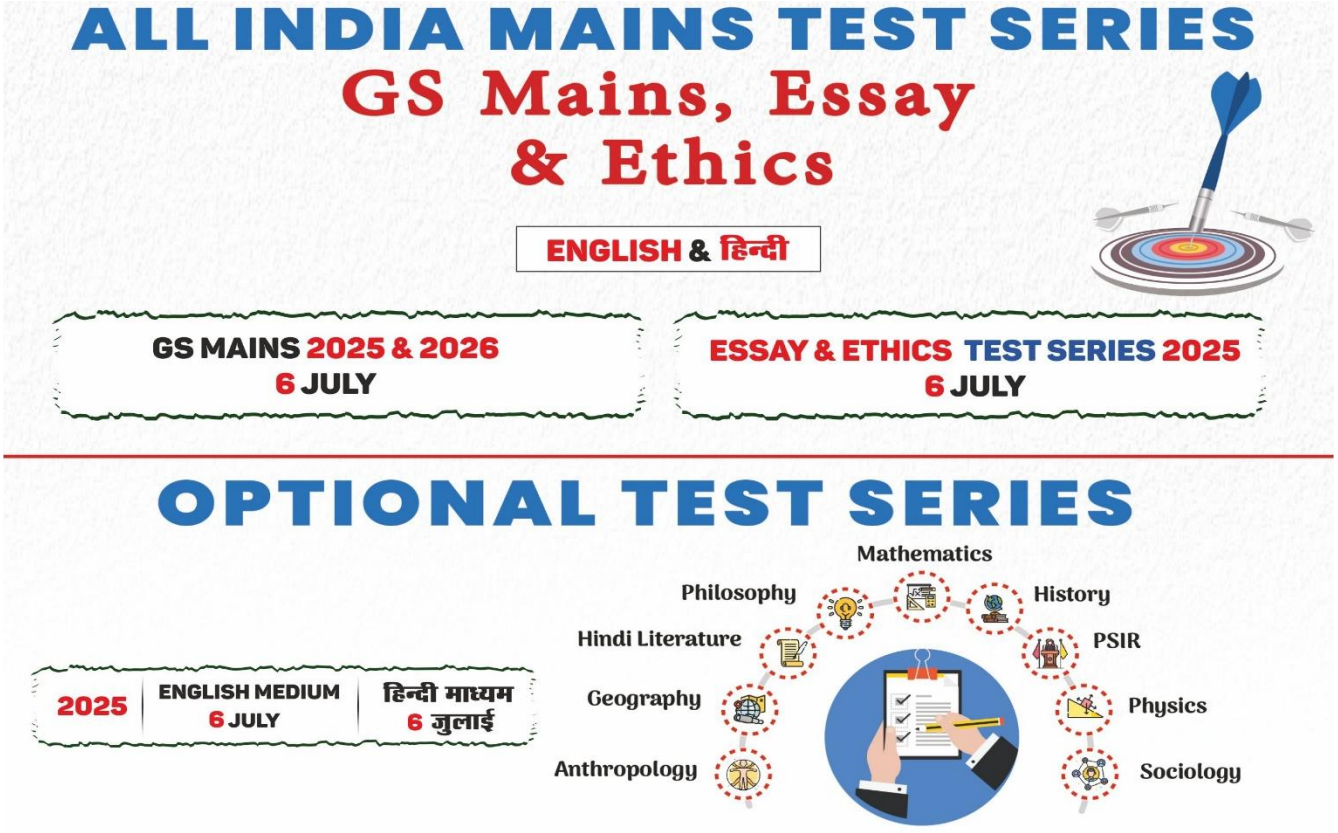
• **Higher Remittance Value**: NRIs benefit from higher rupee value sending money back home. • **Effect on Capital and Investment**: A weakening rupee may also result in domestic investments due to rise in exports.	• **Higher Inflation**: As some industries are import dependent, these results in high production costs. • **Effect on Capital and Investment**: It may trigger capital flight and a decline in foreign direct investment (FDI) inflow. • **Others**: Increased cost of foreign debt, reduced purchasing power.

Way Forward to make the rupee stable

- **Short-term measures**
  - **RBI's market operations** to sell dollars, **Currency swap agreements** with other countries, **Monetary Policy Adjustments** to attract foreign investment, **import rationalization** to restrict non-essential imports, etc.
- **Long-term measures**
  - **Diversifying trade payments:** Boosting forex reserves and **diversifying trade payments** (e.g., using INR for international trade) to strengthen the rupee. (**Economic Survey 2022-23**)
  - **Export promotion:** It can result in **reduction of the current account deficit** to improve rupee stability. (**Rangarajan Committee on Balance of Payments, 1993**)
  - **Strengthening of the Free Trade Agreements, improving ease of doing business** to attract global companies, etc., can help enhance India's exports.
- **Others:** Fiscal Prudence, inflation control, reducing energy import dependence, etc.

Conclusion

Rupee depreciation, driven by both domestic and global factors, poses mixed implications for the Indian economy benefiting exports while raising import costs and inflation. Addressing it requires a balanced approach of short-term currency management and long-term structural reforms such as export promotion, trade diversification, and macroeconomic stability to enhance resilience and maintain investor confidence.



6.11. INTERNATIONALIZATION OF RUPEE AT A GLANCE

Internationalization of Rupee

An international currency is one that is used and held beyond the borders of the issuing country, not merely for transactions with that country's residents, but also, for transactions between non-residents.

Benefits of Internationalization of Rupee

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

Challenges in Internationalization of the Rupee

Monetary Policy Dilemma or Triffin Dilemma: Balancing global currency demand with local monetary stability.	**Restricted Convertibility:** INR is fully convertible in the current account but partially in the capital account limiting its global appeal.	**Risk to External Shock:** Open fund flows can raise financial volatility.	**Other:** Lack of global uses, potential increase in exchange rate volatility etc.

Initiatives Undertaken

Internationalization of UPI	**Memorandum of Understanding signed with countries like UAE etc.** for cross-border transactions in local currencies	**RBI's Strategic Action Plan for 2024-25** aims for promoting internationalization of INR	**Special Vostro Rupee Accounts (SVRAs)**	**Other:** Bilateral Currency Swap agreements, INR as a Designated Foreign Currency in Sri Lanka, Issuance of rupee-denominated bonds i.e. Masala bonds.

Way ahead

Inclusion of INR in Continuous Linked Settlement (CLS): CLS is a global system for the settlement of foreign currency transactions.	**Currency Swaps & Local Currency Settlement (LCS):** Stabilizes local currency, protects businesses against currency risk exposure etc.	**Strengthen Financial Markets: Harmonize RBI-SEBI KYC norms,** Enable **24x5 global INR market** and add **Indian bonds to global indices** etc.	**Other:** Efforts for Inclusion of INR to Special Drawing Rights (SDR) basket, Internationalisation of Indian Payment Systems (NEFT, RTGS, UPI etc.)

6.12. SOVEREIGN CREDIT RATINGS

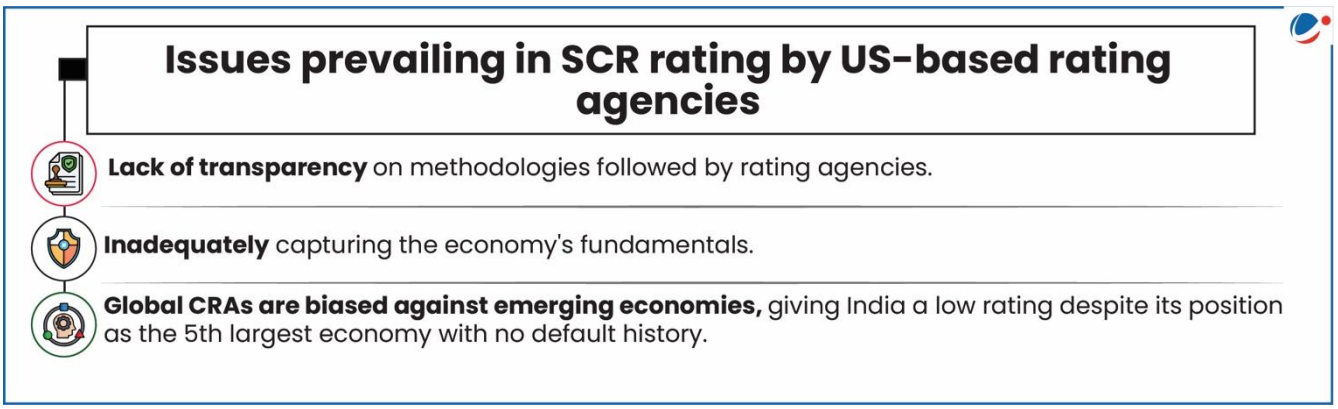
Why in the news?

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

About Sovereign Credit Rating (SCR)

- **Credit ratings** are forward-looking **opinions on the relative ability of an entity to meet its financial commitments**, i.e., **credit risk or relative creditworthiness** of a borrower.
- **Parameters:** Typically, rating agencies use **various parameters** to rate a sovereign including growth rate, inflation, government debt, short-term external debt as a percentage of GDP, and political stability.

- SCR represent an **assessment of a country's** or sovereign entity's **ability to meet debt obligations**, including both **capability and willingness** to repay debt.
- SCR facilitates **borrowing from global capital markets at low cost, boosts investors' confidence, attracts foreign investment,** etc.
- Currently, SCRs are **dominated by 3 US-based rating agencies** – S&P, Moody's, and Fitch.

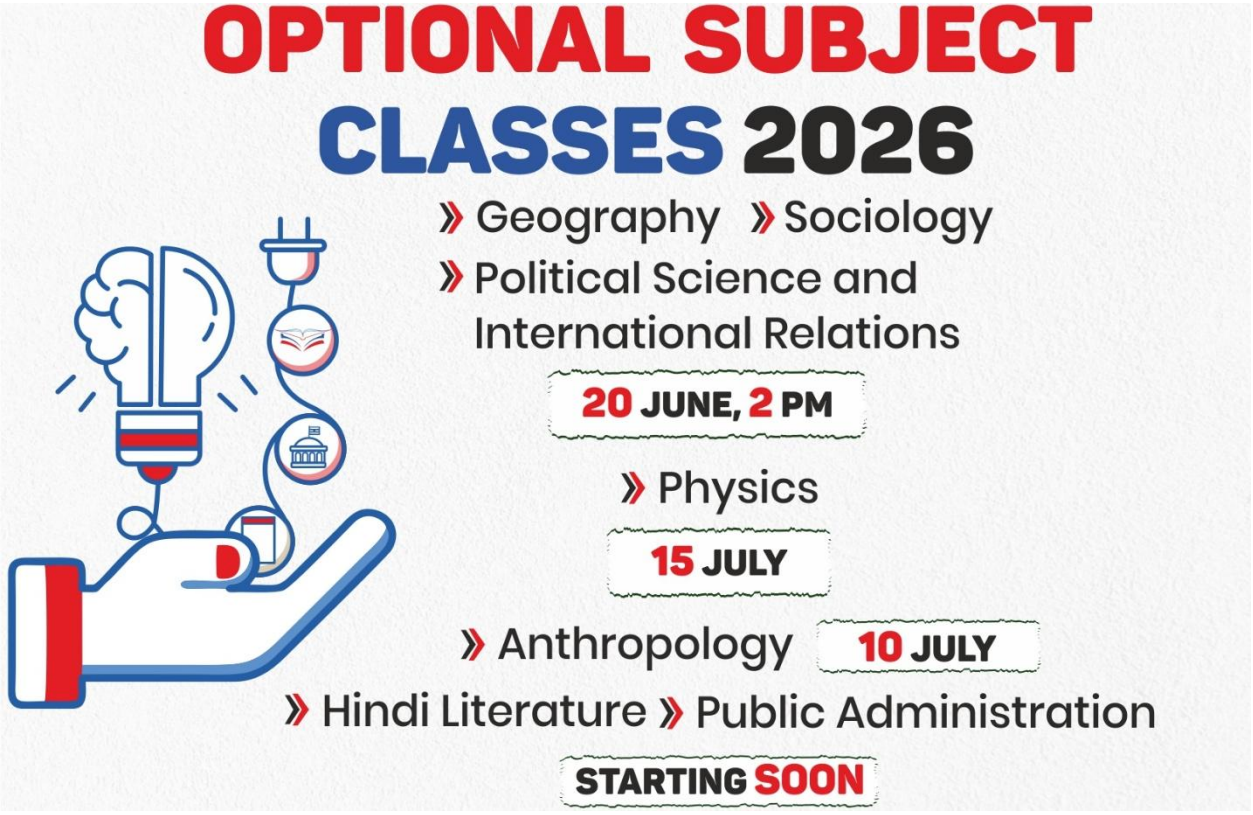


About Credit Rating Agency (CRA) in India

- **SEBI regulates domestic credit rating agencies** (CRISIL, ICRA, CARE etc.).
- **CRA:** SEBI (Credit Rating Agencies) Regulations, 1999 defines CRA.
  - A CRA is a **corporate body involved** (or proposes to be engaged) **in rating securities** (either listed or to be listed on a SEBI-recognized stock exchange).

Conclusion

Sovereign credit ratings impact a country's borrowing ability and investor confidence. India's CareEdge entering global ratings strengthens domestic capability, reduces reliance on foreign agencies, and promotes a more balanced global financial assessment.



6.13. INDIA AND WORLD TRADE ORGANIZATION AT A GLANCE

INDIA AND WORLD TRADE ORGANIZATION

WORLD TRADE ORGANIZATION: EVOLUTION AND ROLE IN GLOBAL TRADE

WTO's origin: Successor to GATT; established in 1995 after the 1986–94 Uruguay Round, adding GATS, TRIPS, Dispute Settlement Understanding and the Trade Policy Review Mechanism.	**Doha Round (2001–present):** Covers ~20 sectors (e.g. agriculture, services, environment); stalled in 2008 over subsidies and patented medicines; revival attempts include the **Bali and Nairobi Packages.**	**Key roles:** Single global forum for trade rules; Safeguards small and weaker nations against discrimination; Promotes deeper economic integration and globalization.

SUCCESSES OF WTO (FOR INDIA)

India's exports almost doubled in less than a decade.	Rapid growth in export of Software Services due to liberalization of trade.	Employment Generation due to growth of labour intensive sectors.	Poverty alleviation transmitted through economic growth.

FACTORS CURRENTLY AFFECTING THE WTO WITH POTENTIAL BEARING ON ITS FUTURE

Newer areas of discussion coming to the fore such as E-commerce.	**Changed global economic distributions** from 1995 in the form of growth in developing countries.	**Emerging trade war** between China and United States	**WTO Appellate Body become dysfunctional** in the recent past.	**Move towards bilateral/ regional/plurilateral trading regimes** such as RCEP.

Relevance of WTO in the Present World

Establishes and administers the rules governing international trade by reducing trade barriers, such as tariffs and quotas	Addressed epidemics like HIV/AIDS and the COVID-19 pandemic by **amending the WTO rules.**	**Provides a forum for discussion** and helps members cooperate over issues of public interest.	It help in **protecting resources shared by all nations.** E.g., Agreement on Fisheries Subsidies

STEPS THAT INDIA CAN TAKE TO SAFEGUARD ITS INTERESTS

Institutionally linking national goals with global goals: This will help resolve the persistent dichotomy of choosing between national priorities and international commitments.	**Balance between self-sufficiency and comparative advantage:** Atmanirbhar Bharat should be accompanied with additional focus on comparative advantage areas like the labour intensive sectors.	**Building geo-political capital** to better transition to a changed global trading scenario.	**Playing proactive role in emerging areas** like e-commerce.	**Preferring WTO reform over other methods like trading blocs** to safeguard non-discrimination and equity in global trade.

6.14. KEY WORDS

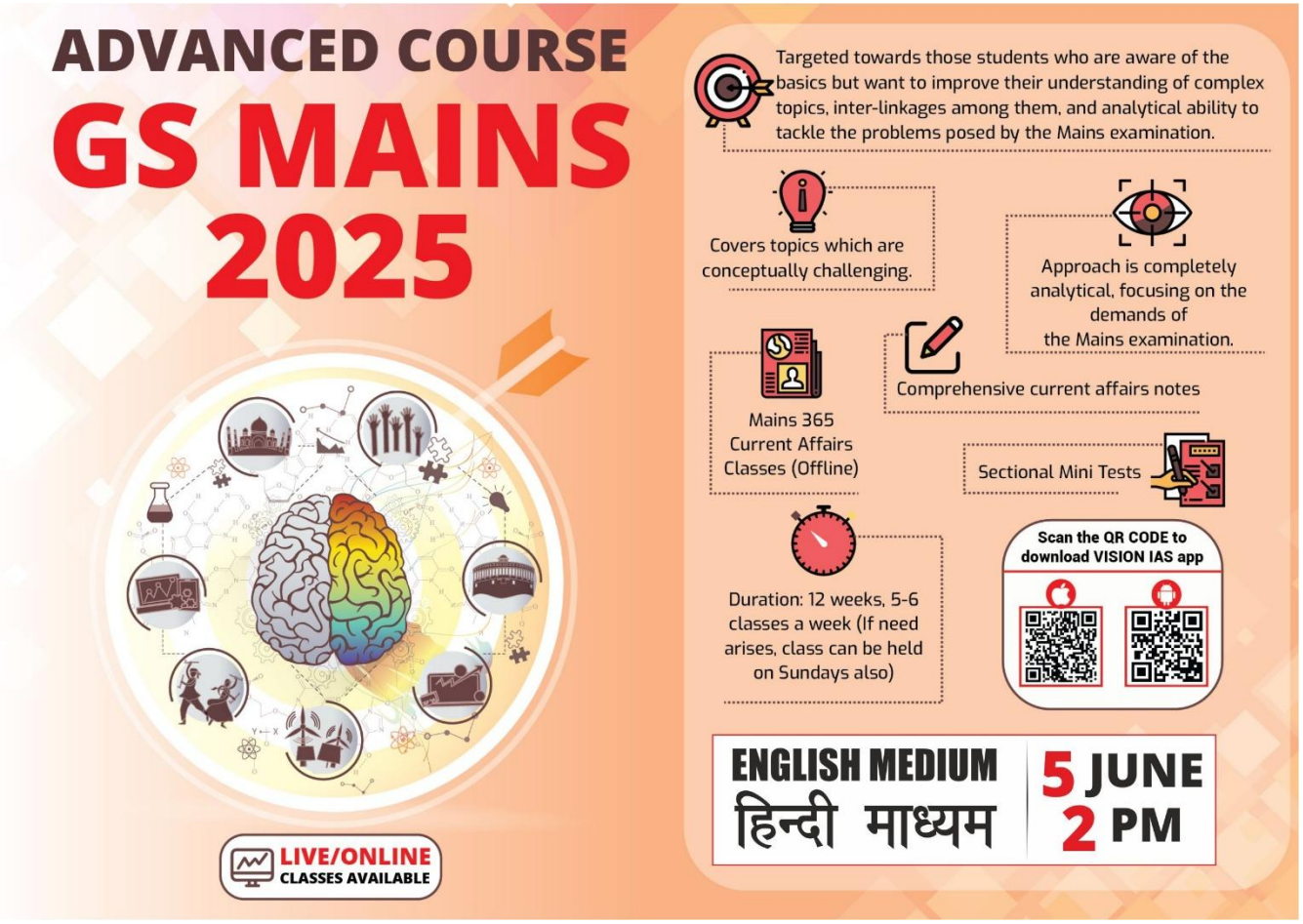
Key Words				
Foreign Direct Investment	Free Trade Agreement	Regional Comprehensive Economic Partnership	Trade Deficit	Global Value Chain
China Plus One Strategy	Non-Tariff Barriers	Atmanirbhar Bharat	Public Debt	Sovereign Credit Rating
Rupee Depreciation	Most-Favoured-Nation (MFN) Clause	Double Taxation Avoidance Agreement	Base Erosion and Profit Shifting	Global Minimum Tax

6.15. PRACTICE QUESTION

Answer Canvas

Discuss the significance of large trade agreements for India's economy, while also analyzing the key challenges associated with such pacts. Suggest measures to maximize benefits while mitigating risks.

Introduction	Body Part: 1	Body part: 2	Conclusion
Give Recent Context	Significance of large trade agreements for India	Key challenges	Way Forward



7. AGRICULTURE AND ALLIED ACTIVITIES

7.1. AGRICULTURE AT A GLANCE

Agriculture

Key Facts

It contributes **~16% of the country's GDP** for FY24 at current prices (Economic Survey 2024-25).	**Livelihood:** It employs **~46.1% of the population.**	**5 % average annual growth rate** during FY17 to FY23 (Economic Survey 2024-25)	**Agricultural income** increases **5.23% annually** over the past decade (Economic Survey 2024-25).

Challenges

Land Fragmentation: Average size of operational holdings has decreased from 2.28 hectares in 1970-71 to 1.84 hectares in 1980-81, to 1.41 hectares in 1995-96 and to 1.08 hectares in 2015-16.	**Lack of Crop Diversity: E.g. Paddy & wheat** constitute approximately 85% of Gross Value of Output of all cereals in 2023-24 (NSO Report).	**Vulnerability to Climate: E.g.** A Potential 2°C rise in annual temperature and a 7 per cent increase in annual rainfall by 2099 could lead to an **8-12 % decline in Indian agricultural productivity** (Economic Survey 2023-24).	**Post-harvest Losses:** Approx. **₹1,52,790 crore loss annually** (Ministry of Food Processing Industries 2022 study).	**Others:** Water scarcity, Inadequate Agricultural Research etc.

Initiatives

Agriculture Investment Fund	Digital Agriculture Mission	Pradhan Mantri Matsya Sampada Yojana	Mission for Integrated Development of Horticulture	Other: Fisheries & Aquaculture Infrastructure Development Fund; PM Fasal Bima Yojana; Rashtriya Krishi Vikas Yojana, etc.

Way Forward (Dr. Ashok Dalwai Committee recommendations)

Shift surplus farm labor to non-farm jobs: To double farmers' income.	**Adopt Secondary Agriculture:** To **promotes value addition** activities by using farm generated natural resources other than principal yield.	**Redefining mandate of agriculture:** To generate raw materials to support industrial enterprises **E.g.** chemicals, construction, energy, fibre, food, etc.	**Water management:** Efficient use through **micro-irrigation, promoting ground water recharge** and **agro climate based cropping/production** system.	**Diversification of Sector: E.g.** From only foodgrains (cereals + pulses) **to fruits, vegetables and flowers.**

7.1.1. PRIME MINISTER DHAN DHAANYA KRISHI YOJANA

Why in the news?

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

About Prime Minister Dhan-Dhaanya Krishi Yojana (PMDKY)

- **Coverage:** It will cover **100 districts**.
- **Inspired by ADP:** It will be on the line of **Aspirational Districts Programme** (ADP), which was launched in 2018 to quickly and effectively transform **112 of the most under-developed districts across India.**

Objectives of PMDKY

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

7.1.2. DIGITAL AGRICULTURE MISSION AT A GLANCE

Digital Agriculture Mission

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

Two foundational pillars

Agri Stack (Kisan ki Pehchaan) A **farmer-centric DPI** to **streamline services & scheme delivery** to farmers with **3 key components: Farmers' Registry** (Issuance of **'Farmer IDs'); Geo-referenced village maps; Crop Sown Registry.**	**Krishi Decision Support System (DSS)** To **integrate remote sensing data** on crops, soil, weather, and water resources into a **comprehensive geospatial system.**

Key Targets

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

Significance of Digital Agriculture Mission

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

Challenges for Effective implementation

Fragmentation of agricultural land	High initial costs & Lack of digital literacy.	Inadequate infrastructure especially in rural areas	Unavailability of varied local languages for technology interface.

Way ahead

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

7.1.3. AGRICULTURE EXPORT AT A GLANCE

Agriculture Export

Key Facts

Agricultural exports in India registered **8% decline (2023-24)** and fell short of **the target of $60 billion by 2022.**	**Agricultural exports** fell to **$48.9 billion** in 2023-24 from $53.2 billion in 2022–23, while **imports declined by 8%** to $32.8 billion (2023-24).	According to **WTO's Trade Statistical Review 2023,** India held a **2.4% share in global agri-exports** and **1.9% in imports** in 2022, **ranking 9th** among global agri-exporters.	**Agriculture Export Policy (AEP) 2018** › **About:** It focuses on export-oriented agri-production, farmer gain, export promotion, and policy alignment etc. › **Objective:** To Increase Farmer income through value addition and minimize losses across value chain.

Need for New Export Policy

Prevalence of Export Restrictions: E.g. Export prohibition, export duties, minimum export price etc.	**Global Price Sensitivity:** India's agri-export rises with global price surges but declines when global prices falls.	**WTO issue:** Export restrictions on key agri-products often clash with WTO norms. India's rice export curbs, for instance, led to a **25% global price surge.**	**Limited Basket of Export: E.g.** Rice and sugar account for **37.4% of India's exports.**	**Virtual water export:** Exporting 16.3 million tons of rice equals **32.6 billion m³ of water.** Subsidies on power and fertilizers mask its high environmental cost.

Steps taken for promoting Agricultural Export

Trade Infrastructure for Export Scheme (TIES)	Market Access Initiatives (MAI) Scheme	Agricultural & Processed Food Products Export Development Authority (APEDA)	Transport and Marketing Assistance Scheme	Farmer Connect Portals by APEDA

Way Forward

True export competitiveness: Focusing on improving domestic production through productivity growth, product differentiation, value addition, market access, and branding.	**Bringing more technology:** Focus on precision farming, advanced irrigation, and innovation to boost productivity and exports.	**Focus on Organic & Processed food products:** Ensure organic or pesticide-free clusters development through farmer producer organizations.	**Environmental sustainability: E.g.** Emphasis on crops like pulses and oilseeds that require less water and fertilizers.	**Considering Climatic variations while determining Import Policies:** To ensure food security and stabilize prices.

7.1.4. MAKHANA

Why in the News?

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

About Makhana (Foxnut)

- **Makhana,** is an important **aquatic flowering crop** with botanical name **Euryale ferox (prickly water lily).**
- It is grown in **stagnant perennial water bodies** like ponds, oxbow lakes, swamps etc.
- Makhana is now being recognized as a **super food.**

- It has high **Nutritional Value, health benefits, crucial for farmers income, support wetland ecosystem, etc.**
- **Preferred Climatic conditions: Temperature:** 200C to 350 C; Annual rainfall: 100 cm to 250 cm
- **Major Producing Regions: Bihar (90%), UP, :** West Bengal, Manipur, Tripura etc
  - Makhana is also grown in Nepal, Bangladesh, China, Japan, Russia and Korea.

Other initiatives taken to promote Makhana Cultivation

- **National Research Centre for Makhana, Darbhanga**: Established under the Indian Councuil Agricultural Research in 2001.
- **National Institute of Food Technology:** Provides a strong fillip to makhana processing activities.
- **One District One Product (ODOP):** Makhana recognize under ODOP for the districts of **Darbhanga and Muzaffarpur from Bihar.**
- **GI Tag**: In 2022, '**Mithila Makhana'** was conferred a GI tag.

Challenges in Makhana Cultivation

- **Low productivity:** Traditional farmers achieving only 1.7–1.9 tonnes per hectare compared to the potential 3–3.5 tonnes per hectare using modern techniques.
- **Lack of processing infrastructure:** Forces to sell, raw makhana at lower prices to companies outside Bihar.
- **Export barriers:** Strict global quality standards like food safety and hygiene certifications. E.g., only 2 % of Bihar's makhana meeting international requirements.
- **Market inefficiencies:** The absence of an organized marketing chain means farmers often receive lower prices due to the dominance of intermediaries.
- **Others:** Proper weed management in water bodies, better cold storage facilities, **Limited awareness among farmer**s about schemes, modern techniques etc.

Conclusion

The establishment of the Makhana Board marks a significant step towards the organized promotion, research, and commercialization of makhana cultivation in India. By addressing challenges like traditional farming inefficiencies, post-harvest losses, and limited global reach, the board can play a pivotal role in making makhana a globally competitive superfood.

7.1.5. MISSION FOR COTTON PRODUCTIVITY

Why in the News?

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

Mission for Cotton Productivity

- It is a **five-year mission** to facilitate improvements in **productivity and sustainability** of cotton farming, and promote **extra-long staple (ELS) cotton varieties**.
  - ELS (**≥34.925 mm**) are a **premium cotton variety** cultivated in about 10% of the cotton area, contributing **4% of global production**.
- **Ministry**: Ministry of Textiles and align with 5F Vision of the Textile Sector.
  - **5F Vision of the Textile Sector**:Farm, Fiber, Factory, Fashion and Foreign.
- It will provide **science & technology support** to cotton growing farmers.
- It will aid in **reducing import dependence** and enhance the **global competitiveness** of India's textile sector, where **80% of capacity** is driven by **MSMEs**.

Need for the Mission:

- **Stagnant Productivity**: For instance, in 2023-24 the **cotton yield was 435kg/hectare which is similar to 2024-25's yield of 447kg/hectare**.
- **Rainfed Crop**:Approximately **67% of India's cotton** is produced on **rain-fed areas**.
- **Pests Menace**: Cotton crop is highly prone to pests and diseases. E.g. Pink Bollworm, Whitefly etc.

- **Unstable Prices**: Wide fluctuation in cotton prices, inadequate market infrastructure and cotton export policy.

Cotton Production, Productivity and Consumption in India

- **Production**: India ranks **1st in cotton acreage** with around **40% of the world area** under cotton.
- **India ranks 2nd** in cotton **production** with estimated production of 343.47 lakh bales (5.84 MMT) in 2022-23 i.e. **23.83% of world cotton production.**
- **Productivity**: India ranks **39th** in overall cotton **yield** which is **lower** than countries like **USA, China etc.**
- **Consumption**: India is the **2nd largest consumer of cotton** in the world.

Significance of Cotton in India

- **Economic Significance:** Called **'White Gold'** due to its economic importance in India.
- **Contributes to Forex Reserves: It** is **one of the largest contributors to India's net foreign exchange** by way of **exports**.
- **Export Potential**: India **exported** an estimated 30 lakh bales i.e. **6% of world export in 2022-23**.
- **Livelihood Provider:** The **cotton textiles industry** is the **second largest employer (50-50 million)** in the country after agriculture.

Other Steps taken for development of cotton sector:

- **Minimum Support Price (MSP) for Cotton**: Ministry of Agriculture declares **MSP for two basic varieties of Fair Average Quality (FAQ) cotton viz. Medium Staple length and long staple length**.
- **Branding of Indian Cotton: Brand "KASTURI Cotton India"** launched to attain the objective of making India Atmanirbhar and vocal for local in the field of cotton.
- **Mobile App "Cott-Ally":** To increase **awareness** about MSP of cotton, best farm practices and nearest procurement centres etc.
- **Technological Interventions**: **High Density Planting System (HDPS),** scientific assessment of quality, processing of cotton in **modernized Ginning & Pressing factories**, Extension services etc.

Conclusion

There is a need to **improve processing** of cotton beyond yarn and weaving to production of finished products. The **role of MSMEs** is primary in promotion of the cotton textile industry. The **Mission** promotes production of **quality cotton** to help cotton **farmers** increase their **income** along with promoting **exports**. It is vital for the growth of **Brand India** and making **India self-reliant.**

7.1.6. NATIONAL MISSION ON EDIBLE OILS – OILSEEDS (NMEO-OILSEEDS)

Why in news?

The Union cabinet approved **National Mission on Edible Oils – Oilseeds (NMEO-Oilseeds)** for seven-year period, from **2024-25 to 2030-31.**

Key features of NMEO-OS

- It will be a **Centrally Sponsored Scheme** (CSS) under **Krishonnati Yojana (KY).**
- **Objective:** To **reduce India's reliance on imported edible oils,** and drive towards atmanirbharta by **boosting domestic oilseed production** and **improving farmer incomes.**
- **'Seed Authentication, Traceability & Holistic Inventory' (SATHI) Portal:** For an Online 5-year rolling seed plan for timely availability of seeds.
- **Development of 600 Value Chain Clusters** across 347 unique districts.
- Farmers in these clusters will have access to **high-quality seeds,** training on Good Agricultural Practices etc.

Need for self-sufficiency in Edible Oil

- **Importance:** Oilseeds are the second-largest crop category in India after food grains, with nine annual oilseed crops cultivated across diverse agro-ecological conditions.

- **Increasing demand:** Urbanization and increasing Average Monthly Per Capita Consumption Expenditure (MPCE) in India is expected to increase the consumption of processed foods high in edible oil content.
- **Increasing import dependence:** India is heavily reliant on imports which account for 57% of its domestic demand for edible oils.

Challenges in attaining self-sufficiency in Edible Oil in India

- **Lower yield per hectare:** The yield gap is primarily due to other countries using genetically modified (GM) herbicide-tolerant varieties.
- **Cultivation challenges:** 76% of oilseed cultivation is rainfed, making it vulnerable to biotic and abiotic stresses.
- **Crop-specific concentrations:** Production of specific oilseeds is concentrated in certain states.
  - **E.g.** Gujarat, Rajasthan, Tamil Nadu, Andhra Pradesh, and Karnataka collectively contribute 83.4% of the country's total groundnut production.
- **Demand-Supply Gap:** India is projected to maintain high import growth of vegetable oils to meet growing domestic demand.

Conclusion

The NMEO-Oilseeds seeks to boost output through **better seeds, improved infrastructure**, and **value chain clusters.** Expansion to fallow lands, research, and public-private partnerships will further aid the sector.

7.2. AGRICULTURE MARKETING AT A GLANCE

AGRICULTURAL MARKETING IN INDIA

It can be simply defined as the commercial functions involved in **transferring agricultural products from producer to consumer.**

Importance of agri-markets

Monetization of agricultural produce in the market	Acting as a **source of market information and price signal.**	**Reducing the role of intermediaries.**	Encouraging **capital formation** and investment in technology.	**Value addition in agriculture by** providing production with forward and backward linkages.

Issues faced by these markets in India

Institutional barriers: Complex licensing for new traders; high market fees (including APMCs); no uniform grading standards.	**Infrastructure gaps:** Uneven market access; inadequate drying yards and cold storage; long payback and low viability of projects.	**Information shortfalls:** No real-time demand data; limited content for farmers; low awareness of new info channels.	**Lack of integration & funding:** No national unified market; insufficient public investment in marketing infrastructure.

Way Forward to ensure holistic reformation of the markets

Reforms in APMCs like appointment of an independent regulator and encouraging private sector participation in APMCs (through Private Wholesale Markets, Unified Single Registration etc.).	**Creating a National Integrated Market via strengthening e-NAM** by creating a third party assessment certification, encouraging involvement of farmer groups and other intermediaries.	**Promotion of Investment in Marketing Infrastructure Development** by creating a long-term National Policy on storage and movement of agricultural produce.	**Creating more robust Information dissemination systems** by popularizing more accessible methods, catering to personalized information needs via Mobile devices and providing farmers a broader set of information.	**Rationalization of Market Fee/ Commission Charges to** maximum 2% of the value of the produce.

7.3. AGRICULTURE EXTENSION SYSTEM

Why in the news?

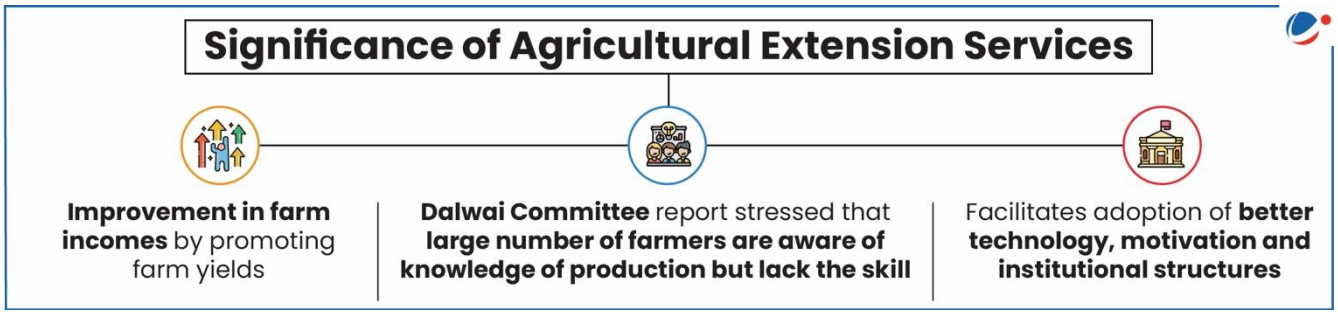
Prime Minister awarded Krishi Sakhi certificates to more than 30,000 women Self-Help Groups (SHGs) in Varanasi.

Krishi Sakhis

- Krishi Sakhis are **practicing farmers and trained para extension professional** in agriculture at grassroot level.
  - **Agriculture Extension system** support farmers and rural producers in **applying scientific research and new knowledge** to agricultural practices through education, training and information.

Agricultural Extension System in India

- Currently, agriculture Research and Experimentation system in India is **dominated by the public sector** and is led by the **Indian Council of Agriculture Research (ICAR)**.
  - **ICT led interactive technology information dissemination- VISTAAR** (Videos on farm technologies to be developed, technical vetting to videos, monitoring of state nodal agencies & stakeholders).
  - Application and **promotion of drone technology** in agriculture across the country.
- **National Mission on Agriculture Extension and Technology (NMAET):** Introduced to enable delivery of technology and improve current agronomic practices of farmers.
- **Krishi Vigyan Kendras (KVKs):** KVKs are field research units of the ICAR and are meant to test new seed varieties, agronomic practices, machinery etc. in field conditions across different agro-climatic zones.
  - Additionally, they conduct farmer outreach programmes through on-farm demonstration plots, training etc.
  - ICT-led schemes include m-Kisan, Kisan Call Centre etc.
- **Extension services by Private sector:** E.g., Companies like IFFCO and KRIBHCO etc. organizing crop seminars, arranging for soil testing facilities etc.



Challenges with India's Agricultural Extension System

- **Lack of Investment:** India allocates 0.7% of agri-GDP to agri R&E, with just 0.16% for Extension and Training.
- **Regional Variations:** E.g., Eastern states, despite high dependence on low-productivity agriculture, have the lowest spending on agricultural research and extension.
- **Skewed Allocation:** India's allocation of agriculture extension and training is highly skewed towards crop husbandry (92%).
- **Lacks outcome orientation:** The public extension delivery system has functioned more as targeted activity based rather than targeted outcomes-based mechanism.

Conclusion

India's agricultural extension system needs a shift towards a market-driven, tech-enabled, and diversified approach. Strengthening grassroots initiatives like Krishi Sakhis and improving investment, regional balance, and outcome orientation will be key to empowering farmers and boosting rural incomes.

Indian Council of Agricultural Research (ICAR)-National Institute of Secondary Agriculture (NISA)

ICAR-NISA was established in **1924** (100 years of establishment last year) as **Indian Institute of Natural Resins and Gums**, in Ranchi, Jharkhand.

- It was **renamed** in 2022 as ICAR-NISA and comes under **Ministry of Agriculture and Farmers' Welfare**.
- **Secondary Agriculture:** It includes the **value addition of primary agricultural products** as well as other agriculture-related activities like beekeeping, poultry farming, agricultural tourism etc.

About ICAR

- **Genesis:** 1929 as a registered society under the Societies Registration Act, 1860.
- **Objective:** Coordinate, guide, and manage research and education in agriculture including horticulture, fisheries, and animal sciences in the entire country.
- It is an **autonomous organisation under Department of Agricultural Research and Education**, Union Ministry of Agriculture and Farmers Welfare

7.4. AGRICULTURE INPUT

7.4.1. AGRICULTURE INPUT AT A GLANCE

AGRICULTURAL INPUTS

All substances or materials used in the production, maximization and maintenance of crops.

SOIL

Challenges

Decline in soil organic matter	Poor soil fertility	Decline in Soil Physical Conditions such as structure, stability etc.	Acidification, Salinization, Alkalization and Waterlogging.	**Others:** Induction of Poor Lands into Agriculture, Ad hoc fertilizer prescriptions

Measures taken

Soil Health Card Scheme for effective soil health monitoring and management.	**Rashtriya Krishi Vikas Yojana (RKVY)** to protect the loss of topsoil, improving soil fertility.	**NABARD Loan- Soil & Water Conservation Scheme** under Rural Infrastructure Development Fund (RIDF).

WATER

Challenges

General scarcity of water and regional imbalance.	Substantial area under rainfed cultivation	Sub-optimal utilization of existing irrigation facilities	Poor irrigation efficiency	Poor quality of water used in cultivation.

Measures Taken

Pradhan Mantri Krishi Sinchayee Yojana to provide assured irrigation to cultivated areas, reduce wastage of water etc.	**Mahatma Gandhi National Rural Employment Guarantee Scheme** for creating small irrigation infrastructure.	**Rashtriya Krishi Vikas Yojana (RKVY)** under which funds are provided for water conservation and management activities.	**Atal Bhujal Yojana** for sustainable management of groundwater with community participation.

SEEDS

Challenges

Seed production: Major issues are quality, price, and availability of seeds.	Tardy progress of **seed delivery system :** Certified/labelled seed availability is only around 35-40 percent.	**Poor Assessment of Seed Requirement.**

Measures taken

National Seeds Corporation (NSC) 1963.	High Yielding Variety programme (1966-67).	National Seeds Policy 2002.	Various legislative frameworks such as Seed Act (1966), Protection of Plant Varieties and Farmers' Right Act (2001), etc.	Seed Village Programme (SVP), 2005.

PESTICIDES

Challenges

Poor quality of pesticides.	Optimum application of pesticide is not practiced.	Limited reach of Integrated Pest Management (IPM) techniques which emphasises on use of bio-pesticides.	Unregulated price of pesticides.

Measures taken				
Insecticides Act (I.A.), 1968.	Scheme on Monitoring of Pesticide Residues at National Level (MPRNL).	Other initiatives such as Electronic platform for pest surveillance, Regional Pesticide Testing Laboratories, Sensitisation of farmers through media etc.	Promotion of organic fertilizers though schemes like Paramparagat Krishi Vikas Yojana.	Research Organizations (ICAR/SAU) Interventions including developing pest resistant varieties, timely dissemination of IPM recommendations etc.

AGRICULTURE MECHANISATION				
Challenges				
Small size of farms.	Hilly and rolling topography.	Mixed cropping and integrated farming.	Shortage of power.	**Others:** Poor servicing facilities, Surplus agricultural workers etc.

Measures Taken			
Sub Mission on Agricultural Mechanization (SMAM): Objectives includes Promoting Custom Hiring Centres and Hi-tech Hubs of High-Value Machines, Creating awareness etc.	Assistance for advanced and **women friendly equipment under Rashtriya Krishi Vikas Yojana.**	**Land Conservation Department** offers 90% subsidy to the women establishments for purchasing the machines.	Subsidies provided under **NABARD loan scheme.**

Possibilities going forward				
Greater engineering inputs and introduction of high capacity, precision, reliable and energy efficient equipments.	Developing mechanisation in horticulture and important commercial crops.	To set up 'Agriculture Machine Banks' (AMBs) at District level.	**Indigenous Research and Development (R&D)** to roll out farmer-friendly, location-specific and easy-to-manage agricultural machinery.	**Leveraging technology**

7.4.2. AGRICULTURE CREDIT AT A GLANCE

Agriculture credit in India

Status of Agriculture credit in India

Over the past decade (2014-15 to 2023-24), agricultural credit disbursement has witnessed an average annual growth rate of over 13%.	In the FY 2023-24, agricultural credit disbursement reached ₹25.48 lakh crore.	For FY 2024-25 the Government set target of ₹27.5 lakh crore with a dedicated sub-target of ₹4.20 lakh crore for allied activities.

Challenges

Dependence on non-institutional channels of borrowing	**Regional Imbalance** in credit disbursement and **skewed credit distribution**	**Diversion of agriculture loans** for non-agriculture purposes	Only 41% of small & marginal farmers, who hold 86% of operational land, have access to bank credit.

Initiatives Undertaken

Dedicated **Long Term Irrigation Fund (LTIF)** with NABARD	**Pradhan Mantri Kisan Samman Nidhi** (PM-KISAN)	**Kisan Credit Card scheme** for hassle-free loan to small & marginal farmers	**Modified Interest Subvention Scheme (MISS)**	**RBI enhanced limit** for collateral-free agricultural loans upto ₹2 lakh.

Way ahead

Dispensation of long-term credit to boost capital formation	**Special focus on eastern, hilly & north eastern states** to tackle regional imbalances	**Priority sector lending norms** should be reviewed	Facilitate Easier credit access to small & marginal farmers.

7.4.2.1. PRIMARY AGRICULTURAL CREDITS SOCIETIES (PACS)

Why in the news?

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

More on the news

- **Initiative for expansion:** Foundation laid for **500 new PACS** to build godowns and other agri-infrastructure.
- **Initiatives for modernization of PACS:**
  - **Project for computerization in 18,000 PACS** across the country was inaugurated under 'centrally sponsored project for computerisation of PAC' scheme.
  - **National Cooperative Database (NCD)** was inaugurated by Ministry of Cooperation.

About PACS

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

Initiatives to strengthen PACS

- **Formation of new Farmer Producer Organizations (FPOs) by PACS:** 1,100 additional FPOs to be formed by PACS with support of National Cooperative Development Corporation (NCDC).
- **National Cooperative Development Corporation (NCDC):** It provides loans and grants to State Governments for financing primary and secondary level cooperative societies.
- **Diversifying business portfolio:**
  - **Model Byelaws to make PACS multipurpose** by allowing over 25 business activities like dairy, fishery, floriculture, setting up godowns etc.
  - PACS to function as **Pradhan Mantri Kisan Samriddhi Kendras** to provide fertilizers, pesticides etc.
  - PACS to operate as Pradhan Mantri Bhartiya Jan Aushadhi Kendras, Common Service Centers etc.

Conclusion

Strengthening PACS requires a multi-pronged approach—adopting modern technology like CAS and MIS, enhancing financial resilience through risk-based lending and diversification, investing in skilled human resources, and ensuring transparent, accountable governance free from undue interference.

7.5. ALLIED SECTORS

7.5.1. LIVESTOCK SECTOR AT A GLANCE

Livestock Sector in India

Status of Livestock Sector in India

India has **world's largest population of livestock.**	India is **largest producer of buffalo meat** and **2nd largest producer of goat meat.**	**Contribution to GDP: 30.19%** to Agricultural and Allied **Sector and 5.73% of Total GVA** in 2021-22.	**Employment:** Major source of livelihood for over **70% of rural households in India.**

Initiatives for India's Livestock Sector

Rashtriya Gokul Mission	**National Livestock Mission**	**Livestock Health & Disease Control Programs**	**National Programme for Dairy Development**	**Animal Health Infrastructure Development Fund** etc.

Issues faced by livestock sector in India

High economic losses due to animal diseases like Brucellosis.	**Lack of infrastructure: e.g.,** India has less than 60 **recognized veterinary colleges.**	**Anti-Microbial Resistance:** India ranks 4th in antibiotics use in animals.	Only **15.47%** of animals are under insurance cover.	**Other:** Low Productivity, Shortage of fodder, Green House Gas emissions etc.

Way ahead

National Animal Disease Reporting System	**Mobile veterinary services** for remote areas	**Promote Livestock-based integrated farming system**	**Increase insurance Coverage; Formulating Area-specific policy etc.**

7.5.2. INDIA'S DAIRY COOPERATIVE SECTOR

Why in the news?

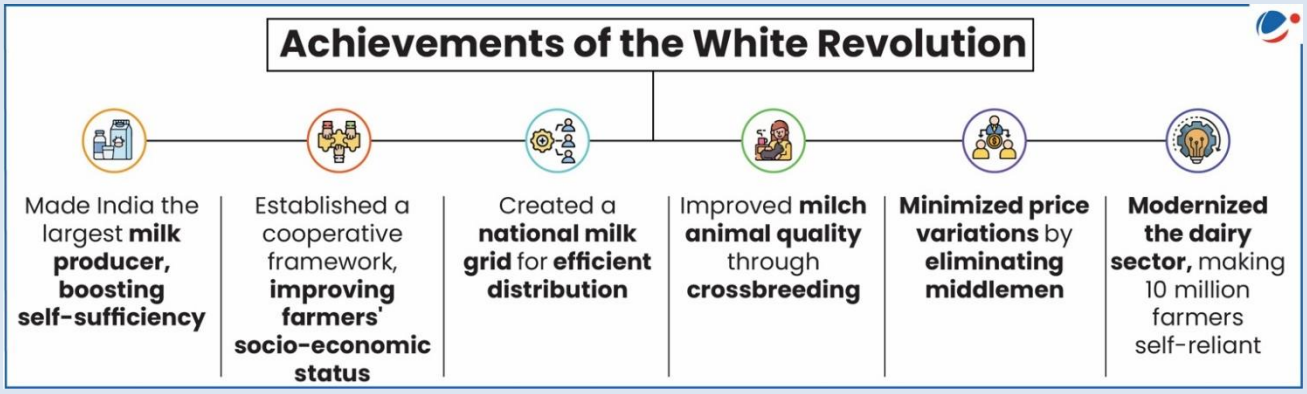
In a major push to transform India's dairy cooperative sector, Ministry of Cooperation launched Standard Operating Procedure for '**White Revolution 2.0.**'

Key Objectives of White Revolution 2.0

- **Increase milk procurement by dairy cooperative societies**: by 50% over the 5 five years
- **Strengthen women Farmer:** To make women **self-reliant and empowered** in rural areas.
- **Strengthen Dairy Infrastructure:** Financial assistance for setting up of **village level milk procurement system, milk chilling facilities etc.**
- **Boost Dairy Exports:** Through indigenous production of testing equipment, bulk milk collection and dairy infrastructure.
- **Financial Inclusion**: It will provide **interest-free cash credit** to dairy farmers and **distribute micro-ATMs to dairy cooperative societies**.

About White Revolution

- "White Revolution" in India refers to the successful implementation of operation flood, a dairy development program launched in 1970 to make India **self-dependent in milk production.**
- Spearheaded by **India's National Dairy Development Board (NDDB).**



Importance of Cooperatives in Dairy Sector

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

Challenges Faced by India's Dairy Cooperatives: Financing, Hurdles in creating milk grid, Consumer preference and market dynamics, Limited processing and storage, Quality issues, etc.

Initiatives taken to strengthen Dairy Sector

- **Rashtriya Gokul Mission:** Launched for development and conservation of **indigenous bovine breeds**
- **Livestock Health & Disease Control Programme (LHDCP):** To improve the animal health sector
- **Animal Husbandry Infrastructure Development Fund: T**o establish dairy processing and value addition infrastructure.
- **Kisan Credit Cards (KCC):** For enabling easy and increased access of institutionalized credit facility.
- Revised National Program for Dairy Development (NPDD): To Establish **10,000 new Dairy Cooperative Societies,** Formation of **2 Milk Producer Companies etc.**

Way ahead

- **Technological Integration: Establish cyber stores** & create customer databases to segment the market and improve sales targeting.
- **Efficient Milk Processing:** Develop a robust cold chain infrastructure to maintain milk quality and ensure smooth transportation. Improve brand recognition through online promotion, creative marketing etc.

- **Boosting Exports**
  - **Competitiveness:** Of domestic dairy brands against international brands.
  - **Business Approach:** Business model focusing on profitability and sustainability.
  - **Exclusion from FTAs:** Advocate for the exclusion of dairy from free trade agreements (FTAs).

Conclusion

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

7.5.3. HORTICULTURE SECTOR IN INDIA AT A GLANCE

Horticulture Sector in India

Status of India's Horticulture Sector

Production: 355.48 Million Tonnes in 2022-23, 13.1% of the gross cropped area.	**Contribution to Agriculture Gross Value Added (GVA):** 33%	**Global Status:** India ranks **2nd in fruits & vegetable production** in the world after China.	**Exports:** India is ranked **14th in vegetables and 23rd in fruits**

Significance of Horticulture Sector for India

High Income Potential: Enabling double farmer's income.	**Enhancing Food & Nutritional Security:** Provides essential vitamins & minerals.	Encourages growth of **food processing industries.**	**Foreign Exchange Earning:** India is a leading exporter of spices, mangoes, bananas, & floriculture product.

Initiatives Undertaken

Mission for Integrated Development of Horticulture (2014)	Coordinated programme on Horticulture Assessment and Management using geoinformatics (CHAMAN)	Capital Investment Subsidy Scheme, Clean Plant Programme etc.	National Horticulture Mission, Horticulture Mission for North East and Himalayan States

Challenges

Low Export: India's share in the global horticultural market is a mere 1 %.	Indian exports face food safety & standards related issues due to **non-tariff trade barriers** like **Sanitary & phytosanitary measure.**	**Infrastructure Deficit:** 59% of the total **Cold storage distribution** capacity is present in 4 states.	Other: **Small operational landholdings;** Limited value addition, Credit, climate change-induced extreme weather events etc.

Way ahead

Improving Value Chain Efficiency by expanding cold storage capacity.	**Encourage the development of value-added horticultural products**	**Promote agricultural technologies,** like precision agriculture, hydroponics.	**Develop and promote climate-smart agricultural practices.**

7.5.4. FISHERIES SECTOR AT A GLANCE

Fisheries Sector in India

Status of India's Fisheries Sector

World's second-largest fish producer, contributing 8% to global output.	**India ranks second in aquaculture** production, leads in shrimp production and export.	With 1.9 million tonnes, India ranked **first in Inland fisheries production.**

Significance

Economic Growth: Fish production contributes around 1% to India's GDP and over 5% to agricultural GDP	**Provides Livelihood:** To approximately 3 crore fishers and fish farmers	**Nutritional Security:** Fish is an **affordable and rich source of animal protein**

Initiatives Undertaken

Pradhan Mantri Matsya Sampada Yojana	Pradhan Mantri Matsya Kisan Samridhi Sah- Yojana	National Fisheries Development Board	Fisheries Infrastructure Development Fund	Kisan Credit Card Fisheries scheme

Challenges

Overfishing & Depleting Resources.	Inadequate cold chains, storage, landing centers, and processing units.	Fragmented governance between Centre and States	Illegal, Unreported & Unregulated (IUU) Fishing	Limited Institutional Credit, post-harvest losses

Way ahead

Strengthen Infrastructure: Expand modern fishing harbors, cold chains etc.	**Promote Sustainable Fishing:** Enforce seasonal bans, marine protected areas.	**Expand Credit & Insurance:** Improve access to institutional finance, credit guarantees etc.	**Others:** Establish a unified national policy, Strengthen quality control, branding, and compliance with global standards.

NEWS TODAY

- Daily Current Affairs news bulletin covered in 4 pages.
- Primary sources of news: The Hindu, Indian Express and PIB. Other sources includes News on AIR, the Mint, Economic Times etc.
- Focus is to provide the primary level of information to get an idea of the different things that are going around
- Two types of approaches followed:
  - Primary News of the Day: - Covers main news items of the day in less than 180 words.
  - Also in News:- These are basically one-liners appearing in news. The word limit here will be 80 words.
- Available in English & Hindi. Hindi Audio available at VisionIAS Hindi YouTube channel

7.6. FARMER PRODUCER ORGANISATIONS (FPOS) AT A GLANCE

Farmer Producer Organisations (FPOs)

FPO is formed by a **group of farm producers** such as farmers, milk producers, etc. with **producers as shareholders** in the organization.	**FPO is registered** either under **Companies Act, 2013** or under **Co-operative Societies Act, 1912** of the concerned States.	Approx. **30 lakh farmers** in country are connected to FPOs, with around **40%** of them being women.

Benefits of the FPOs

Enhanced value addition by increasing primary & secondary processing of agricultural produce.	**Greater bargaining power** to farmers & greater quality orientation in production & processing.	**Market intelligence** through ease in communication for dissemination of information	**Post-harvest losses can be minimised** through joint storage and value addition facilities.

Challenges faced by FPOs

Lack of Professional Management	Post-harvest Losses	Investment and credit constraint	Climate Change & Market Volatility.

Way ahead

Promote the adoption of technology	Provide training and capacity building programs	**A standardized scoring model** for FPOs at different stages	Encourage Private Sector Participation

7.7. GRAIN STORAGE AND FOOD SECURITY

7.7.1. GRAIN STORAGE SYSTEM IN INDIA

Why in the news

Under the pilot phase of World's Largest Grain Storage Plan in the Cooperative Sector, storage units with capacity of **9,750 metric tonnes** have been successfully constructed at **Primary Agricultural Credit Societies** (PACS) in 11 states.

Other initiatives to strengthen storage capacity

- **National Cold Chain Development Scheme (NCCD):** Cold chain storage for perishable agricultural commodities.
- **Grameen Bhandaran Yojana:** Supports rural godowns with subsidies to address storage gaps in villages.
- **Other:** Private Entrepreneur Guarantee (PEG) scheme, PM Kisan Sampada Yojana etc.

About World's Largest Grain Storage Plan in Cooperative Sector

- **Ministry:** Ministry of Cooperation.
- **Purpose:** Establish **decentralized storage facilities at PACS level**, alongside other **agricultural infrastructure**, like, warehouses, processing units etc. through **convergence of existing schemes** i.e., Agriculture Infrastructure Fund, Agricultural Marketing Infrastructure Scheme etc.

Grain storage system in India

- **Storage by small farmers:** 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 (FCI): FCI is main agency for storage of foodgrain in country.

- Central warehousing Corporations (CWC) for warehousing of agricultural produce.
- State warehousing Corporations to regulate warehousing of certain goods in the states.

- **Private agencies:** FCI hires storage capacity from private owners.

Challenges associated with India's grain storage

- **Unscientific storage**: Around 80% handling and warehousing facilities are not mechanized.
- **Limited storage capacity:** Food Grain Production in India is 311 MMT and total Storage Capacity in India is only 145 MMT, a shortage of 166 MMT.
- **Surplus buffer stock:** FCI has been carrying buffer stocks way in excess of buffer stocking norms.
- **Post-harvest losses**: Traditional storage practices do not guarantee protection against post-harvest losses.
- **Lack of private investment in warehousing**: Due to lack of availability of adequate land and preconstruction challenges like multiple regulatory licenses.

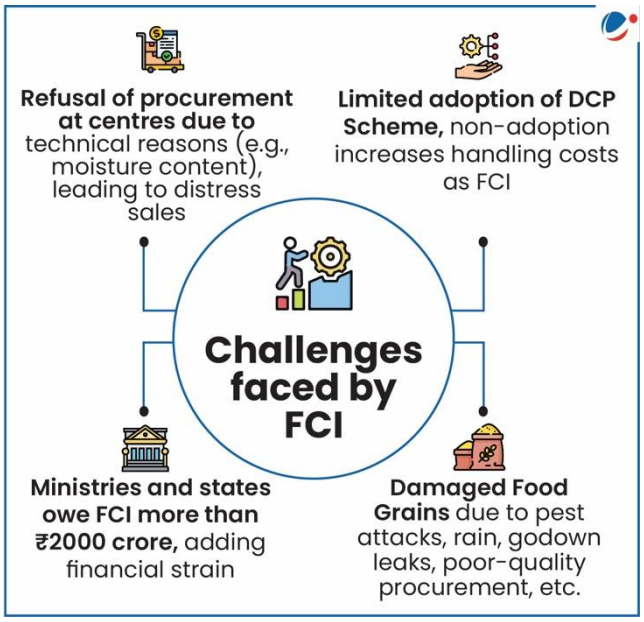
Conclusion

Strengthening India's grain storage system through decentralized, modern infrastructure like PACS-level warehouses is crucial to reduce post-harvest losses, manage surplus efficiently, and ensure long-term food security. Enhanced investment, scientific storage practices, and convergence of schemes are key to achieving this goal.

7.7.2. FOOD CORPORATION OF INDIA (FCI)

Why in the news?

Cabinet Committee on Economic Affairs (CCEA) has approved ₹10,700 crore equity infusion for FCI's working capital for 2024-25.



What is Food Corporation of India?

- **About**: FCI is **Public Sector Undertaking** under the **Ministry of Consumer Affairs, Food & Public Distribution**.
- **Genesis:** FCI is a **statutory body** established under the **Food Corporation's Act 1964.**
- **Key Responsibility:** Main agency responsible for **execution of food policies of the GoI.**
- **Functions:** It is **the nodal central government agency**, responsible for the **purchase, storage, interstate movement, distribution and sale of food grains.**

Working mechanism of Food Corporation of India (FCI)

- **The FCI, along with state agencies, procures food grains** to ensure Minimum Support Price (MSP).
- **FCI undertakes two types of procurement mechanisms**
  - **Direct Procurement:** FCI or State Government Agencies (SGAs) procure food grains, with FCI handling storage and distribution.
  - **Decentralized Procurement (DCP)**: States manage procurement, storage, and distribution, handing excess stocks (rice/wheat) to FCI for the Central Pool.

Initiatives taken to improve the functioning of FCI

- **Direct Benefit Transfer (DBT) Initiative**: Implemented 'One Nation, One MSP' for direct online payments to farmers.

- **Modernized Storage Solutions**: The traditional **Cover and Plinth storage**, which stood at 30.25 LMT in 2014, has been **progressively replaced** with scientifically managed storage depots and silos.
- **Steel Silos:** Currently, 22.75 LMT of steel silos are operational, with an additional 41 LMT in development.
- **Digital reforms**: Such as **AI-Enabled Video Surveillance, ANNA DARPAN portal** for seamless end-to-end supply chain management, **Vehicle Location Tracking System, etc.**

Conclusion

The FCI plays a vital role in ensuring food security and price stability in India. With ongoing reforms like digital monitoring, scientific storage, and decentralized procurement, along with significant equity infusion, FCI is poised to become more efficient, transparent, and responsive to the country's evolving food distribution needs.

7.7.2.1. PUBLIC DISTRIBUTION SYSTEM (PDS) IN INDIA

Why in the News?

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

About PDS

- It is a food security system established under the **Ministry of Consumer Affairs, Food, and Public Distribution.**
- It includes fair price shops (FPSs) entrusted with the work of **distributing basic food and non-food commodities** to the needy sections of the society at very cheap prices.
- The responsibility of operating PDS is **jointly shared by the Central and the State Governments.**

Key Findings

- **PDS Leakage: 28% of allocated grains** supplied by Food Corporation of India (FCI) and State Governments **fail to reach the intended beneficiaries**.
  - This amounts to a **financial loss of about Rs. 69,108 crores**.
- **Efficacy of recent reforms**: Linking ration cards with Aadhaar and installation of PoS machines in 95% of Fair Price Shops (FPS) has **increased efficacy** of distribution but has **not eliminated leakages**.
- **Regional variations**: States like **Bihar and West Bengal** have made significant **improvements** in plugging PDS leakage, however, **high** leakages persist in **North-eastern states of Arunachal Pradesh, Nagaland and Gujarat**.
  - One factor for **higher leakages, particularly in North-eastern** states, is **lack of digitalisation** of PDS system.

Recommendations

- **Effective targeting of beneficiaries**: **Reducing the coverage** of population covered under **PDS** (from present 57%) to the **bottom 15%** for **free food distribution**, while the **rest** could be given grains at **50% of MSP**.
- **Shift towards Direct Benefit Transfer (DBT):** DBT minimizes leakage, reduces administrative costs, and empower citizens with **flexibility in dietary choices**.
- **Transforming FPS into Nutrition Hubs**: A **Food Coupon Approach** can be implemented in select FPSs to tackle the issue of **siphoning off** of grains.

Conclusion

The study reveals persistent PDS leakages despite reforms, urging a shift to targeted coverage, Direct Benefit Transfers, and nutrition-focused Fair Price Shops to enhance efficiency, reduce losses, and improve food security.

7.7.3. FOOD PROCESSING SECTOR AT A GLANCE

Food Processing Sector

Status of Food Processing Sector

Sunrise sector grew 7.3% annually (2015–2022), contributing 10.54% to manufacturing GVA & 11.57% to agriculture GVA in 2020–21.	**20.68 lakh employees engaged** in the food processing industry in 2021-22.	**24 Operational Mega Food Parks** out of 41 approved across the country.	**Share of processed food exports** in agri-exports has **increased to 23.4% in 2023–24.**

Significance of Food Processing

Linking Agriculture with Industry: Bridges gap between farm & market, integrating agriculture with the economy.	**Increases agri-export earnings** through processed food products, improving trade balance.	**Value Addition:** Minimizes post-harvest losses & enhances the value of agricultural produce.	**Promotes rural development:** through higher farm incomes via **increased exports.**	**Employment:** Provides large-scale jobs, in rural areas, including for women & unskilled workers.

Schemes/Initiatives

PM Kisan SAMPADA Yojana: For development of Mega Food Parks, Integrated Cold Chain etc.	Prime Minister–Formalisation of Micro Food Processing Enterprises scheme	ONE DISTRICT ONE PRODUCT to upgrade SMEs on selected products.	**100% FDI** allowed in food & agro-processing; **Agri Export Policy 2018, etc.**	**Krishi Udan & Krishi Rail Schemes** to reduce freight rates.

Constraints

Informalization of food processing industry; Hurdles in access to **raw materials etc.**	**Inefficient supply chain** infrastructure and lack of advanced technology.	**High working capital** requirement & lack of modern, automated equipment.	**Poor credit access, bureaucratic delays,** and **stringent labour laws.**	Poor **quality control & testing infrastructure** causing pest issues and chemical residues.

Way ahead

Policy: Streamline regulatory frameworks for labour, food, & packaging standards.	**Financial:** Offer **tax incentives and holidays** for food processing units.	**Infrastructure:** Fix supply-side & infrastructure gaps through farmer–producer–investor–R&D lab linkages.	Shift from **subsistence to market-oriented** food processing.	**Enhance farmer-process or interaction** based on demand.

7.8. KEY WORDS

Key Words				
Food Security	Agricultural Productivity	Minimum Support Price	Agricultural Credit	Kisan Credit Cards
Organized Marketing Chains	Foreign Exchange Reserves	Global Markets	Post-Harvest Losses	Small and Marginal Farmers
Efficient Supply Chain	Small Landholdings	Machinery in Agriculture	Buffer Stocks	Public Distribution System

7.9. PRACTICE QUESTION

Answer Canvas

While India's dairy cooperatives have been successful in empowering farmers, they face several structural challenges. Analyze these challenges and suggest measures to enhance their global competitiveness.

Introduction	Body Part: 1	Body part: 2	Conclusion
Introduce dairy cooperatives	Structural challenges	Measures	Conclude

8. INDUSTRY AND INDUSTRIAL POLICY

8.1. 10 YEARS OF MAKE IN INDIA

Why in the News?

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

About 'Make in India'

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

Major Achievements under 'Make in India'

- **India's new manufacturing prowess:** Produces **400 million toys** annually, **4th largest renewable energy producer**, and **2nd largest mobile manufacturer** with 99% domestic smartphone production.
- **World Bank's Ease of doing Business Ranking:** Improved from 142nd (2014) to 63rd (2020).
- **Boosted India's manufacturing competitiveness:** Low tax rates, National Single Window System for fast approvals, etc. increased competitiveness.
- **Prioritization of high-value manufacturing and R&D:** India has **risen 42 spots in the Global Innovation Index** since 2015.
- **Others: Increased Defense exports, Increased FDI inflows, Sustainable growth (National Green Hydrogen Mission) etc.**

Implication of Shifting from Agriculture to Services Sector

- **Economic Growth:** Services sector contributed much larger share to GDP compared to Agriculture and manufacturing.
  - Its contribution to the total GVA at current prices has increased from 50.6% in FY14 to about 55% in FY25 (Economic Survey 2024-25).
- **Employment Pattern:** Large Portion of population remains employed in agriculture which generates only a small fraction of economic value.
- **Regional Concentration:** Growth led by service sector is heavily skewed towards few states such as Maharashtra, Karnataka etc.
- **Premature Deindustrialization:** Unlike most countries that transition from agriculture to manufacturing and then to services, India largely bypassed the manufacturing phase, leading to less job creation.

Concerns with 'Make in India'

- **Manufacturing sector falls short of 25% GDP target:** Remained **17.7% in 2023.**
- **Job losses in manufacturing sector**: manufacturing workforce declined from **51 million (2017) to 35 million (2023).**
- **Slowdown in Manufacturing real GVA**: Has slowed down **from ~8% (2012) to 5.5% (2023)** (National Accounts Statistics)
- **Declining investment rates:** Gross Capital Formation has declined from 39.1% in 2008 to 32.2% in 2023.
- **FDI limitations:** Since 2017, 70% of FDI focused **on 9 sectors** (**especially IT services**), with **manufacturing getting just 30%.**
- **Weakening export performance**: **India's merchandise exports** dropped from **~10% of GDP (2013-14) to ~8% (2022-23).**

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

Way Forward

- **Improving Capabilities:** Boosting skills and adopting AI and machine learning to enhance workforce and technology.
- **Encourage entrepreneurial and Innovative Ecosystem:**
  - Promote academia-industry-government collaboration **(triple helix model)** to convert knowledge into wealth. E.g. **Anushandhan National Research Foundation**.
  - Leverage India's democratic advantage to encourage new ideas and innovations.
  - **Optimize core strengths** such as focussing on **services and manufacturing-related services**.

Conclusion

As the "Make in India" initiative celebrates its 10th anniversary, it stands as a testament to India's determination to reshape its manufacturing landscape and enhance its global standing.

8.2. MSME SECTOR AT A GLANCE

MSME Sector

Classification

Micro Enterprises	Small Enterprises	Medium Enterprises
Investment up to 2.5 Cr Turnover limits to 10 Cr	Investment up to 25 Cr Turnover limits to 100 Cr	Investment up to 125 Cr Turnover limits to 500 Cr

Significance of MSMEs for India

Contribution: 30% of GDP and **~45%** of total **exports.**	**Contribution to Manufacturing: 36 %**	**Employment: ~ 7.5** crore people	**Others:** Reduces Disguised Unemployment; Rural Development (~50% MSME in Rural area) etc.

Challenges Faced by MSMEs

Finance issues: Informal nature of MSMEs.	**Infrastructure Bottlenecks:** Poor roads, unreliable power supply, and inadequate digital infrastructure hinder business operations.	**Delayed Payments:** Impacting cash flow and working capital.	**Regulatory & Compliance Burden:** Complex taxation, labor laws, and frequent policy changes.	**Dwarf firm:** MSMEs doesn't scale with time and remain small.

Initiatives Undertaken

Trade Enablement & Marketing Initiative	**PM VISHWAKARMA**	**Self-Reliant India Fund Scheme**	**RAMP Scheme**	**Others: Digital Footprint-Based Lending For MSMEs; Assist Platform; Public Procurement Policy** etc.

Way ahead

Policy Support E.g. Tax Incentives	**Addressing Credit Gaps**	**Market Access and Expansion** E.g. creating platforms for B2B networking	**Simplification of Regulatory Framework** such as streamlining compliance procedures	**Others:** Integration with Global Value Chains; Technological Adoption and Digitalization etc.

8.3. NATIONAL INDUSTRIAL CORRIDOR DEVELOPMENT PROGRAMME

Why in news?

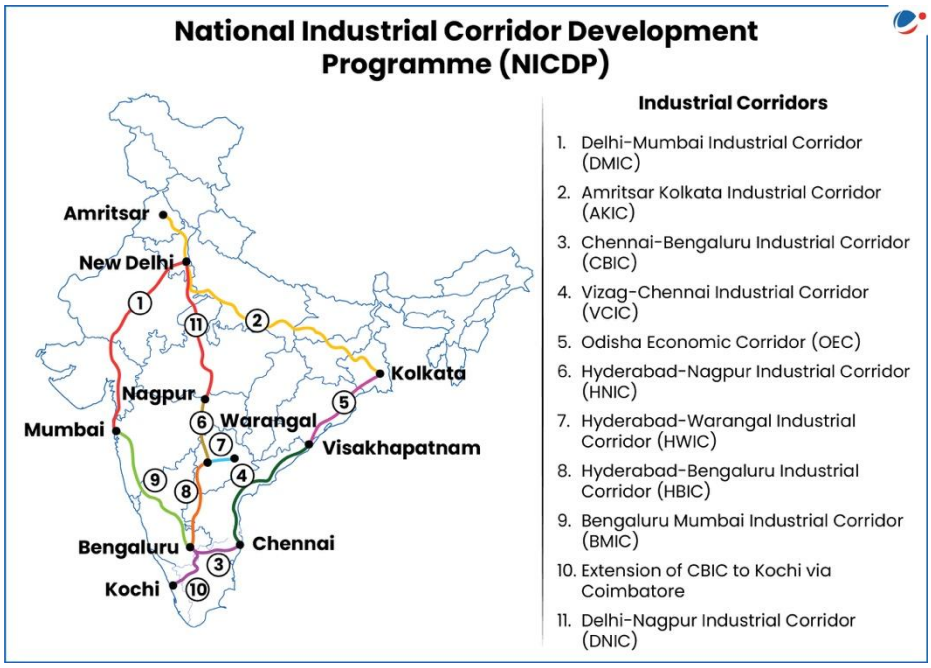
The union Cabinet has recently **approved 12 new Industrial nodes/cities** under National Industrial Corridor Development Programme. The new industrial cities will be built on the **'plug-n-play'** and **'walk-to-work'** concepts.

National Industrial Corridor Development Programme (NICDP)

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

Significance of Industrial Cities

- **Attract Investments**: by **cultivating a dynamic industrial ecosystem**
- **Smart Cities and Modern Infrastructure**: by building **greenfield smart cities** with advanced, sustainable infrastructure.
- **Improving connectivity and transportation:** Aligned with **PM GatiShakti,** projects integrate **multi-modal connectivity** infrastructure, positioning industrial cities as growth hubs.



- **Global Value Chains:** Ready-to-allot industrial **land parcels** will be provided to boost manufacturing.
- **Employment Generation**: Aims to create 1 million direct and 3 million indirect jobs.

Challenges in development of Industrial corridors

- **Governance Issues:**
  - **Planning Gaps**: Minimal local government involvement in planning.
  - **Overlapping Jurisdiction**: Of Special Purpose Vehicles (SPVs) and local bodies.
    - **E.g. Tumakuru Industrial Township Limited,** a SPV operates independently of local panchayats, municipal corporations, or town planning departments.
- **Institutional Capacity**: New cities take long to develop, with limited staff training.
- **Land Acquisition: 70 per cent of delays** in infrastructure caused **due to land acquisition issues** (India Infrastructure Report 2009).
- **Other: limited Institutional Capacity, Conversion of land from agriculture to non-agricultural use etc.**

Way forward

- **Involve local authorities and communities: In planning processes** to address site-specific challenges.
- **Coordinate efforts**: Among multiple state and non-state actors, including SPVs and industrial stakeholders.
- **Land Acquisition:** Provide higher compensation and small land parcels near projects.
- **Establishing Cooperation Framework:** Between central and state governments for better planning
- **Utilizing technologies for project management and monitoring** can improve efficiency, reduce costs etc.

Conclusion:

The National Industrial Corridor Development Programme marks a transformative step in India's industrial and urban landscape by promoting smart, sustainable, and investment-ready cities. While the initiative holds immense potential for job creation and economic growth, addressing governance, land acquisition, and institutional capacity challenges will be crucial for its successful implementation and long-term impact.

8.4. ELECTRONICS COMPONENT MANUFACTURING SCHEME AT A GLANCE

Electronics Component Manufacturing Scheme

About Scheme

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

Significance of Electronic Components Sector India

Economic Potential: $500 billion by 2030. **Exports Growth:** 20% CAGR since FY15.	**National Security:** E.g. First national security chip plant to be set up with US for military hardware	**Driving Technological Innovation:** E.g. Remote Surgery, Autonomous Vehicles etc.	**India's Electronics Sector:** 4% of the global electronics market; Domestic Production: ₹9.52 lakh crore (FY24)

Challenges faced by the electronic component

High cost of manufacturing: Tariffs and material costs result 4%-5% disadvantage for components compared to China.	**Lack of R&D and design ecosystem:** India spends less than 1% of GDP on R&D.	**Lack of access to global demand:** Major global brands control 80% of the electronic market.	**Heavy dependence on imports of Critical minerals:** It exposes the sector to global supply chain disruptions.	**Long Gestation Period:** A gestation period of 1-2 years exists between investment and production.

Initiatives Undertaken

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

Way ahead

Fiscal incentive such as Opex support for scaling manufacturing	**Rationalize tariffs / duties** on inputs to improve competitiveness	**Attract overseas high-level talent** through expedited visa approvals	Foster **collaboration between academia & industry**	**Others:** Develop large clusters, Increase R&D (currently <1% of GDP) etc.

8.4.1. SEMICONDUCTOR SECTOR IN INDIA

Why in the news?

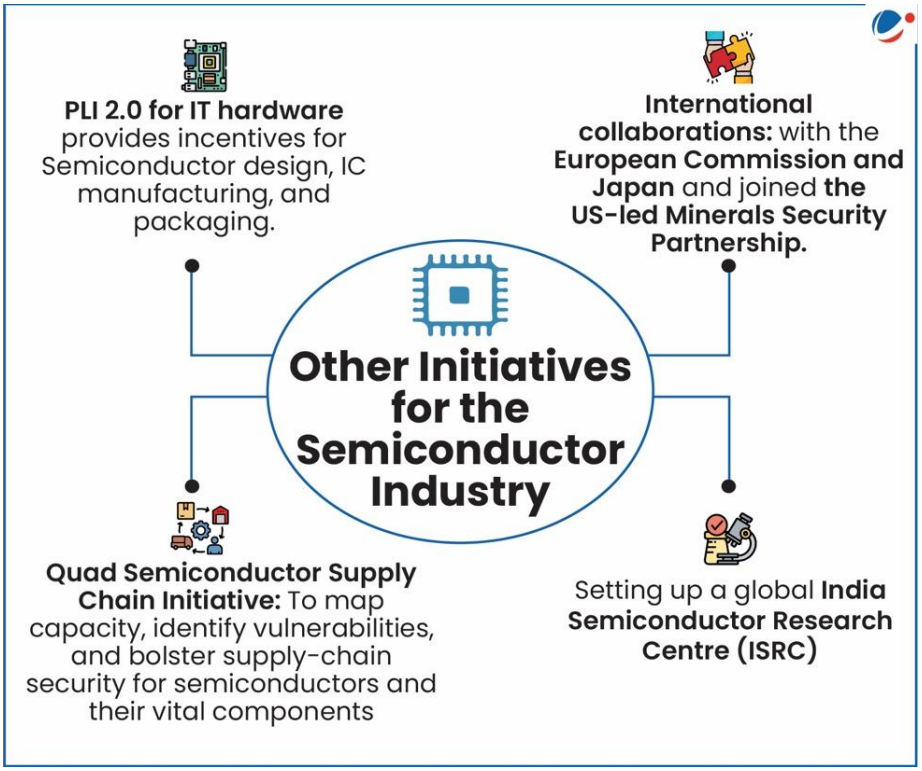
Recently, the Union Cabinet approved the **fifth semiconductor unit in India.**This unit is approved under the **India Semiconductor Mission (ISM)** and will be **set up in Sanand, Gujarat.**

Why is India focused on developing Semiconductor manufacturing?

- **Reducing dependency on imports**: For instance, in 2019 semiconductor exports from India stood at **US$ 0.33 billion while imports were higher at US$ 4.65 billion.**
- **Geopolitical reason:** China-Taiwan tensions **threaten global chip supply**, and US-China chip war and Russia-Ukraine conflict **disrupt neon supply** vital for semiconductors.
- **Enhanced security:** Self-reliance is crucial for **national security**, in sensitive sectors like defence.
- **Global supply chain diversification**: About **70% of the world's semiconductor manufacturing** is concentrated in five countries (South Korea, Taiwan, China, the US and Japan).
- **Economic Multiplier Effects:** Every dollar added in electronics manufacturing generating an **additional $1.32 in the broader economy.**

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

- **High capital costs and long payback period:** in establishing semiconductor manufacturing plants.
- **Global Competition**: Intense competition from **China** and **the Chip 4 alliance (US, Taiwan, Japan, South Korea**).
- **Not labour-intensive:** Generate limited **10,000-15,000 direct jobs.**
- **Infrastructure Gaps**: Chip fabrication plants need cleanroom facilities, uninterrupted power, etc.



Steps taken by India to promote the industry:

- **India Semiconductor Mission (ISM)**
  - **About:** It is a specialized **Business Division** within **Digital India Corporation** under MeitY.
  - **Aim: To build a vibrant semiconductor ecosystem to enable India's emergence as a global hub for electronics manufacturing and design.**
  - It has been working as the **nodal agency** for the Schemes approved under **the Semicon India Programme.**
- **Semicon India Programme**
  - It aims to provide **financial support to companies.**

Conclusion

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

8.5. INDIA'S BIOECONOMY AT A GLANCE

India's Bioeconomy

Significance of Bioeconomy in India's growth

Economic Growth: By 2050, the global BioEconomy expected to represent ~12% of projected global GDP.	**Food Security:** GM technology increased crop yields by 21%.	**Employment:** Projected to create 35 million jobs by 2030.	**Healthcare:** Development of new drugs, vaccines, etc.	**Environmental benefits:** Promoting Circular economy; Lowering environmental pollution; Conservation of biodiversity; etc.

Challenges

Regulatory: Fragmented regulation and complex and varying regulations across states.	**Funding issues:** High upfront costs and long timelines for returns.	**IP protection issues** and Bio-piracy concerns.	**Limited Scalability:** due to poor academia-industry linkages.	**Others:** Supply chain issues and high global competition; Potential adverse impact on biodiversity and land use etc.

Initiatives taken in India

Policy: BioE3 Policy; Sector specific Policies like National Mission on Bioeconomy, 2016; Draft National Biotechnology Development Strategy (2020-2025) etc.	**Schemes and initiatives:** Bio- RIDE Scheme; Biotech Science Clusters; Global Biofuel Alliance National Biopharma Mission; Production Linked Incentive (PLI) Scheme for Pharmaceuticals etc.	**Governance and Regulatory steps:** BRIC; BioRRAP; Intellectual Property (IP) Guidelines, 2023; Guidelines for Genetically Engineered Insects, 2023 etc.	**Regional:** Uttar Pradesh Pharmaceutical and Medical Devices Industry Policy 2023; Tamil Nadu's Ethanol Blending Policy etc.

Way ahead

Updating regulatory frameworks: Strategic reforms, harmonized with regulatory reforms and global standards.	**International collaboration:** Foster partnerships with global biotech hubs and companies.	**Public-private partnerships** for diversified funding	**New Partnership Centres for Research** (PaCeR).	**Promoting start-ups** with focus on new and emerging areas and priority areas.

8.6. TECHNICAL TEXTILES AT A GLANCE

Technical Textiles

About Technical Textiles

Technical Textile: Textile products used for their technical performance and functional properties.	**Applications** include agriculture, roads, railway tracks, sportswear, health etc.	Indian technical textiles market is **fifth largest in the world.**	Export Growth is at **28.4 per cent in 2021-22.**

Significance of Technical Textiles

Enhances Productivity: Agro textiles increase horticulture farm productivity by 2-5 times.	**Environmental Protection:** useful in floor sealing, air cleaning etc.	**Supports Disaster Management:** Geotech barriers used to deflect avalanches in Austria.	**Others:** Scaling up ability, High wage workforce generating capacity, etc.

Initiatives Undertaken

National Technical Textiles Mission (NTTM)	Production Linked Incentive (PLI) scheme for textiles	PM Mega Integrated Textile Regions and Apparel Parks (MITRA) Scheme	Scheme for Integrated Textile Parks (SITP)	SAMARTH Scheme

Way ahead

Promoting Joint ventures in technical textiles for technology transfers etc.	**Promoting Start-ups** by creating incubation centres and supporting entrepreneurship development	**Developing India Brands** as Global Champions	**Facilitating PPP modelled Centre of Excellence** focusing on designing, capacity building etc.	**Others:** Awareness Creation, Skilling and Education etc.

8.7. KEY WORDS

Key Words				
National Industrial Corridor Development Programme	Plug-n-Play & Walk-to-Work Concepts	Smart Cities	PM GatiShakti	Land Acquisition Challenges
Special Purpose Vehicles	Make in India Initiative	Semiconductor Manufacturing	India Semiconductor Mission	Global Value Chains
Ease of Doing Business	Gross Capital Formation	National Green Hydrogen Mission	MSME Sector	Bioeconomy

8.8. PRACTICE QUESTION

Answer Canvas

Examine how the National Industrial Corridor Development Programme (NICDP) aims to transform India's manufacturing sector. Discuss the key challenges in its implementation and suggest measures to address them.

Introduction	Body Part: 1	Body part: 2	Conclusion
Introduce about National Industrial Corridor Development Programme	Key challenges	Suggest measures	Conclude

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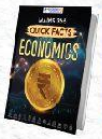
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9. SERVICES

9.1. INDIA'S DIGITAL ECONOMY

Why in the News?

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

What is the Digital Economy?

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

India's Digital Economy

Overview of India's Digital Economy (2022-23)

Status	Contribution	Projected Growth
› **Third largest digitalised** country (as per **State of India's Digital Economy** › **Report 2024**) Placed 12th among the G20 countries in the **level of digitalisation of individual users.**	› Contributes **11.74%** of the national income. › In absolute numbers, its **contribution to GDP** is ~USD 402 billion. › Accounted for **14.67 million** workers. › India is the **2nd highest ICT services exporter** in the world (2023)	› Likely to rise to 13.42% by 2024-25. › Share will **become larger** than that of **agriculture** or **manufacturing** (in less than six years). › Its share will **reach 20% of GVA by 2029-30.**

Sectoral Contributions

Digital-enabling industry: Accounted for 7.83% of **Gross value added (GVA)** (highest contributor). › It includes sectors such as information and communication-related services.	**New digital industries:** Account for nearly 2% of GVA › It includes **Big Tech players,** other digital platforms and intermediaries, and firms dependent on digital intermediaries.	**Other:** Contribution of three traditional industries **(Banking, financial services, and insurance (BFSI), trade,** and education), amounts to 2% of national GVA.

Key Challenges faced by the digital economy?

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

Conclusion

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

9.2. CREATIVE ECONOMY AT A GLANCE

Creative Economy or Orange Economy

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

Characteristics of Creative Economy

Knowledge-based economic activities	Involve generation and exploitation of intellectual property.	**Non-repetitive and adaptive to technological change and mechanization**	An individual's original idea, is developed into a cultural product through production and distribution.

Status of creative economy in India

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

Significance of Creative Economy

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

Hurdles Hindering Growth of Creative Economy

Digitalization challenges: Like digital divide, cyber security concerns etc.	**Rural Urban Divide**: A sizeable 67.07% of all creative workers in India are in the urban areas.	**India's IPR regime:** In India, it takes **about 58 months** (20 months in China & 23 months in US) **on average** to dispose of a patent application.	fragmentation of creative industries, ineffective market access and distribution, Inadequate **recognition and lack of awareness etc.**

Initiatives To Support Creative Economy

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

Way Forward

Increasing Recognition of Indian Culture Globally.	**Adopt global best practices such as "Crowdfunding4Culture " portal** of European Commission.	**Reforming Intellectual Property Rights Framework**	**Establishing Creative Districts/Hubs, Forming a Specialized institution for Creative Industries etc.**

9.3. TOURISM SECTOR IN INDIA AT A GLANCE

Tourism Sector in India

Status of Tourism Sector in India

18.89 million International Tourist Arrivals in 2023.	**9.52 Million Foreign Tourist Arrivals** during 2023.	**24th rank in International Tourist Arrivals in 2023.** (UN World Tourism Barometer).	**39th rank in Travel and Tourism Development Index 2024** published by World Economic Forum.

Significance of Tourism for India

Economic: ~ 6.8% of India's GDP in 2024.	**Diplomatic:** E.g., Yoga and Ayurveda enhancing India's image as a wellness Destination.	**Medical Tourism** › Projected to reach $13.42 billion by 2026. › 170+ Countries Listed on E-Medical Visas.	**Cultural:** › Revival of dying art. E.g., Madhubani paintings › Heritage conservation. E.g., 'Adopt a Heritage' scheme. › National integration. E.g., 'Dekho Apna Desh' campaign

Initiatives Undertaken

Infrastructure development: Swadesh Darshan 2.0; PRASHAD Scheme; RCS-UDAN etc.	**Campaigns:** Incredible India Campaign, Dekho Apna Desh, Visit India Year 2023, Bharat Parv 2024 etc.	**PPP:** Adopt a Heritage Scheme, Luxury Trains, Heal in India" initiative in the Union Budget 2025-26, etc.	**Capacity building and training**: Hunar Se Rozgar Tak, online programme for Linguistic Tourist Facilitators, etc.	**Niche tourism:** Eco-tourism (Sundarbans), Adventure Tourism (hill stations), Cruise Tourism (Cruise Bharat Mission) etc.

Way ahead

Enhancing connectivity and accessibility E.g. multilingual signage and Wi-Fi	**Promotion of Niche tourism: E.g.** Enabling single-window film clearances etc.	**Sustainable tourism:** E.g. landscape zoning and land use planning.	**Leveraging technology:** Developing AI-powered tourist platforms for planning etc.

9.4. INSURANCE SECTOR IN INDIA AT A GLANCE

Insurance Sector in India

Key Facts

Current Status:	Potential:	Insurance Penetration:	Insurance Density:
10th largest Insurance sector globally. Life Insurance segment: >76% share.	6th largest Insurance market by 2032. (Swiss Re report)	>3.7% (2023-24).	**$95 (2023-24).**

Standing Committee Observations on Insurance Sector

Government policies:	Private sector:	Need for disaster coverage:	Others:
High GST (18%) and TDS hinder insurance growth.	Market share rose from 48% (FY20) to 62.5% (FY23).	India ranks 3rd globally in natural disaster frequency.	Missing Middle in Health Insurance; Public Sector Insurance Companies low capital issues etc.

Rise in FDI Limit in Insurance Sector

Budget 2025: FDI raised to 100% for **firms investing full premium in India.**	**FDI hike:** Requires amendments to **Insurance Act, LIC Act, and IRDA Act.**

Key Recommendations of the Committee

Microinsurance:	Parametric insurance for disaster prone areas:	Composite licensing:	Others:
Develop products, lower capital norms to boost inclusion.	Govt-backed cover for vulnerable homes; e.g., Florida's insurance model.	Permit insurers to offer both life and non-life products.	Reduce GST for health insurance; Level Playing Field for Public Sector Companies etc.

9.5. SPACE ECONOMY AT A GLANCE

Space Economy

Space sector in India

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

Initiatives to promote space-tech entrepreneurship

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

Way ahead

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

9.6. KEY WORDS

Key Words				
Digital Economy	Information and Communication Technology	Digital India Mission	Digital Infrastructure	India Stack
BHASHINI	Start-Up India	Open Network for Digital Commerce	Digital Literacy	Creative Economy

9.7. PRACTICE QUESTION

Answer Canvas

India's digital economy has emerged as a key driver of economic growth and innovation. Examine its significance in transforming service delivery and boosting exports, while analyzing the major challenges that need to be addressed for its sustainable growth.

Introduction	Body Part: 1	Body part: 2	Conclusion
Introduce Digital Economy	Mention its Significance in service delivery and exports	Major Challenges	Conclude

10. INFRASTRUCTURE

10.1. PUBLIC-PRIVATE PARTNERSHIP (PPP) FRAMEWORK IN INDIA AT A GLANCE

Public-Private Partnership (PPP) Framework in India

Various PPP Models in India

BOT Model: It ensures highest private participation.	**Build Own Operate (BOO):** private organization builds, owns and operates with some government incentive.	**BOT-Annuity:** government harnesses private sector efficiencies through contracts	**Operations & Maintenance (Service Contract):** Private entity contracted for specific services or maintenance of assets	**Engineering Procurement and Construction (EPC):** private entity manages EPC, has no role in project management.	**Hybrid Annuity Model (HAM):** It combines EPC (40 per cent) and BOT-Annuity (60 percent).

Challenges faced by PPPs in India

Regulatory Issues: E.g. land acquisition issues, environmental clearance delays etc.	**Financing Constraints:** E.g., the National Infrastructure Plan requires investment of INR 111 lakh crores over the next five years.	**Long-Term Contract Issues:** Private sector loses negotiating power due to economic or policy changes.	**Others:** Dispute Resolution Mechanisms, Involvement of State-Owned Entities etc.

Government Steps to Boost PPP in India

PPP Appraisal Committee	**National Monetization Pipeline (NMP)**	**Viability Gap Funding (VGF)**	**Others:** Infrastructure Project Development Fund, Foreign Direct Investment (FDI) etc.

Way Forward to Improve PPP (Vijay Kelkar committee)

Service Focus: Contracts must prioritize quality delivery over fiscal gains.	**Risk Management:** Use advanced models to assess efficiency and cost-effectiveness.	**Expert Mechanisms:** Set up PPP Review Committee and Tribunal for dispute resolution.	**Others:** Legal Revisions, Independent Regulation etc.

10.2. LOGISTICS EASE ACROSS DIFFERENT STATES (LEADS) 2024

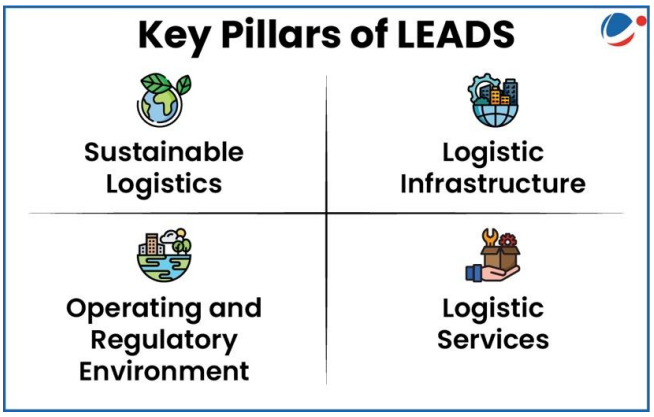
Why in the News?

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

About LEADS

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

- **Performance Highlights of 2024**
  - **Achievers:** Gujarat, Haryana, Assam, Chandigarh, etc.
  - **Fast movers**: Andhra Pradesh, Bihar, Himachal Pradesh etc.
  - **Aspirers**: Kerala, West Bengal, Manipur, Chhattisgarh, etc.



LEAD framework

- Ministry also urged logistics sector to adopt **LEAD framework** – Longevity, Efficiency and Effectiveness, Accessibility and Accountability and Digitalisation of processes to transform the logistics sector.
- And also suggested following measures
  - Promotion of **green logistics** and **sustainable transport** initiatives.
  - Encouraging **public-private partnerships (PPPs)** to enhance **multi-modal logistics hubs**.
  - Develop **regional** and **city-level logistics plans** as well for last-mile connectivity.
  - Promote **gender inclusivity**

Conclusion

The LEADS 2024 report reflects India's commitment to enhancing logistics efficiency through data-driven assessment and reform. By identifying top-performing states and encouraging sustainable, inclusive, and tech-driven solutions under the LEAD framework, it aims to transform India's logistics sector into a globally competitive ecosystem.

10.3. TRANSIT-ORIENTED DEVELOPMENT AT A GLANCE

Transit Oriented Development (TOD)

About TOD

Concept: Aims to develop planned sustainable urban growth centres with mixed land use around public transport stations.	**Components of TOD:** › **Influence Zone (area near the transit station)** › **Mandatory and Inclusive Housing, and** › **Vibrant Public Spaces.**

Significance of Transit Oriented Development

Liveable Cities: Focus on **quality public spaces and shorter commutes;** **E.g. Delhi & Mumbai ranked 141st in Global Livability Index 2024.**	**Climate Impact:** TOD cuts energy use and emissions; E.g. Stockholm cut per capita GHG by 35% (1993–2010).	**Financing:** Land near transit gains value, funding infra & housing; E.g. Hong Kong raised HK$140Bn for 6 Lakh public homes (1980–2005).	**Others:** Agglomeration effects; efficient public transportation, Boost to Local Economy, increased green spaces etc.

Government Initiatives for TOD

National Transit Oriented Development Policy	Metro Rail Policy 2017	Smart Cities Mission	Urban Infrastructure Development Fund	**Others:** Pradhan Mantri Awas Yojana, Multimodal Transport Development etc

Way Forward (World Bank's 3 Value Framework)

Node Value: Signifies a station's importance based on traffic, connectivity, and centrality.	**Place value:** Indicates the quality and attractiveness of the area around the station.	**Market potential value:** It refers to the unrealized market value of station areas.

10.4. RAILWAYS

10.4.1. RAILWAYS REFORMS

Why in the News?

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

About Railways (Amendment) Bill, 2024

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

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

Key Highlights of the Report of Parliamentary Standing Committee

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

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

Conclusion

Although Indian railways has made considerable progress, it must embrace a strategic approach to modernize infrastructure by adopting advanced technologies, enhancing sustainability, and boosting operational efficiency. **Amrit Bharat Station Scheme (2022)** and **National Rail Plan (2020)** are steps in positive direction.

10.4.2. INDIAN RAILWAYS SAFETY

Why in the News?

Several incidents of train derailment/collision in last six months raised concern over railways safety.

Causes of Railway Accidents

- **Derailment:** Factors include inadequate maintenance of locomotives, track, signals etc.
- **Human Error: 75% of derailments occur due to `railway staff failure' (Indian Railways).**
- **Signal Failure: For example**: Balasore train collision in 2023 due to faulty signaling.
- **Fire accidents in coaches**: Factors like inflammable material carried by passengers, Short circuit, Negligence by pantry car staff, lease contractor, etc.
- **Human Resources:** Indian Railways faces a shortage of ~20,000 personnel in safety-critical roles.

Steps taken for Railway Safety

- **KAVACH System:** Indigenous **Automatic Train Protection (AT**P) system which has Cab Signalling features- useful for high speeds as well as foggy weather.
  - Kavach has so far been deployed on 1400+ Route km (As of February 2024).
- **Rashtriya Rail Sanraksha Kosh (RRSK):** It is a Rs. 1 lakh crore five-year fund dedicated to upgrading critical railway safety infrastructure.
- **Infrastructure Upgradation:** such as **Electrical/Electronic Interlocking Systems** have been provided at stations etc.
- **Use of New Technology:** E.g. **GPS-based Fog Safety Devices** etc.
- **Unmanned level crossing:** on Broad Gauge (BG) route has been eliminated by January 2019.
- **Safety Information Management System (SIMS):** A web-based platform to enable faster accident reporting, analysis etc.

Way Forward

- **Railway Safety Authority:** Establish a statutory authority with independent oversight on railway safety **(Kakodkar Committee).**
- **Detailed Outcome Framework:** Establish a results-based framework to assess the impact of safety works under RRSK (**CAG's 2021 report on derailments**).
- **Developing AI-enabled applications** to flag critical irregularities and promptly alerting top railway management for enhanced safety monitoring.
- **Track Safety Tolerances**: Define safety tolerances for various track speeds and categories, based on international best practices and rail-wheel interaction studies (**Khanna Committee**)
- **Implementing best practices**: E.g. Mumbai suburban's long-standing Automatic Train Protection Systems.

Conclusion

Ensuring railway safety is vital for India's vast and growing rail network. While steps like KAVACH, and technology upgrades are significant, challenges like human error, staff shortages, and outdated infrastructure persist. A robust, independent safety authority, AI-driven monitoring, and adoption of global best practices are essential to minimize accidents and ensure passenger safety.

10.5. PORT AND WATERWAYS

10.5.1. TRANSSHIPMENT PORT

Why in the News?

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

More on the News

- The port is owned by **Government of Kerala.**
- It is designed primarily to cater to **container transshipment** besides multi-purpose and break-bulk cargo.

Significance of India as a Transshipment Hub

- **Revenue Generation:** As **75% of India's transshipment cargo** is handled abroad:
- **Reduced Logistic Costs and shipping costs** by increasing efficiency.
  - **Average turnaround time for Indian ports** declined from **4.3 days (2012-13) to 2.1 days (**2022-23).
- **Stimulating Economic Growth** by save foreign exchange, attract FDI, boost trade, and promote allied sectors like ship repair etc.
- **National Security:** Reducing dependence on foreign ports counters Chinese influence in the Indian Ocean under the **Belt and Road Initiative**, strengthening **national security**.
- **Integration with Global Value Chain:** Poor shipping connectivity has hindered India's integration in global value chain. **(India's share in world trade is about 2%)**

Issues in development of Transshipment Port

- **Insufficient Natural Depth: As** most major Indian ports have **depths of 10–14 meters** (ideal depth is **20 meters).**
- **Distance from international shipping lines:It include** major ports in eastern and western coasts
- **Labor issues:** Frequent strikes, inefficiency, congestion, and skill gaps, etc.
- **Other Issues:** Securing Funding, Land Acquisition Delays, Logistics and Connectivity Inefficiencies, **Competition from foreign ports (E.g.** Colombo port)

Steps Taken

- **Maritime AmritKaal Vision 2047:** Outlines a comprehensive plan to transform India's maritime sector.
- **New international Container Transshipment Terminal development** at Galathea bay in Great Nicobar (Island of Andaman & Nicobar) and Vallarpadam in Cochin (See map).
- **Tariff Guidelines, 2021 provide flexibility of fixing market** determined tariff to PPP Operators thereby creating a healthy competition.

Way-Forward

- **Infrastructure Investment**: E.g. implementing **modern cargo handling techniques** for increased capacity.
- **Public Private Partnership (PPP) Projects:** Taxes should be **rationalized to attract foreign shipping companies** and a single window system should be set up **for approving projects.**
- **Competing with International Ports**: Identify key areas for differentiation, such as cost efficiency, turnaround time, and customer service, to position Indian ports favorably.
- **Prepare Coastal Zone management Plan (CZMP):** Ports may be permitted to **prepare CZMP** taking into consideration future construction requirements based on earlier environment clearances issued.

Conclusion

India's push to become a transshipment hub, marked by the launch of the Vizhinjam port, is a strategic move to enhance trade efficiency, reduce foreign dependence, and strengthen economic and maritime security. With the right infrastructure, policy support, and global integration, India can emerge as a key player in international shipping and logistics.

10.5.2. NATIONAL WATERWAYS (CONSTRUCTION OF JETTIES/TERMINALS) REGULATIONS, 2025

Why in the news?

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

About Regulations

- **Aim:** To attract **private sector investment** in setting up terminals, streamline processes etc.

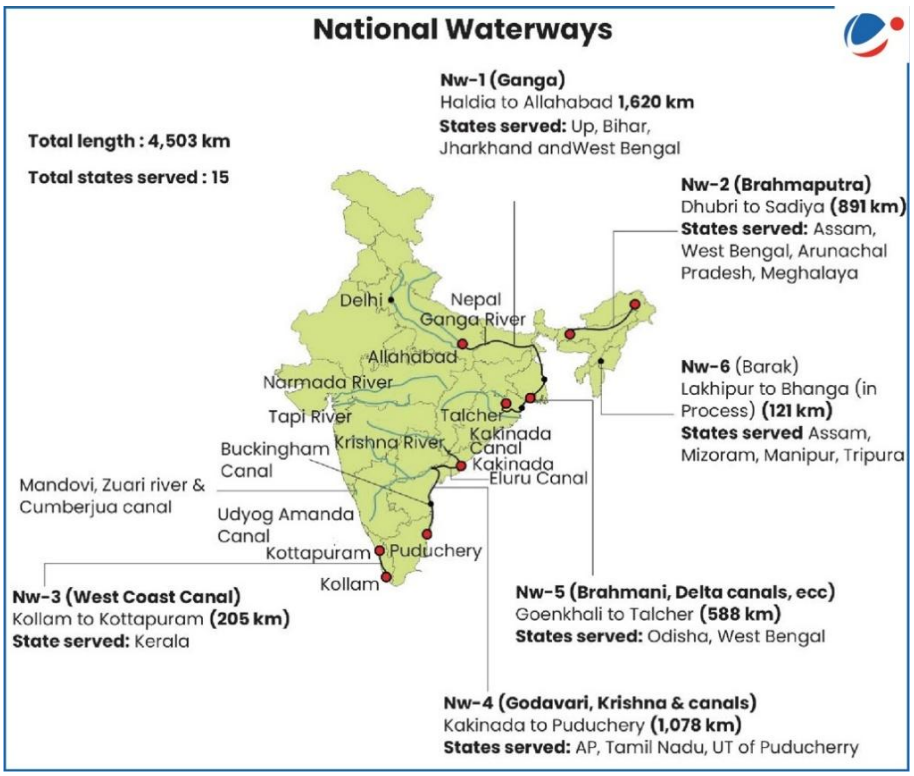
Key Provisions of the Regulations

- **Scope: Any entity including private**, wishing to develop or operate an inland waterway terminal on a national waterway.
  - Covers both existing and new terminals, whether permanent or temporary.

- **Digital Portal for Terminal Applications:** To be developed by IWAI for Ease of Doing Business.

Inland Water Transport

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



Status of Inland waterways in India

- **Navigable Waterways: ~ 14,500 km** of navigable waterways.
- **Comparison with Other Countries:** In India, only 3.5% of trade happens through waterways, compared to 47% in China, 40% in Europe, and 35% in Bangladesh.

Initiatives Undertaken

- **Inland Waterways Authority of India (IWAI):** Nodal agency under the Union Ministry of Ports, Shipping and Waterways, is mandated **to develop and regulate National Waterways (NWs).**
- **Sagarmala Programme (2015):** Aimed at revolutionizing India's maritime sector.
  - It **promotes the use of coastal and inland waterways** for cargo transportation, etc.
- **Jalvahak Scheme (2024):** Aims to encourage business enterprises with safe and timely delivery of cargo through inland waterways, in a cost-effective manner.

Conclusion

To unlock the full potential of inland waterways, a **comprehensive** and **coordinated approach** is essential. This includes **upgrading infrastructure**, promoting private investment, adopting modern technology, and ensuring **multi-modal connectivity**. Streamlined policies and enhanced regional collaboration will further boost cargo movement and position waterways as a key pillar of sustainable transport and trade.

10.6. ROAD SAFETY AT A GLANCE

Road Safety in India

Status of Road Accidents in India

India recorded a **15% rise in fatalities** between 2010 and 2021 **(WHO's Global Status Report on Road Safety 2023)**	In **2024 alone,** India reported **1.8 lakh deaths due to road accidents**	**66%** of the accidents involved individuals **aged between 18 and 34**

Measures Taken by India to Improve Road Safety

Amendments to Motor Vehicles Act (2019): Stricter penalties for violations, improved vehicle safety norms etc.	**Identification & Rectification of** Over 4,000 **Black Spots** (accident-prone areas),	**Cashless Treatment of Road Accident Victims Scheme,** 2025 launched	**National Road Safety Policy (2010):** Promotes awareness campaigns, enforcement, and safer road infrastructure.	**Advanced Vehicle Safety Standards; E.g.,** Implementation of Bharat NCAP crash tests.

Challenges to Road Safety in India

High Fatality Rate and Injury Burden: India accounts for **11% of global road fatalities in 2022.**	**Over-Speeding and Reckless Driving:** leading cause of road fatalities.	**Weak Post-Crash Response:** Nearly 50% of accident victims die due to delayed medical assistance	**Other:** Lack of Traffic Law Enforcement, Fault road design, Inadequate Public Transport and Growing Vehicle Population etc.

Recommendation: The Safe System Approach of Global Plan for Road Safety (2021-2030):WHO

Safe System approach: Aims to ensure that road crashes do not result in fatalities.	Encouraging **public transport, cycling, & walking** to reduce risks.	**Safe Road Infrastructure,** Strengthening **traffic laws, speed management**	**Mandating advanced safety features** in all vehicles, Improving **emergency medical services.**

10.7. KEY WORDS

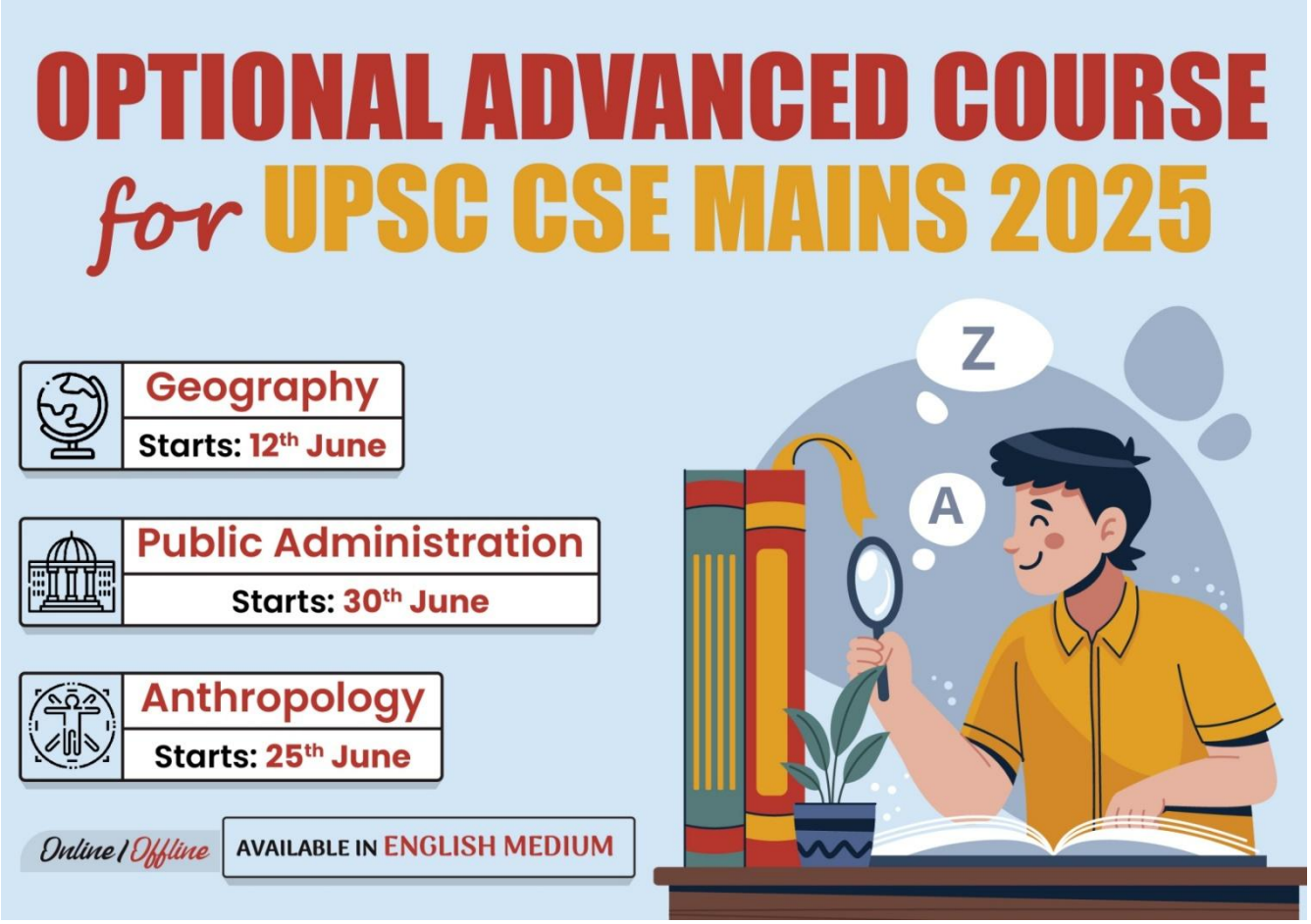
Key Words				
Transit-Oriented Development	Railways Reforms	Railway Modernization	Railway Safety	KAVACH System
Public-Private Partnership	Digital Public Infrastructure	India Stack	Logistics Ease Across Different States	Transshipment Port
Vizhinjam Port	Maritime AmritKaal Vision 2047	Inland Waterways	Rashtriya Rail Sanraksha Kosh	National Waterways Act, 2016

10.8. PRACTICE QUESTION

Answer Canvas

Examine the strategic and economic significance of developing transshipment ports like Vizhinjam for India. How can such ports help reduce India's dependence on foreign hubs and strengthen its position in global maritime trade?

Introduction	Body Part: 1	Body part: 2	Conclusion
Introduce Transshipment Port	Significance	How it reduce India's dependence on foreign hubs	Conclude



11. MINING AND OTHER RESOURCES

11.1. NATIONAL CRITICAL MINERAL MISSION (NCMM)

Why in the News?

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

About NCMM

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

Governance Framework:

- Activities will be coordinated by the **Empowered Committee on Critical Minerals.**
- **Ministry of Mines** will be the administrative Ministry.

About Critical Minerals

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

Roadblocks to India's Critical Mineral Security

- **Limited Domestic Reserves: E.**g., Currently, there are no working mining leases for **cobalt, nickel, lithium, and neodymium** for production purposes.
- **Challenges in Exploration:** E.g. Presence of 5.9 million tonnes lithium deposits in Jammu and Kashmir reqire high risk investments.
- **Supply chain Disruptions:** China controls **60% of rare earth production, 60% of critical minerals production and 80% of the processing worldwide.**

- **Environmental Concerns:** E.g., An estimated **54% of critical materials lie near indigenous people's land. (**International Renewable Energy Agency (IRENA)**)**

Other Initiatives taken for critical Minerals

- **Policy and Regulatory Framework**
  - **Mines and Minerals (Development and Regulation) Amendment Act, 2023:** It enables exploration and mining of critical minerals.
  - **National Mineral Policy, 2019:** It promotes sustainable mining and exploration of critical minerals.
  - **Elimination of customs duties** on majority of the critical minerals in Union budget 2024-25
- **International Collaborations & Trade Agreements**
  - **Khanij Bidesh India Limited (KABIL), 2019:** A joint venture company of Ministry of Mines to acquire critical minerals globally.
  - **Minerals Security Partnership (MSP):** India joined the US-led initiative to ensure a stable critical minerals supply chain in 2023.

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

- **Strengthening Domestic Critical Mineral Production:** Exploring alternative **allocation mechanisms to attract more private investment**, s
- **Developing Domestic Processing Capabilities: Special Economic Zones (SEZs) focused on critical mineral processing** can be established.
- **Need for Robust Global Cooperation:** Strengthening bilateral and multilateral partnerships with mineral-rich countries and other key stakeholders to secure access to critical mineral supplies.
- **Develop a Comprehensive Critical Minerals Strategy (CMS):** It can include
  - **Conducting periodic detailed assessments** of India's critical mineral needs across various sectors.
  - **Setting up state-of-the-art e-waste recycling facility**, introducing a nationwide "Recycle for Resources" campaign to increase public awareness and participation in e-waste recycling, etc.
  - **Diversifying import sources** from various countries.

Conclusion

Securing critical minerals is crucial for India's economic growth, energy transition, and national security. Strengthening domestic mining, refining, and recycling, along with a robust National Critical Minerals Strategy, will help reduce import dependence and ensure long-term supply stability.

11.2. MAJOR AND MINOR MINERALS

Why in the news?

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

More on the news

- Reclassification is based on recommendations from an **Inter-Ministerial Committee led by Dr. V. K. Saraswat.**

Reason for Reclassification

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

Quartz, Felspar, and Mica in Pegmatite Rocks

- These minerals are found in **pegmatite rocks**, which also contain **essential critical minerals** like **Beryl, Lithium, Niobium, Tantalum, Molybdenum, Tin, Titanium, and Tungsten**.
- Earlier, when these minerals were leased as **minor minerals**.

Baryte and its Industrial Significance

- Baryte often occurs in **concretions and vein fillings** in **limestone and dolostone**, alongside ores of **Antimony, Cobalt, Copper, Lead, Manganese, and Silver**.
- It has extensive **industrial applications** in **oil and gas drilling, electronics, etc.**

Key Benefits of the Reclassification

- **Enhanced Explora-tion & Scientific Mining:** Critical minerals like Lithium, Beryl, and Tungsten will now be systemat-ically extracted and documented.
- **Support for Energy Transition & Technology:** Will aid clean energy, electronics, aerospace, and healthcare industries by improving critical mineral recovery.
- **Stronger Industrial Applications:** Efficient mining of Baryte will enhance its availability for key industries.
- **Extended Lease & Better Regulation:** Leases will now last 50 years, ensuring investment stability.

About Major and Minor Minerals

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

Conclusion

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

11.2.1. DISTRICT MINERAL FOUNDATION (DMF)

Why in the News?

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

About District Mineral Foundation (DMF)

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

Pradhan Mantri Khanij Kshetra Kalyan Yojana (PMKKKY)

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

Challenges Associated with the District Mineral Foundation (DMF)

- **Governance Issues:**
  - **Dominance of Officials: E.g.,** Only five states include affected people in Governing Councils (iForest report).
  - **Lack of Independence:** DCs are **chairpersons** of both **Governing Councils (GCs)** and **Managing Committees (MCs),** limiting independent decision-making (Parliamentary Committee Report).
- **Lacks Planning and Beneficiary Identification:** No district has published **a five-year perspective plan.**
  - **Also** lack of Gram Sabha engagement in decision-making. (Parliamentary Committee Report)
- **Fund Utilization Challenges:**
  - **Low Spending:** Only 40% of DMF funds used and major states like Jharkhand, Odisha, and Rajasthan show poor utilisation (iForest report).
- **Weak Grievance Redressal & Monitoring**: **E.g.,** Absence of **a DMF fund utilization index** hinders transparency in fund utilization (Parliamentary Committee Report).
- **Gap in Achieving PMKKKY Goals in Aspirational Districts**: Of the **112 ADP districts**, **106** are DMF districts, yet key PMKKKY objectives like mitigating mining impacts remain unmet. (Parliamentary Committee Report).

Reforming District Mineral Foundation (DMF) Governance & Implementation

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

Conclusion

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

11.2.2. OFFSHORE MINERALS IN INDIA

Why in the news?

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

About Offshore Minerals in India

- **Offshore Mining:** It is the **process of retrieving mineral deposits from the deep seabed** (>200 metres).
- **Extent: Exclusive Economic Zone (EEZ)** of over two million square kilometers
- **Mineral Deposits:** It includes **gold, diamond, copper, nickel, cobalt, copper, manganese, and rare earth elements**.

Offshore Areas (Existence of Mineral Resources) Rules, 2024

- **Applicability:** All **minerals except** mineral oils, hydrocarbons and **minerals specified in Part B of First Schedule** to the Mines and Minerals (Development and Regulation) Act 1957.
- **Definitions:** Rules use the modified version of **United Nations Framework Classification (UNFC) and Committee for Mineral Reserves International Reporting Standards (CRIRSCO) Template** for following:

- **Exploration Stages: Reconnaissance survey (G4),Preliminary exploration (G3),General exploration (G2) and Detailed exploration (G1).**
- **Feasibility Studies:** Stages includes **Geological study (F3), Pre-feasibility study (F2) and Feasibility study (F1).**

- **Exploration Standards:** A minimum of **General Exploration (G2)** to establish indicated mineral resource is required to **grant mining leases**.
- **Specific Exploration Norms:** Rules set specific exploration norms for a variety of deposits and minerals, including construction-grade silica sand, calcareous mud etc.

Conclusion

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

11.3. COAL SECTOR IN INDIA AT A GLANCE

Coal Sector in India

Key Facts about Coal Sector in India

India holds the **world's 5th largest** coal reserves.	India is **2nd largest coal consumer and importer** globally.	Over **50.7% of India's power** (2023) comes from coal and lignite.

Key Reforms/Initiatives in Coal Sector

Integrated Coal Logistic Policy and Plan, 2024	Investment in Coal Gasification	Enactment of Coal Mines (Special Provisions) CMSP Act- 2015	**Others:** National Coal Index, PM Gati Shati-National Master Plan in coal sector etc.

Way Forward

Promoting Sustainable Practices: E.g. Miyawaki plantation	**Encouraging Private players** to promote technological upgradation etc.	**Import Substitution:** Rationalize coal linkages, Fast-track captive/commercial coal blocks etc.

11.4. STEEL SECTOR IN INDIA AT A GLANCE

Steel Sector in India

Steel Sector Key Facts

Production Target: 500 million tonnes by 2034	**Economic Contribution:** ~2% of GDP.	**Employment opportunities:** Employment multiplier effect of **6.8X** and an output Multiplier effects of **1.4X.**

Major Challenges

Capital-Intensive: ₹7,000 crore needed per tonne for Greenfield steel capacity.	**High Logistics Cost:** Jamshedpur–Mumbai freight ($50/tonne) exceeds Rotterdam–Mumbai ($34/tonne).	**Lack of Raw Material:** E.g. Negligible reserves of coking coal.	**Low per capita consumption:** 97.7 kg in 2023-24 (whereas 219.3 kg for the world)	**Others:** Extremely energy-intensive industry, Export challenges etc.

initiatives taken to promote the steel sector

National Steel Policy, 2017	Make in India initiative	Production-linked incentive (PLI) scheme for speciality steel	**Others:** Mission Purvodaya, Revamped Steel Import Monitoring System (SIMS) 2.0 etc.

Way Forward

Decarbonisation: Invest in clean tech like electric arc furnaces and green hydrogen.	**Tech Upgrade:** R&D, AI, automation boost productivity.	**Product Diversification:** E.g. specialized alloys for automotive and aerospace applications.

11.5. KEY WORDS

Key Words				
Offshore Mining	Critical Minerals	Mineral Exploration	Exclusive Economic Zone (EEZ)	Energy Security
Sustainable Mining	Mineral Reserves	District Mineral Foundation	National Critical Mineral Mission	Pradhan Mantri Khanij Kshetra Kalyan Yojana
Polymetallic Nodules	Rare Earth Elements	Coal Bed Methane	Shale Gas	

11.6. PRACTICE QUESTION

Answer Canvas

Examine the strategic importance of the National Critical Mineral Mission (NCMM) for India's economic development and national security. What are the key challenges in achieving self-reliance in critical minerals?

Introduction	Body Part: 1	Body part: 2	Conclusion
Introduce NCMM	Importance of NCCM in economic development and National Security	Key challenges in achieving self-reliance in critical minerals	Conclude

12. INNOVATION AND ENTREPRENEURSHIP

12.1. DIGITAL PUBLIC INFRASTRUCTURE (DPI)

Why in the News?

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

What is Digital Public Infrastructure (DPI)?

- It is a set of **shared digital systems** that is **secure and interoperable,** can be built on **open standards and specifications** to deliver and provide equitable access to public and / or private services at societal scale, and **governed by applicable legal frameworks and enabling rules** to drive development, inclusion, innovation etc.
- **What is 'Not' DPI?**
  - **Interventions which are complementary to DPI:** E.g., **connectivity infrastructure**
  - **Digital processes that may not enable private innovation:** E.g., digitizing existing physical processes or workflows to create a government portal.

Significance of DPI

- **Accelerate Development:** E.g., with its DPI India achieved in less than a decade financial inclusion levels that would have otherwise taken 5 decades.
- **Spurs Innovation:** E.g., **PhonePe's** (fintech company) growth of $12 Billion is largely due to DPI.
- **Inclusive development:** E.g., **Number of Bank accounts opened in India tripled** from 147.2 million in 2015 to 508.7 million in 2023 in which **women own 55 % of these accounts.**
- **Effective Public Service Delivery:** E.g., DPI enabled effective direct benefit transfer across several Central Government Schemes leading to $ 41 billion savings in India.
- **Resilient:** E.g., During the COVID-19 pandemic, countries worldwide were able to leverage digital vaccination certificates.
- **Empowers Individuals:** By **protecting individuals with economic mobility** and key **digital rights** such as control over their money and data.
- **Other factors that highlight DPI's significance:**
  - **Fiscally prudent** as it uses a mix of public & private financing.
  - Enables **maintaining control over critical national infrastructure.**

About India's DPI

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

Way Forward

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

Conclusion

DPI serves as a transformative foundation for inclusive growth, innovation, and efficient public service delivery. India's success with initiatives like India Stack highlights DPI's potential to accelerate financial inclusion and empower citizens. Moving forward, global collaboration, open standards, and strategic investments are key to scaling DPI for sustainable development worldwide.

12.2. INNOVATION ECOSYSTEM FOR DEEP TECH

Why in the News?

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

What are Deep Tech Startups?

- Deep Technology or Deep Tech refers to innovations founded on **advanced scientific and technological breakthroughs**, encompassing various technologies.
- DeepTech startups **utilize existing advanced technologies to create novel-to-market solutions** for complex and often unresolved problems.

Deep Tech Startup Ecosystem in India

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

Why are Deep Tech Startups lagging in India?

- **Lagging Institutional Support:** Only one in six public-funded research and development organisations provide support to 'deep tech' startups in India (**Office of the Principal Scientific Advisor** Study)
- **Inconsistent Funding:** In 2023, Indian Deep Tech startups saw a decline in funding over the previous year, but it increased in 2024.
  - Also, India's venture capital (VC) landscape prioritises quick returns over patient capital.
- **Long Gestation Period:** Deep tech startup provides **Extended development timelines and high capital intensity**.
- **Focus on Consumption-Driven Startups:** India's startup boom has largely been fuelled by consumer-facing businesses rather than deep-tech breakthroughs.
- **Regulatory Hurdles:** Policy uncertainty like scrapped angel tax, red tape hinder progress.
- **Limited Academia-Industry Collaboration:** It hinders prototyping and commercializing of research outcomes.

Initiatives for India's Deep Tech Ecosystem

Deep Tech Fund of Funds
Proposed in Union Budget 2025-26.

Draft National Deep Tech Startup Policy
A policy framework to create Fund of Funds and enhance technology commercialization. and R&D

ADITI Scheme
Grants for developing critical and strategic defense technologies.

Anusandhan National Research Foundation
Creating a "Cloud of Research and Innova-tion Infrastructure" providing access to underused scientific equipment and facilities.

Thematic Missions
National strategy on Blockchain, AIRAWAT, National Quantum Mission, India AI Mission etc.

International Collaborations
Initiative on Critical and Emerging Technol-ogy (ICET) with USA, Partnership for Resilient Semiconductor Supply Chain with Japan and QUIN by Quad Members.

Conclusion

A thriving deep-tech ecosystem can position India as a global innovation leader. With targeted policy support, robust R&D infrastructure, and patient capital, deep-tech startups can drive next-generation solutions for national and global challenges.

12.2.1. RESEARCH AND DEVELOPMENT ECOSYSTEM IN INDIA AT A GLANCE

Research and Development Ecosystem in India

SIGNIFICANCE FOR NATIONAL GROWTH

Sustaining economic growth by bringing industrial transformation, increasing productivity, expanding the markets, and creating employment and generating wealth and capital.	**Creating knowledge based economy.**	**Solving socio-economic challenges** for sustainable growth and ensuring India's security.	**Facilitating future preparedness in emerging domains** like Artificial Intelligence (AI), the Internet of Things (IOT), robotics, Big Data Analysis, etc.	**Others: Attracting foreign investments; Promoting self-reliance and resolving trade imbalances etc.**

IMPEDIMENTS IN R&D SECTOR

Financial constraints: Stagnant GERD to GDP ratio and Inadequate private sector investment into R&D.	**Persistent issues in India's educational system:** Shortage of institutions offering research opportunities; Outdated curriculum and pedagogy; etc.	**Socio-cultural issues:** Risk-Averse Ecosystem; Brain Drain and Lack of inclusivity.	**Challenges in translating research into successful technologies** due to Skewed focus towards basic research and Low Industry-academia connect.	**Structural issues:** Fragmented R&D ecosystem; Narrow focus; Vacuum in planning/strategizing etc.

GOVERNMENT MEASURES TO BOOST R&D

Facilitating private investment in R&D: through Fiscal Incentives for Scientific Research, Permitting FDI under 100% automatic route etc.	**Streamlining regulatory processes** related to patent filing and research proposals.	**International cooperation:** Bilateral agreements with USA, Israel etc .;	**Providing infrastructural support** to researchers through schemes like- SATHI, SAIF etc.	**Established Anusandhan National Research Foundation** to serve as an apex body for providing strategic direction

WAY FORWARD: MAKING INDIA GLOBAL R&D HUB

Increase R&D investments by encouraging investment from the private sector through measures like De-risking mechanisms for joint investments; Provision of incentives etc.	**Reforms in educational system:** Develop efficient governance mechanisms; Foster innovation mindset; Promote research as an attractive career option; etc.	**Commercialization of research activities** by enhancing Industry academia connect and investing in application-oriented R&D activities.	**Strategizing R&D activities by** using Institutions like the Office of Principal Scientific Adviser and NITI Aayog; Aligning research promotion activities with National Missions; etc.

12.3. GLOBAL INNOVATION INDEX 2024 AND SOCIAL ENTREPRENEURSHIP

Why in the news?

Recently, the **Global Innovation Index (GII), 2024** was released by the **World Intellectual Property Organization (WIPO), Cornell University and INSEAD Business School.**

GII 2024: Key Findings

India:

- India ranked **39th among 133 nations**, **improving** ranking by one position from **40th in 2023.**
- India holds the **top** rank in both **lower middle-income economies** as well as the **Central and Southern Asia region** for Knowledge and technology outputs, Creative outputs, Institutions and Business sophistication.
- Bengaluru, Delhi, Chennai and Mumbai are among the **top 100 S&T clusters.**

Social entrepreneurship and enterprises

- Social entrepreneurship is a way to achieve the **generation of economic wealth** while addressing various issues like **poverty, environmental sustainability and social injustice**.
- It **combines efficiency, innovation, and resources of profit-making entrepreneurs** with the **passion, values, mission, and concerns** of non-profit organizations**.**

Potential/Significance of Social Entrepreneurship and Social Enterprises

- **Economic growth**: Contribute around **USD 2 trillion to global GDP**.
  - **Potential for social enterprises in India** is estimated to be **US$ 8 billion by 2025**.
- **Influencing Policy through expertise:** E.g. **Ethiopian** policymakers collaborated with **Tebita Ambulance** (a social enterprise) to build **emergency medical service standards and licensing system.**
- **Sustainable development**: E.g. **SELCO**, a social enterprise in India, provides **sustainable energy solutions** to **under-served households** and businesses.
- **Integrate social innovation into Corporations:** Aids traditional corporations in shifting from **Corporate Social Responsibility (CSR) to Corporate Social Innovation.**
- **Social transformation**: **Empowering of the vulnerable sections** and tackling **economic inequality**.

Challenges

- **Institutional framework:** Limited **collaboration** between policymakers and social entrepreneurs and **regulatory restrictions**
- **Human capital:** Requirement of **complex skillsets** for social entrepreneurship
- **Definition: Lack of globally recognised standards and definitions for social** entrepreneurship
- **Financing:** High dependence on self and public financing

India's Initiatives to promote Social Entrepreneurship

- **Atal Innovation Mission (AIM); ASPIRE – A Scheme for Promotion of Innovation, Rural Industries and Entrepreneurship; and Aatmanirbhar Bharat ARISE-ANIC program** to promote research & innovation and increase competitiveness of Indian startups and MSMEs
- **Corporate social responsibility (CSR):** Mandatory provision of **Companies Act, 2013**
- **Social Stock Exchange (SSE):** Aimed at providing social enterprises with **enhanced visibility and access to capital.**
- **Social Impact Bonds: E.g. The Special Window for Affordable and Mid-Income Housing (SWAMIH) Investment Fund** is India's largest social impact fund.

Conclusion

Social entrepreneurship merges **business innovation with social goals,** offering a transformative way to address global challenges. Supportive policies, infrastructure, and financing can help these enterprises thrive and drive **sustainable development.**

12.4. GLOBAL CAPABILITY CENTRES (GCC)

Why in the news?

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

What are Global Capability Centres (GCCs)?

- These are **offshore units set up by multinational companies** to deliver specialized services such as IT, R&D, customer support, and business operations to their parent organizations.
  - India hosts **over 1,700 GCCs**, representing the **highest concentration globally** and an ecosystem of unmatched scale.

Drivers of GCC Growth in India

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

Impact of GCCs on India's Corporate Landscape

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

Conclusion

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

12.5. KEY WORDS

Key Words				
Structural Transformation	Global Capability Centres	Deep Tech Startups	Global Innovation Index	Social Entrepreneurship
Gross Domestic Knowledge Product	Venture Capital	Corporate Social Innovation	Social Stock Exchange	Labour Productivity
R&D Ecosystem	Policy Reforms	Public Infrastructure		

12.6. PRACTICE QUESTION

Answer Canvas

Discuss the role of Global Capability Centres (GCCs) in fostering regional development and technological innovation in India. How can their expansion to tier-2 and tier-3 cities contribute to more inclusive economic growth?

Introduction	Body Part: 1	Body part: 2	Conclusion
Introduce GCCs	Role in Regional development and technological innovation	Contribution in inclusive growth by expansion to tier-2/3 cities.	Conclude

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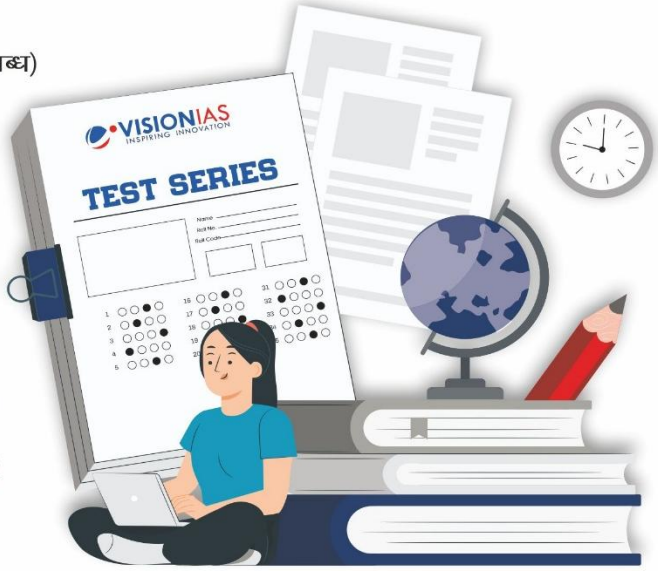

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13. ECONOMY PREVIOUS YEAR QUESTION 2013-2024 (SYLLABUS-WISE)

GS-III: Technology, Economic Development, Biodiversity, Environment, Security and Disaster Management

Indian Economy and issues relating to planning, mobilization of resources, growth, development and employment

- What is the present world scenario of intellectual property rights with respect to life materials? Although, India is second in the world to file patents, still only a few have been commercialized. Explain the reasons behind this less commercialization. **(2024,10 Marks)**
- Distinguish between 'care economy' and 'monetised economy'. How can care economy be brought into monetised economy through women empowerment? **(2023, 15 marks)**
- Most of the unemployment in India is structural in nature. Examine the methodology adopted to compute unemployment in the country and suggest improvements. **(2023, 15 marks)**
- What is the status of digitalization in the Indian economy? Examine the problems faced in this regard and suggest improvements. **(2023, 10 marks)**
- Faster economic growth requires increased share of the manufacturing sector in GDP, particularly of MSMEs. Comment on the present policies of the government in this regard. **(2023, 10 marks)**
- Economic growth in the recent past has been led by increase in labour activity." Explain this statement. Suggest the growth pattern that will lead to creation of more jobs without compromising labour productivity. **(2022, 15 Marks)**
- Explain the difference between computing methodology of India's Gross Domestic Product (GDP) before the year 2015 and after the year 2015. **(2021, 10 Marks)**
- Do you agree that the Indian economy has recently experienced V- shaped recovery? Give reasons in support of your answer. **(2021, 15 Marks)**
- Define potential GDP and explain its determinants. What are the factors that have been inhibiting India from realizing its potential GDP? **(2020, 10 Marks)**
- Explain the rationale behind the Goods and Services Tax (Compensation to States) Act of 2017. How has COVID-19 impacted the GST compensation fund and created new federal tensions? **(2020, 15 Marks)**
- Enumerate the indirect taxes which have been subsumed in the goods and services tax (GST) in India. Also, comment on the revenue implications of the GST introduced in India since July 2017. **(2019, 10 Marks)**
- Do you agree with the view that steady GDP growth and low inflation have left the Indian economy in good shape? Give reasons in support of your arguments. **(2019, 10 Marks)**
- How are principles followed by the NITI Aayog different from those followed by erstwhile Planning Commission in India? **(2018, 15 Marks)**
- How would the recent phenomena of protectionism and currency manipulations in world trade affect macroeconomic stability of India? **(2018, 15 Marks)**
- Among several factors for India's potential growth, savings rate is the most effective one. Do you agree? What are the other factors available for growth potential? **(2017, 10 Marks)**
- The nature of economic growth in India in recent times is often described as jobless growth. Do you agree with this view? Give arguments in favour of your answer. **(2015, 12.5 Marks)**
- In what way could replacement of price subsidy with Direct Benefit Transfer (DBT) change the scenario of subsidies in India? Discuss. **(2015, 12.5 Marks)**
- Craze for gold in Indians has led to a surge in import of gold in recent years and put pressure on balance of payments and external value of rupee. In view of this, examine the merits of Gold Monetization Scheme. **(2015, 12.5 Marks)**

- "While we flaunt India's demographic dividend, we ignore the dropping rates of employability." What are we missing while doing so? Where will the jobs that India desperately needs come from? Explain. **(2014, 12.5 Marks)**
- Capitalism has guided the world economy to unprecedented prosperity. However, it often encourages short-sightedness and contributes to wide disparities between the rich and the poor. In this light, would it be correct to believe and adopt capitalism for bringing inclusive growth in India? Discuss. **(2014, 12.5 Marks)**
- Discuss the rationale for introducing Goods and Services Tax (GST) in India. Bring out critically the reasons for the delay in roll out for its regime. **(2013, 10 Marks)**

Inclusive growth and issues arising from it

- Examine the pattern and trend of public expenditure on social services in the post-reforms period in India. To what extent this has been in consonance with achieving the objective of inclusive growth? **(2024,10 Marks)**
- Is inclusive growth possible under market economy? State the significance of financial inclusion in achieving economic growth in India. **(2022, 10 Marks)**
- Explain intra-generational and inter-generational issues of equity from the perspective of inclusive growth and sustainable development. **(2020, 10 Marks)**
- It is argued that the strategy of inclusive growth is intended to meet the objectives of inclusiveness and sustainability together. Comment on this statement. **(2019, 15 Marks)**
- What are the salient features of 'inclusive growth'? Has India been experiencing such a growth process? Analyse and suggest measures for inclusive growth. **(2017, 15 Marks)**
- Pradhan Mantri Jan Dhan Yojana (PMJDY) is necessary for bringing unbanked to the institutional finance fold. Do you agree with this for financial inclusion of the poor section of the Indian society? Give arguments to justify your opinion. **(2016, 12.5 Marks)**
- Comment on the challenges for inclusive growth which include careless and useless manpower in the Indian context. Suggest measures to be taken for facing these challenges. **(2016, 12.5 Marks)**

Government Budgeting

- Distinguish between Capital Budget and Revenue Budget. Explain the components of both these Budgets. **(2021, 10 Marks)**
- The public expenditure management is a challenge to the Government of India in context of budget making during the post liberalization period. Clarify it. **(2019, 15 Marks)**
- Comment on the important changes introduced in respect of the Long Term Capital Gains Tax (LTCGT) and Dividend Distribution Tax (DDT) in the Union Budget for 2018-2019. **(2018, 10 Marks)**
- One of the intended objectives of Union-Budget 2017-18 is to 'transform, energize and clean India'.
- Analyze the measures proposed in the Budget 2017-18 to achieve the objective. **(2017, 15 Marks)**
- What were the reasons for the introduction of Fiscal Responsibility and Budget Management (FRBM) Act, 2003? Discuss critically its salient features and their effectiveness. **(2013, 10 Marks)**
- What is the meaning of the term 'tax expenditure'? Taking housing sector as an example, discuss how it influences the budgetary policies of the government. **(2013, 10 Marks)**

Agriculture: Major crops, Cropping patterns in various parts of the country

- Explain the changes in cropping patterns in India in the context of changes in consumption patterns and marketing conditions. **(2023, 15 marks)**
- What is Integrated Farming System? How is it helpful to small and marginal farmers in India? **(2022, 15 Marks)**
- What are the present challenges before crop diversification? How do emerging technologies provide an opportunity for crop diversification? **(2021, 15 Marks)**

- What are the major factors responsible for making rice-wheat system a success? In spite of this success how has this system become bane in India? **(2020, 15 Marks)**
- How far is Integrated Farming System (IFS) helpful in sustaining agricultural production **(2019, 10 Marks)**
- How has the emphasis on certain crops brought about changes in cropping patterns in recent past? Elaborate the emphasis on millets production and consumption. **(2018, 15 Marks)**
- Assess the role of National Horticulture Mission (NHM) in boosting the production, productivity and income of horticulture farms. How far has it succeeded in increasing the income of farmers? **(2018, 15 Marks)**
- What are the major reasons for declining rice and wheat yield in the cropping system? How crop diversification is helpful to stabilise the yield of the crops in the system? **(2017, 15 Marks)**
- How do subsidies affect the cropping pattern, crop diversity and economy of farmers? What is the significance of crop insurance, minimum support price and food processing for small and marginal farmers? **(2017, 15 Marks)**
- What is allelopathy? Discuss its role in major cropping systems of irrigated agriculture. **(2016, 12.5 Marks)**

Different types of irrigation and irrigation systems

- What are the major challenges faced by Indian irrigation system in recent times? State the measures taken by the government for efficient irrigation management. **(2024,15 Marks)**
- How and to what extent would micro-irrigation help in solving India's water crisis? **(2021, 10 Marks)**
- Suggest measures to improve water storage and irrigation system to make its judicious use under depleting scenario. **(2020, 15 Marks)**
- Elaborate the impact of National Watershed Project in increasing agricultural production from water stressed areas. **(2019, 10 Marks)**
- What is water-use efficiency? Describe the role of micro-irrigation in increasing the water-use efficiency. **(2016, 12.5 Marks)**

Storage, transport and marketing of agricultural produce and issues and related constraints

- What are the main bottlenecks in upstream and downstream process of marketing of agricultural products in India? **(2022, 15 Marks)**
- What are the main constraints in transport and marketing of agricultural produce in India? **(2020, 10 Marks)**
- There is also a point of view that Agricultural Produce Market Committees (APMCs) set up under the State Acts have not only impeded the development of agriculture but also have been the cause of food inflation in India. Critically examine. **(2014, 12.5 Marks)**

E-technology in the aid of farmers

- How does e-Technology help farmers in production and marketing of agricultural produce? Explain it. **(2023, 10 marks)**
- How is science interwoven deeply with our lives? What are the striking changes in agriculture triggered off by the science-based technologies? **(2020, 10 Marks)**
- How can the 'Digital India' programme help farmers to improve farm productivity and income? What steps has the Government taken in this regard? **(2015, 12.5 Marks)**

Issues related to direct and indirect farm subsidies and MSP

- What are the causes of persistent high food inflation in India? Comment on the effectiveness of the monetary policy of the RBI to control this type of inflation. **(2024,10 Marks)**
- What are the direct and indirect subsidies provided to farm sector in India. Discuss the issues raised by the World Trade Organization (WTO) in relation to agricultural subsidies. **(2023, 15 marks)**

- What do you mean by Minimum Support Price (MSP)? How will MSP rescue the farmers from the low-income trap? **(2018, 10 Marks)**
- Given the vulnerability of Indian agriculture to vagaries of nature, discuss the need for crop insurance and bring out the salient features of the Pradhan Mantri Fasal Bima Yojana (PMFBY). **(2016, 12.5 Marks)**
- "In the villages itself no form of credit organization will be suitable except the cooperative society." — All India Rural Credit Survey. Discuss this statement in the background of agricultural finance in India. What constraints and challenges do financial institutions supplying agricultural finance face? How can technology be used to better reach and serve rural clients? **(2014, 12.5 Marks)**
- What are the different types of agriculture subsidies given to farmers at the national and at state levels? Critically analyse the agricultural subsidy regime with reference to the distortions created by it. **(2013, 10 Marks)**

Public Distribution System- objectives, functioning, limitations, revamping; Issues of buffer stocks and food security

- Explain the role of millets for ensuring health and nutritional security in India. **(2024,10 Marks)**
- Elucidate the importance of buffer stocks for stabilizing agricultural prices in India. What are the challenges associated with the storage of buffer stock? Discuss. **(2024,15 Marks)**
- What are the major challenges of Public Distribution System (PDS) in India? How can it be made effective and transparent? **(2022, 10 Marks)**
- What are the salient features of the National Food Security Act, 2013? How has the Food Security Bill helped in eliminating hunger and malnutrition in India? **(2021, 15 Marks)**
- What are the reformative steps taken by the Government to make food grain distribution system more effective? **(2019, 15 Marks)**
- Food Security Bill is expected to eliminate hunger and malnutrition in India. Critically discuss various apprehensions in its effective implementation along with the concerns it has generated in WTO. **(2013, 10 Marks)**

Technology missions

- How was India benefited from the contributions of Sir M. Visvesvaraya and Dr. M. S. Swaminathan in the fields of water engineering and agricultural science respectively? **(2019, 10 Marks)**
- Explain various types of revolutions, took place in Agriculture after Independence in India. How these revolutions have helped in poverty alleviation and food security in India? **(2017, 10 Marks)**
- India needs to strengthen measures to promote the pink revolution in food industry for ensuring better nutrition and health. Critically elucidate the statement. **(2013, 10 Marks)**

Economics of animal-rearing

- Livestock rearing has a big potential for providing non-farm employment and income in rural areas. Discuss suggesting suitable measures to promote this sector in India. **(2015, 12.5 Marks)**

Food Processing & Related Industries: Scope and significance, Location, Upstream and downstream requirements, Supply chain management

- Elaborate the scope and significance of the food processing industry in India. **(2022, 10 Marks)**
- What are the challenges and opportunities of food processing sector in the country? How can income of the farmers be substantially increased by encouraging food processing? **(2020, 10 Marks)**
- Elaborate the policy taken by the Government of India to meet the challenges of the food processing sector. **(2019, 15 Marks)**
- Examine the role of supermarkets in supply chain management of fruits, vegetables, and food items. How do they eliminate number of intermediaries? **(2018, 10 Marks)**
- What are the reasons for poor acceptance of cost-effective small processing unit? How the food processing unit will be helpful to uplift the socio-economic status of poor farmers? **(2017, 10 Marks)**

- What are the impediments in marketing and supply chain management in developing the food processing industry in India? Can e-commerce help in overcoming these bottlenecks? **(2015, 12.5 Marks)**

Economic Reforms: Land reforms in India

- What were the factors responsible for the successful implementation of land reforms in some parts of the country? Elaborate. **(2024,10 Marks)**
- State the objectives and measures of land reforms in India. Discuss how land ceiling policy on landholding can be considered as an effective reform under economic criteria. **(2023, 10 marks)**
- How did land reforms in some parts of the country help to improve the socio-economic conditions of marginal and small farmers? **(2021, 10 Marks)**
- Discuss the role of land reforms in agricultural development Identify the factors that were responsible for the success of land reforms in India. **(2016, 12.5 Marks)**
- In view of the declining average size of land holdings in India which has made agriculture non–viable for a majority of farmers, should contract farming and land leasing be promoted in agriculture? Critically evaluate the pros and cons. **(2015, 12.5 Marks)**
- Establish relationship between land reforms, agriculture productivity and elimination of poverty in the Indian economy. Discuss the difficulties in designing and implementation of agriculture friendly land reforms in India. **(2013, 10 Marks)**
- The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 has come into effect from 1st January, 2014. What are the key issues which would get addressed with the Act in place? What implications would it have on industrialization and agriculture in India? **(2014, 12.5 Marks)**

Effects of liberalization on the economy, Changes in industrial policy and their effects on industrial growth

- Discuss the merits and demerits of the four 'Labour Codes' in the context of labour market reforms in India. What has been the progress so far in this regard? **(2024,15 Marks)**
- Account for the failure of manufacturing sector in achieving the goal of labour-intensive exports. Suggest measures for more labour-intensive rather than capital-intensive exports. **(2017, 10 Marks)**
- "Industrial growth rate has lagged behind in the overall growth of Gross-Domestic-Product (GDP) in the post-reform period" Give reasons. How far the recent changes in Industrial Policy are capable of increasing the industrial growth rate? **(2017, 7+8= 15 Marks)**
- How globalization has led to the reduction of employment in the formal sector of the Indian economy? Is increased informalization detrimental to the development of the country? **(2016, 12.5 Marks)**
- Justify the need for FDI for the development of the Indian economy. Why there is gap between MoUs signed and actual FDIs? Suggest remedial steps to be taken for increasing actual FDIs in India. **(2016, 12.5 Marks)**
- "Success of 'Make in India' programme depends on the success of 'Skill India' programme and radical labour reforms." Discuss with logical arguments. **(2015, 12.5 Marks)**
- There is a clear acknowledgement that Special Economic Zones (SEZs) are a tool of industrial development, manufacturing and exports. Recognising this potential, the whole instrumentality of SEZs require augmentation. Discuss the issues plaguing the success of SEZs with respect to taxation, governing laws and administration. **(2015, 12.5 Marks)**
- Normally countries shift from agriculture to industry and then later to services, but India shifted directly from agriculture to services. What are the reasons for the huge growth of services vis-à-vis industry in the country? Can India become a developed country without a strong industrial base? **(2014, 12.5 Marks)**
- Foreign Direct Investment (FDI) in the defence sector is now set to be liberalized. What influence this is expected to have on Indian defence and economy in the short and long run? **(2014, 12.5 Marks)**

- Examine the impact of liberalization on companies owned by Indians. Are they competing with the MNCs satisfactorily? Discuss. **(2013, 10 Marks)**
- Discuss the impact of FDI entry into Multi-trade retail sector on supply chain management in commodity trade pattern of the economy. **(2013, 5 Marks)**
- Though India allowed Foreign Direct Investment (FDI) in what is called multi-brand retail through the joint venture route in September 2012, the FDI, even after a year, has not picked up. Discuss the reasons. **(2013, 5 Marks)**
- With a consideration towards the strategy of inclusive growth, the new Companies Bill, 2013 has indirectly made CSR a mandatory obligation. Discuss the challenges expected in its implementation in right earnest. Also discuss other provisions in the Bill and their implications. **(2013, 10 Marks)**

Infra: Energy, Ports, Roads, Airports, Railways etc. and Investment models

- What is the technology being employed for electronic toll collection on highways? What are its advantages and limitations? What are the proposed changes that will make this process seamless? Would this transition carry any potential hazards? **(2024,10 Marks)**
- What is the need for expanding the regional air connectivity in India? In this context, discuss the government's UDAN Scheme and its achievements. **(2024,15 Marks)**
- Do you think India will meet 50 percent of its energy needs from renewable energy by 2030? Justify your answer. How will the shift of subsidies from fossil fuels to renewables help achieve the above objective? Explain. **(2022, 15 Marks)**
- Why is Public Private Partnership (PPP) required in infrastructural projects? Examine the role of PPP model in the redevelopment of Railway Stations in India. **(2022, 10 Marks)**
- "Investment in infrastructure is essential for more rapid and inclusive economic growth. "Discuss in the light of India's experience. **(2021, 15 Marks)**
- Explain the meaning of investment in an economy in terms of capital formation. Discuss the factors to be considered while designing a concession agreement between a public entity and a private entity. **(2020, 15 Marks)**
- Describe the benefits of deriving electric energy from sunlight in contrast to the conventional energy generation. What are the initiatives offered by our Government for this purpose? **(2020, 15 Marks)**
- "Access to affordable, reliable, sustainable and modern energy is the sine qua non to achieve Sustainable Development Goals (SDGs)." Comment on the progress made in India in this regard. **(2018, 10 Marks)**
- With growing energy needs should India keep on expanding its nuclear energy programme? Discuss the facts and fears associated with nuclear energy? **(2018, 15 Marks)**
- Examine the development of Airports in India through joint ventures under Public – Private Partnership (PPP) model. What are the challenges faced by the authorities in this regard. **(2017, 10 Marks)**
- What are 'Smart Cities'? Examine their relevance for urban development in India. Will it increase rural-urban differences? Give arguments for 'Smart Villages' in the light of PURA and RURBAN Mission. **(2016, 12.5 Marks)**
- Give an account of the current status and the targets to be achieved pertaining to renewable energy sources in the country. Discuss in brief the importance of National Programme on Light Emitting Diodes (LEDs). **(2016, 12.5 Marks)**
- To what factors can the recent dramatic fall in equipment costs and tariff of solar energy be attributed? What implications does the trend have for the thermal power producers and the related industry? **(2015, 12.5 Marks)**
- Explain how Private Public Partnership arrangements, in long gestation infrastructure projects, can transfer unsustainable liabilities to the future. What arrangements need to be put in place to ensure that successive generations' capacities are not compromised? **(2014, 12.5 Marks)**
- National Urban Transport Policy emphasises on 'moving people' instead of 'moving vehicles'. Discuss critically the success of the various strategies of the Government in this regard. **(2014, 12.5 Marks)**

- Write a note on India's green energy corridor to alleviate the problem of conventional energy. **(2013, 10 Marks)**
- Adoption of PPP model for infrastructure development of the country has not been free of criticism. Critically discuss pros and cons of the model. **(2013, 10 Marks)**

III: Technology, Economic Development, Biodiversity, Environment, Security and Disaster Management

Indian Economy and issues relating to planning, mobilization of resources, growth, development and employment

- What is the present world scenario of intellectual property rights with respect to life materials? Although, India is second in the world to file patents, still only a few have been commercialized. Explain the reasons behind this less commercialization. **(2024,10 Marks)**
- Distinguish between 'care economy' and 'monetised economy'. How can care economy be brought into monetised economy through women empowerment? **(2023, 15 marks)**
- Most of the unemployment in India is structural in nature. Examine the methodology adopted to compute unemployment in the country and suggest improvements. **(2023, 15 marks)**
- What is the status of digitalization in the Indian economy? Examine the problems faced in this regard and suggest improvements. **(2023, 10 marks)**
- Faster economic growth requires increased share of the manufacturing sector in GDP, particularly of MSMEs. Comment on the present policies of the government in this regard. **(2023, 10 marks)**
- Economic growth in the recent past has been led by increase in labour activity." Explain this statement. Suggest the growth pattern that will lead to creation of more jobs without compromising labour productivity. **(2022, 15 Marks)**
- Explain the difference between computing methodology of India's Gross Domestic Product (GDP) before the year 2015 and after the year 2015. **(2021, 10 Marks)**
- Do you agree that the Indian economy has recently experienced V- shaped recovery? Give reasons in support of your answer. **(2021, 15 Marks)**
- Define potential GDP and explain its determinants. What are the factors that have been inhibiting India from realizing its potential GDP? **(2020, 10 Marks)**
- Explain the rationale behind the Goods and Services Tax (Compensation to States) Act of 2017. How has COVID-19 impacted the GST compensation fund and created new federal tensions? **(2020, 15 Marks)**
- Enumerate the indirect taxes which have been subsumed in the goods and services tax (GST) in India. Also, comment on the revenue implications of the GST introduced in India since July 2017. **(2019, 10 Marks)**
- Do you agree with the view that steady GDP growth and low inflation have left the Indian economy in good shape? Give reasons in support of your arguments. **(2019, 10 Marks)**
- How are principles followed by the NITI Aayog different from those followed by erstwhile Planning Commission in India? **(2018, 15 Marks)**
- How would the recent phenomena of protectionism and currency manipulations in world trade affect macroeconomic stability of India? **(2018, 15 Marks)**
- Among several factors for India's potential growth, savings rate is the most effective one. Do you agree? What are the other factors available for growth potential? **(2017, 10 Marks)**
- The nature of economic growth in India in recent times is often described as jobless growth. Do you agree with this view? Give arguments in favour of your answer. **(2015, 12.5 Marks)**
- In what way could replacement of price subsidy with Direct Benefit Transfer (DBT) change the scenario of subsidies in India? Discuss. **(2015, 12.5 Marks)**
- Craze for gold in Indians has led to a surge in import of gold in recent years and put pressure on balance of payments and external value of rupee. In view of this, examine the merits of Gold Monetization Scheme. **(2015, 12.5 Marks)**

- "While we flaunt India's demographic dividend, we ignore the dropping rates of employability." What are we missing while doing so? Where will the jobs that India desperately needs come from? Explain. **(2014, 12.5 Marks)**
- Capitalism has guided the world economy to unprecedented prosperity. However, it often encourages short-sightedness and contributes to wide disparities between the rich and the poor. In this light, would it be correct to believe and adopt capitalism for bringing inclusive growth in India? Discuss. **(2014, 12.5 Marks)**
- Discuss the rationale for introducing Goods and Services Tax (GST) in India. Bring out critically the reasons for the delay in roll out for its regime. **(2013, 10 Marks)**

Inclusive growth and issues arising from it

- Examine the pattern and trend of public expenditure on social services in the post-reforms period in India. To what extent this has been in consonance with achieving the objective of inclusive growth? **(2024,10 Marks)**
- Is inclusive growth possible under market economy? State the significance of financial inclusion in achieving economic growth in India. **(2022, 10 Marks)**
- Explain intra-generational and inter-generational issues of equity from the perspective of inclusive growth and sustainable development. **(2020, 10 Marks)**
- It is argued that the strategy of inclusive growth is intended to meet the objectives of inclusiveness and sustainability together. Comment on this statement. **(2019, 15 Marks)**
- What are the salient features of 'inclusive growth'? Has India been experiencing such a growth process? Analyse and suggest measures for inclusive growth. **(2017, 15 Marks)**
- Pradhan Mantri Jan Dhan Yojana (PMJDY) is necessary for bringing unbanked to the institutional finance fold. Do you agree with this for financial inclusion of the poor section of the Indian society? Give arguments to justify your opinion. **(2016, 12.5 Marks)**
- Comment on the challenges for inclusive growth which include careless and useless manpower in the Indian context. Suggest measures to be taken for facing these challenges. **(2016, 12.5 Marks)**

Government Budgeting

- Distinguish between Capital Budget and Revenue Budget. Explain the components of both these Budgets. **(2021, 10 Marks)**
- The public expenditure management is a challenge to the Government of India in context of budget making during the post liberalization period. Clarify it. **(2019, 15 Marks)**
- Comment on the important changes introduced in respect of the Long Term Capital Gains Tax (LTCGT) and Dividend Distribution Tax (DDT) in the Union Budget for 2018-2019. **(2018, 10 Marks)**
- One of the intended objectives of Union-Budget 2017-18 is to 'transform, energize and clean India'.
- Analyze the measures proposed in the Budget 2017-18 to achieve the objective. **(2017, 15 Marks)**
- What were the reasons for the introduction of Fiscal Responsibility and Budget Management (FRBM) Act, 2003? Discuss critically its salient features and their effectiveness. **(2013, 10 Marks)**
- What is the meaning of the term 'tax expenditure'? Taking housing sector as an example, discuss how it influences the budgetary policies of the government. **(2013, 10 Marks)**

Agriculture: Major crops, Cropping patterns in various parts of the country

- Explain the changes in cropping patterns in India in the context of changes in consumption patterns and marketing conditions. **(2023, 15 marks)**
- What is Integrated Farming System? How is it helpful to small and marginal farmers in India? **(2022, 15 Marks)**
- What are the present challenges before crop diversification? How do emerging technologies provide an opportunity for crop diversification? **(2021, 15 Marks)**

- What are the major factors responsible for making rice-wheat system a success? In spite of this success how has this system become bane in India? **(2020, 15 Marks)**
- How far is Integrated Farming System (IFS) helpful in sustaining agricultural production **(2019, 10 Marks)**
- How has the emphasis on certain crops brought about changes in cropping patterns in recent past? Elaborate the emphasis on millets production and consumption. **(2018, 15 Marks)**
- Assess the role of National Horticulture Mission (NHM) in boosting the production, productivity and income of horticulture farms. How far has it succeeded in increasing the income of farmers? **(2018, 15 Marks)**
- What are the major reasons for declining rice and wheat yield in the cropping system? How crop diversification is helpful to stabilise the yield of the crops in the system? **(2017, 15 Marks)**
- How do subsidies affect the cropping pattern, crop diversity and economy of farmers? What is the significance of crop insurance, minimum support price and food processing for small and marginal farmers? **(2017, 15 Marks)**
- What is allelopathy? Discuss its role in major cropping systems of irrigated agriculture. **(2016, 12.5 Marks)**

Different types of irrigation and irrigation systems

- What are the major challenges faced by Indian irrigation system in recent times? State the measures taken by the government for efficient irrigation management. **(2024,15 Marks)**
- How and to what extent would micro-irrigation help in solving India's water crisis? **(2021, 10 Marks)**
- Suggest measures to improve water storage and irrigation system to make its judicious use under depleting scenario. **(2020, 15 Marks)**
- Elaborate the impact of National Watershed Project in increasing agricultural production from water stressed areas. **(2019, 10 Marks)**
- What is water-use efficiency? Describe the role of micro-irrigation in increasing the water-use efficiency. **(2016, 12.5 Marks)**

Storage, transport and marketing of agricultural produce and issues and related constraints

- What are the main bottlenecks in upstream and downstream process of marketing of agricultural products in India? **(2022, 15 Marks)**
- What are the main constraints in transport and marketing of agricultural produce in India? **(2020, 10 Marks)**
- There is also a point of view that Agricultural Produce Market Committees (APMCs) set up under the State Acts have not only impeded the development of agriculture but also have been the cause of food inflation in India. Critically examine. **(2014, 12.5 Marks)**

E-technology in the aid of farmers

- How does e-Technology help farmers in production and marketing of agricultural produce? Explain it. **(2023, 10 marks)**
- How is science interwoven deeply with our lives? What are the striking changes in agriculture triggered off by the science-based technologies? **(2020, 10 Marks)**
- How can the 'Digital India' programme help farmers to improve farm productivity and income? What steps has the Government taken in this regard? **(2015, 12.5 Marks)**

Issues related to direct and indirect farm subsidies and MSP

- What are the causes of persistent high food inflation in India? Comment on the effectiveness of the monetary policy of the RBI to control this type of inflation. **(2024,10 Marks)**
- What are the direct and indirect subsidies provided to farm sector in India. Discuss the issues raised by the World Trade Organization (WTO) in relation to agricultural subsidies. **(2023, 15 marks)**

- What do you mean by Minimum Support Price (MSP)? How will MSP rescue the farmers from the low-income trap? **(2018, 10 Marks)**
- Given the vulnerability of Indian agriculture to vagaries of nature, discuss the need for crop insurance and bring out the salient features of the Pradhan Mantri Fasal Bima Yojana (PMFBY). **(2016, 12.5 Marks)**
- "In the villages itself no form of credit organization will be suitable except the cooperative society." — All India Rural Credit Survey. Discuss this statement in the background of agricultural finance in India. What constraints and challenges do financial institutions supplying agricultural finance face? How can technology be used to better reach and serve rural clients? **(2014, 12.5 Marks)**
- What are the different types of agriculture subsidies given to farmers at the national and at state levels? Critically analyse the agricultural subsidy regime with reference to the distortions created by it. **(2013, 10 Marks)**

Public Distribution System- objectives, functioning, limitations, revamping; Issues of buffer stocks and food security

- Explain the role of millets for ensuring health and nutritional security in India. **(2024,10 Marks)**
- Elucidate the importance of buffer stocks for stabilizing agricultural prices in India. What are the challenges associated with the storage of buffer stock? Discuss. **(2024,15 Marks)**
- What are the major challenges of Public Distribution System (PDS) in India? How can it be made effective and transparent? **(2022, 10 Marks)**
- What are the salient features of the National Food Security Act, 2013? How has the Food Security Bill helped in eliminating hunger and malnutrition in India? **(2021, 15 Marks)**
- What are the reformative steps taken by the Government to make food grain distribution system more effective? **(2019, 15 Marks)**
- Food Security Bill is expected to eliminate hunger and malnutrition in India. Critically discuss various apprehensions in its effective implementation along with the concerns it has generated in WTO. **(2013, 10 Marks)**

Technology missions

- How was India benefited from the contributions of Sir M. Visvesvaraya and Dr. M. S. Swaminathan in the fields of water engineering and agricultural science respectively? **(2019, 10 Marks)**
- Explain various types of revolutions, took place in Agriculture after Independence in India. How these revolutions have helped in poverty alleviation and food security in India? **(2017, 10 Marks)**
- India needs to strengthen measures to promote the pink revolution in food industry for ensuring better nutrition and health. Critically elucidate the statement. **(2013, 10 Marks)**

Economics of animal-rearing

- Livestock rearing has a big potential for providing non-farm employment and income in rural areas. Discuss suggesting suitable measures to promote this sector in India. **(2015, 12.5 Marks)**

Food Processing & Related Industries: Scope and significance, Location, Upstream and downstream requirements, Supply chain management

- Elaborate the scope and significance of the food processing industry in India. **(2022, 10 Marks)**
- What are the challenges and opportunities of food processing sector in the country? How can income of the farmers be substantially increased by encouraging food processing? **(2020, 10 Marks)**
- Elaborate the policy taken by the Government of India to meet the challenges of the food processing sector. **(2019, 15 Marks)**
- Examine the role of supermarkets in supply chain management of fruits, vegetables, and food items. How do they eliminate number of intermediaries? **(2018, 10 Marks)**
- What are the reasons for poor acceptance of cost-effective small processing unit? How the food processing unit will be helpful to uplift the socio-economic status of poor farmers? **(2017, 10 Marks)**

- What are the impediments in marketing and supply chain management in developing the food processing industry in India? Can e-commerce help in overcoming these bottlenecks? **(2015, 12.5 Marks)**

Economic Reforms: Land reforms in India

- What were the factors responsible for the successful implementation of land reforms in some parts of the country? Elaborate. **(2024,10 Marks)**
- State the objectives and measures of land reforms in India. Discuss how land ceiling policy on landholding can be considered as an effective reform under economic criteria. **(2023, 10 marks)**
- How did land reforms in some parts of the country help to improve the socio-economic conditions of marginal and small farmers? **(2021, 10 Marks)**
- Discuss the role of land reforms in agricultural development Identify the factors that were responsible for the success of land reforms in India. **(2016, 12.5 Marks)**
- In view of the declining average size of land holdings in India which has made agriculture non–viable for a majority of farmers, should contract farming and land leasing be promoted in agriculture? Critically evaluate the pros and cons. **(2015, 12.5 Marks)**
- Establish relationship between land reforms, agriculture productivity and elimination of poverty in the Indian economy. Discuss the difficulties in designing and implementation of agriculture friendly land reforms in India. **(2013, 10 Marks)**
- The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 has come into effect from 1st January, 2014. What are the key issues which would get addressed with the Act in place? What implications would it have on industrialization and agriculture in India? **(2014, 12.5 Marks)**

Effects of liberalization on the economy, Changes in industrial policy and their effects on industrial growth

- Discuss the merits and demerits of the four 'Labour Codes' in the context of labour market reforms in India. What has been the progress so far in this regard? **(2024,15 Marks)**
- Account for the failure of manufacturing sector in achieving the goal of labour-intensive exports. Suggest measures for more labour-intensive rather than capital-intensive exports. **(2017, 10 Marks)**
- "Industrial growth rate has lagged behind in the overall growth of Gross-Domestic-Product (GDP) in the post-reform period" Give reasons. How far the recent changes in Industrial Policy are capable of increasing the industrial growth rate? **(2017, 7+8= 15 Marks)**
- How globalization has led to the reduction of employment in the formal sector of the Indian economy? Is increased informalization detrimental to the development of the country? **(2016, 12.5 Marks)**
- Justify the need for FDI for the development of the Indian economy. Why there is gap between MoUs signed and actual FDIs? Suggest remedial steps to be taken for increasing actual FDIs in India. **(2016, 12.5 Marks)**
- "Success of 'Make in India' programme depends on the success of 'Skill India' programme and radical labour reforms." Discuss with logical arguments. **(2015, 12.5 Marks)**
- There is a clear acknowledgement that Special Economic Zones (SEZs) are a tool of industrial development, manufacturing and exports. Recognising this potential, the whole instrumentality of SEZs require augmentation. Discuss the issues plaguing the success of SEZs with respect to taxation, governing laws and administration. **(2015, 12.5 Marks)**
- Normally countries shift from agriculture to industry and then later to services, but India shifted directly from agriculture to services. What are the reasons for the huge growth of services vis-à-vis industry in the country? Can India become a developed country without a strong industrial base? **(2014, 12.5 Marks)**

- Foreign Direct Investment (FDI) in the defence sector is now set to be liberalized. What influence this is expected to have on Indian defence and economy in the short and long run? **(2014, 12.5 Marks)**
- Examine the impact of liberalization on companies owned by Indians. Are they competing with the MNCs satisfactorily? Discuss. **(2013, 10 Marks)**
- Discuss the impact of FDI entry into Multi-trade retail sector on supply chain management in commodity trade pattern of the economy. **(2013, 5 Marks)**
- Though India allowed Foreign Direct Investment (FDI) in what is called multi-brand retail through the joint venture route in September 2012, the FDI, even after a year, has not picked up. Discuss the reasons. **(2013, 5 Marks)**
- With a consideration towards the strategy of inclusive growth, the new Companies Bill, 2013 has indirectly made CSR a mandatory obligation. Discuss the challenges expected in its implementation in right earnest. Also discuss other provisions in the Bill and their implications. **(2013, 10 Marks)**

Infra: Energy, Ports, Roads, Airports, Railways etc. and Investment models

- What is the technology being employed for electronic toll collection on highways? What are its advantages and limitations? What are the proposed changes that will make this process seamless? Would this transition carry any potential hazards? **(2024,10 Marks)**
- What is the need for expanding the regional air connectivity in India? In this context, discuss the government's UDAN Scheme and its achievements. **(2024,15 Marks)**
- Do you think India will meet 50 percent of its energy needs from renewable energy by 2030? Justify your answer. How will the shift of subsidies from fossil fuels to renewables help achieve the above objective? Explain. **(2022, 15 Marks)**
- Why is Public Private Partnership (PPP) required in infrastructural projects? Examine the role of PPP model in the redevelopment of Railway Stations in India. **(2022, 10 Marks)**
- "Investment in infrastructure is essential for more rapid and inclusive economic growth. "Discuss in the light of India's experience. **(2021, 15 Marks)**
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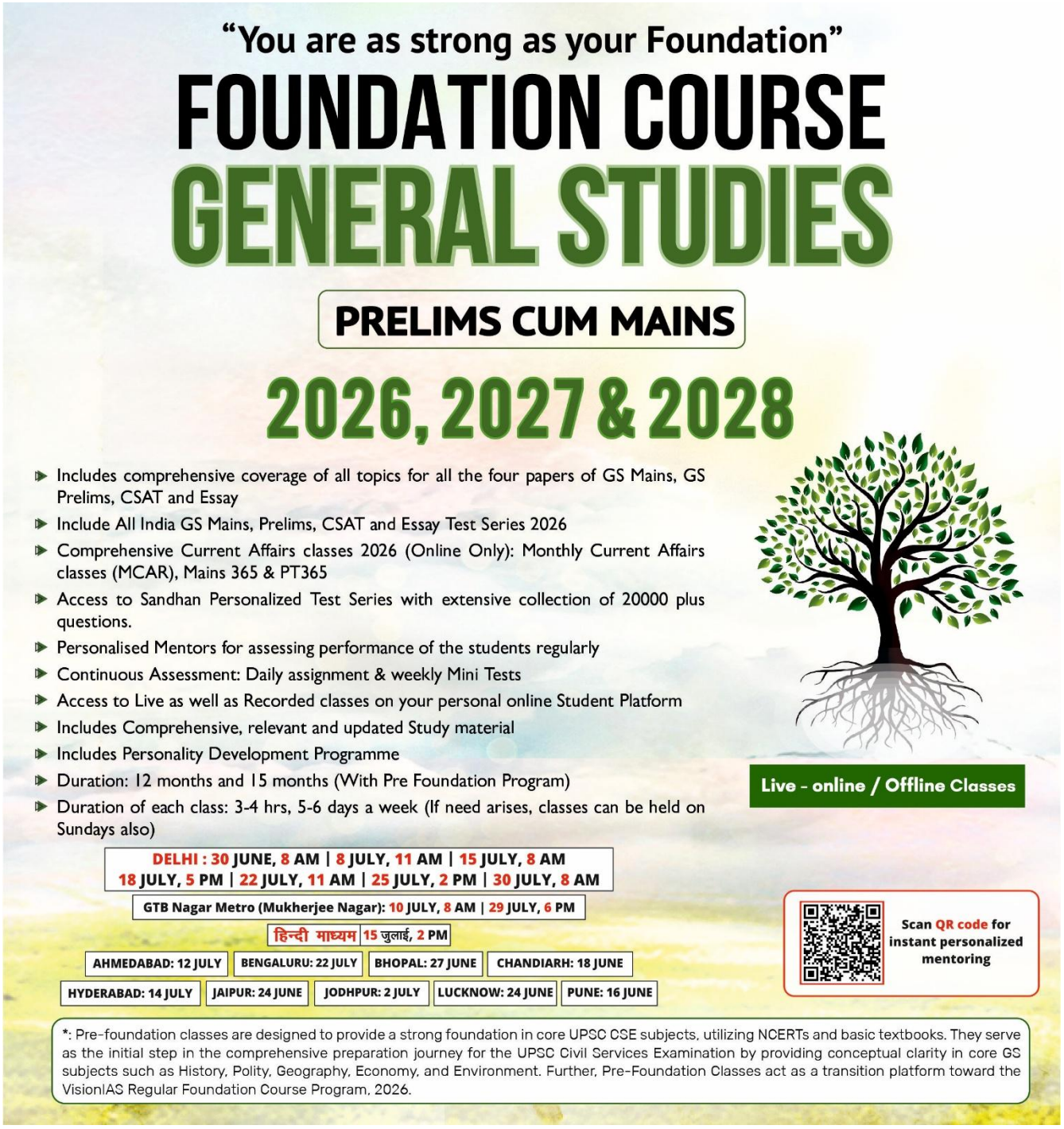
- Adoption of PPP model for infrastructure development of the country has not been free of criticism. Critically discuss pros and cons of the model. **(2013, 10 Marks)**



14. APPENDIX: KEY DATA AND FACTS

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SNAPSHOT OF INDIAN ECONOMY	
Indian Economy at a Glance	• At current prices, **India's GDP** is estimated at **₹331.03 lakh crore** in 2024-25. • Currently its **world's fourth-largest economy.** • **India's exports** reached **USD 778.21 billion** in 2023-24. • The **external debt to GDP ratio** stood at **19.1%.** • **India's extreme poverty,** fell sharply from 16.2 % in 2011-12 to **just 2.3 % in 2022-23.**
India's Structural Transformation	• **Sectorial Imbalance:** Agriculture still accounts for 42% of employment. • **Construction sector** rises with about **12 percent** of workers in 2019. • India needs **at least 143-324 million jobs** for its growing population by 2050 • **India's labor force** still has **fewer years of formal education** than peers and quality of its education remains low (ASER, 2023)
EMPLOYMENT, LABOUR, AND SKILL DEVELOPMENT	
Employment	• **India's Unemployment Rate is 4.9%** with Urban unemployment at 6.5% and rural at 4.5% (PLFS 2024). • **Labour Force Participation Rate is 59.6%** (PLFS 2024). • **About 45.76%** of the total workforce is **engaged in agriculture (Seasonal Employment).**
Skill Development	• **65% of India's population** is **under 35.** • **Only 4.4% of youth** aged 15-29 have **received formal vocational training** (Economic Survey, 2023-24). • In the next 5 years, **23% of the jobs are expected to change globally** (WEF's Future of Jobs report, 2023). • **Over 90% of India's workforce** continues to be **employed in the informal sector**, primarily due to inadequate skill.
GROWTH AND DEVELOPMENT	
Inclusive Growth	• Significant fall in Indians living in **extreme poverty** from 431 million (1990) to **129 million (2024)** (World Bank). • By the end of 2023, India's **richest citizens owned 40.1 percent** of the country's wealth (World Inequality Lab study 2024). • **Unemployment Rate** saw a minor drop (**5.0% to 4.9%)** (PLFS data)
Poverty	• **Poverty Headcount Ratio** has decreased from 29.17% (2013-14) to 11.28% (2022-23). **24.82 crore Indians escaped multidimensional poverty** in last 9 years. (NITI Aayog). • Significant fall in Indians living in **extreme poverty** from 431 million (1990) to 129 million (2024) (World Bank). • India has **53% of women outside the labour force** due to care responsibilities (ILO).
Economic Indicators	• At current prices, **India's GDP is estimated at ₹331.03 lakh crore** in 2024-25. • India's external debt is $ 717.9 Bn in December 2024. The **external debt to GDP ratio stood at 19.1%.** • India needs to **grow by 7.8% on average** over the next 22 years to become High-Income Country (HIC) by 2047 (World Bank). • **Average Monthly Per Capita Expenditure (MPCE)** is ₹4,122 in rural areas and ₹6,996 in urban areas (HCES 2023-24).

	• **India's R&D investment** as a **percentage of GDP stands at just 0.64%** against **2.4% by China** and **3.47% by US.**
Financial Inclusion	• About **78% of Adult population** is estimated to have a **bank account in India** (World Bank Global Findex Database, 2021). • **RBI's Financial Inclusion Index** for March 2024 **stands at 64.2** vis-à-vis 60.1 in March 2023. • NABARD through **SHG Bank Linkage Programme** which is the largest microfinance programme in the world, **empowers 17.8 crore households** through more than **144 lakh SHGs.** • Since 2016, **DBT has delivered over 450 schemes** to 900 million people. • By August 2024, **53.13 crore Jan Dhan accounts** were opened.
Inequality	• **India's top 1% own 22.6% of income** (World Inequality Lab, 2022-23). • The **top 5% of Indians** own more than 60 % of the country's wealth. • **Rural-Urban Divide: Avg. Monthly Per Capita Consumption Expenditure** is Rs. 3,773 in rural and Rs. 6,459 in urban India. • **Gender Pay Gap:** In India, **men earn 82 % of the labour income**, whereas women earn 18 % of it (World Inequality Report 2022).
RURAL DEVELOPMENT	• Agricultural exports fell to $48.9 billion in 2023-24 from $53.2 billion in 2022–23, while imports declined by 8% to $32.8 billion (2023-24). • India held a **2.4% share in global agri-exports** and 1.9% in imports in 2022**, ranking 9th** among global agri-exporters (WTO's Trade Statistical Review 2023).
Land Reform	• **1.15 ha was the average farm size** in 2010-11 • **<10%** of the land is under non-agricultural uses • **25%** of the total geographical area is forest
FISCAL POLICY	
State Finances	• **Decline in consolidated Gross Fiscal Deficit (GFD):** From an average of 4.3% of GDP during 1998-99 to 2003-04 to 2.7% of GDP during 2004-05 to 2023-24. • **Revenue Deficit:** States maintained the revenue deficit at 0.2% of GDP during 2021-22 to 2023-24. • **Expenditure Quality Improved:** Capital outlay, to 2.6% of GDP in 2023-24 from 2.2% in 2022-23. • **Debt of States:** Declined from **31.8% of GDP** in March 2004 to 28.5% of GDP in March 2024
Direct Taxation	• **11.7% tax-GDP ratio** in FY 2024-25 (6.7% for direct taxes and 5.0% for indirect taxes). • **Corporate Tax and Personal Income Tax** as the main contributors to Direct Tax. • **Direct tax buoyancy** at 2.52 in 2021-22 was the highest in the last 15 years but declined to 1.18 in 2022-23. • **India's direct tax collections** have grown by **16.15% year-on-year,** reaching Rs 25.86 lakh crore in FY 2024-25
BANKING, PAYMENT SYSTEMS AND FINANCIAL MARKETS	
Banking	• There are **12 public sector banks (PSBs), 21 private sector banks, 45 foreign banks etc. in India.** • **Gross non-performing assets (GNPA) ratio** fell to its lowest in 13 years at **2.7 %.** • **GNPA** ratio remained **highest for agricultural sector (6.2 %)** & lowest for **retail loans (1.2 %)**

	• In 2022-23, **RRBs** accounted for **11.2% of total agricultural ground level credit.**
Payment System	• **Cash accounts for nearly 50%** of all transactions in India. (RBI) • **More than 40% of all payments** done in India are **digital (highest in the world).** • **50% volume of India's digital payments** is dominated by **Debit Cards, PPIs, and IMPS.** • **53% value of India's digital payments** is dominated by **RTGS and NEFT.** • **22.4 digital transactions per capita** in 2019 (up from 2.4 in 2014).
EXTERNAL SECTOR	
Export Sector	• **US$ 824.9** billion was India's overall exports (merchandise and services combined) in 2024-25. • In 2023, India accounted for **4.3% of global services exports and 1.8% of merchandise exports** (Eco Survey 2024-25). • India's exports are about **23% of its GDP** (UNCTAD)
Foreign Direct Investment (FDI)	• **2000-2024:** Cumulative amount of FDI inflows **crossed the $1 trillion milestone** in Sept 2024. • **Maharashtra received highest FDI** followed by **Gujarat and Karnataka** in FY 2023-24. • **Singapore was the top source of foreign inflows** followed by **Mauritius and USA** in FY 2023-24. • **Computer software & Hardware,** followed by **Service sector** received **highest FDI** (FY 2023-24).
Remittances to India	• Secured **14.3% ($129 billion)** of Global Remittances in 2024, **highest ever** (World Bank). • **Top 3 source countries (2023-24):** US (27.7%) >UAE>UK. • **Gulf nations' share** in remittances **fell to 38%,** now behind advanced economies (>50%). • **Top 3 recipient states (2023-24):** Maharashtra (20.5%)>Kerala >Tamil Nadu.
AGRICULTURE AND ALLIED ACTIVITIES	
Agriculture credit	• Over the past decade (2014-15 to 2023-24), **agricultural credit disbursement** has witnessed an **average annual growth rate of over 13%.** • In the FY 2023-24, **agricultural credit disbursement** reached **₹25.48 lakh crore.** • For FY 2024-25 the Government set **target of ₹27.5 lakh crore** with a dedicated **sub-target of ₹4.20 lakh crore for allied activities.** • **Only 41% of small & marginal farmers,** who hold 86% of operational land, have access to **bank credit.**
Allied Sectors	• India has **world's largest population of livestock.** • India is **largest producer of buffalo meat** and **2nd largest producer of goat meat.** • **Livestock sector** contribute **30.19%** to Agricultural and Allied Sector GVA and **5.73%** of Total GVA in 2021-22. • **Livestock sector** is major source of livelihood for over **70% of rural households** in India. • **Horticulture Sector contributes 33%** to Agriculture Gross Value Added (GVA). • India **ranks 2nd in fruits & vegetable production** in the world after China.

	• India is **world's second-largest fish producer,** contributing **8% to global output.** • With 1.9 million tonnes, India ranked **first in Inland fisheries production.**
Food Processing Sector	• **Sunrise sector** grew 7.3% annually (2015-2022), **contributing 10.54% to manufacturing GVA** & **11.57% to agriculture GVA** in 2020-21. • **20.68 lakh employees engaged** in the food processing industry in 2021-22. • **24 Operational Mega Food** Parks out of 41 approved across the country. • **Share of processed food** exports in agri-exports has **increased to 23.4%** in 2023-24.
INDUSTRY AND INDUSTRIAL POLICY	
MSME Sector	• **Contribution: 30%** of **GDP** and **~45%** of **total exports.** • **Contribution to Manufacturing: 36 %** • **Employment:** ~ 7.5 crore people
Electronic Components Sector	• **Economic Potential: $500 billion by 2030.** • **Exports Growth: 20% CAGR since FY15.** • India's Electronics Sector is **4% of the global electronics market.** • Electronics domestic production is **₹9.52 lakh crore** (FY24).
India's Bioeconomy	• **Economic Growth:** By 2050, the global BioEconomy expected to represent **~12% of projected global GDP.** • **Food Security:** GM technology increased crop yields **by 21%.** • **Employment:** Projected to **create 35 million jobs by 2030.**
SERVICES	
Digital Economy	• **Third largest digitalized country** (as per State of India's Digital Economy Report 2024) • Contributes **11.74% of the national income.** • Accounted for **7.83% of Gross value added (GVA) (highest contributor).**
Creative Economy	• **Contribution to GDP:** About **20% contributions** by creative occupation to Nation's overall GVA. • **Export: 1.5 times increase in export** of creative goods from 2010 to 2019. • **Employment: $30 billion industry** and responsible for **employment of nearly 8%** of India's working population.
Tourism Sector	• **18.89 million** International Tourist Arrivals in 2023**.** • **9.52 Million** Foreign Tourist Arrivals during 2023. • **24th rank** in International Tourist Arrivals in 2023 (UN World Tourism Barometer). • **39th rank** in Travel and Tourism Development Index 2024 published by World Economic Forum.
Insurance Sector	• **10th largest Insurance sector** globally. • **Life Insurance segment:** 76% share. • **Potential: 6th largest Insurance market** by 2032 (Swiss Re report) • **Insurance Penetration:** >4.2% (2021), (Global Average: 7%). • **Insurance Density:** $91 (2021), (Global average: $874).
Space Economy	• India's space sector **ranks 5th globally** • **Growth Potential: $44 billion by 2033** • **Private Sector:** >200 space-based start-ups
INFRASTRUCTURE	
Road Safety	• India recorded a **15% rise in fatalities** between 2010 and 2021 (WHO's Global Status Report on Road Safety 2023) • In 2024 alone, **India reported 1.8 lakh deaths** due to road accidents

	• **66% of the accidents** involved individuals aged between 18 and 34 • **National Road Safety Policy (2010):** Promotes awareness campaigns, enforcement, and safer road infrastructure.
MINING AND OTHER RESOURCES	
Coal Sector	• India holds the **world's 5th largest coal reserves.** • India is **2nd largest coal consumer** and importer globally. • Over **50.7% of India's power (2023)** comes from coal and lignite.
Steel Sector	• **Production Target:** 500 million tonnes by 2034 • **Economic Contribution:** ~2% of GDP. • **Employment opportunities:** Employment multiplier effect of **6.8X** and an output Multiplier effects of **1.4X.**
INNOVATION AND ENTREPRENEURSHIP	
Deep Tech	• **Deep tech startup ecosystem:** Currently at around **4,000 start-ups,** is expected to reach **10,000** by 2030 (Department for Promotion of Industry and Internal Trade). • **Global Standing: India ranked 6th** among the top 9 Deep Tech ecosystems in the world in 2023 (Nasscom). • India's 4,000 deep-tech startups attracted **$1.6 billion in 2024**, a 78 per cent increase year-on-year (Nasscom).
Global Innovation Index 2024 and Social Entrepreneurship	• **India ranked 39th** among 133 nations, improving ranking by one position from 40th in 2023. • India holds the **top** rank in both **lower middle-income economies** as well as the **Central and Southern Asia region** for Knowledge and technology outputs etc. • **Bengaluru, Delhi, Chennai and Mumbai are among the top 100 S&T clusters.** • **Potential for social enterprises in India** is estimated to be **US$ 8 billion by 2025**.
Global Capability Centres	• **Less than 25%** of business leaders are considering relocating their GCC operations from India (PwC report). • India hosts over **1,700 GCCs,** representing the **highest concentration globally** • GCC sector is projected to expand to **$105 billion by 2030**

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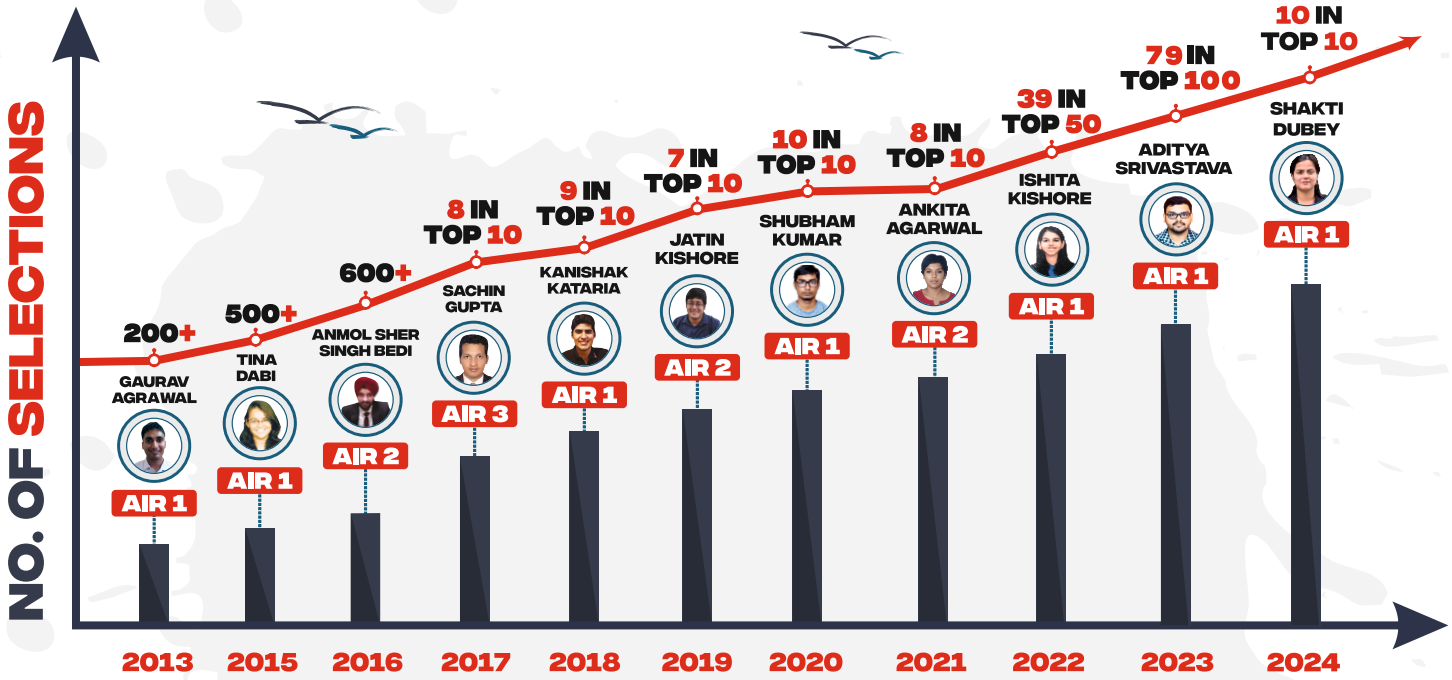

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18 JULY, 5 PM | 22 JULY, 11 AM | 25 JULY, 2 PM | 30 JULY, 8 AM

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

हिन्दी माध्यम | 15 जुलाई, 2 PM

AHMEDABAD: 7 JUNE | BENGALURU: 22 JULY | BHOPAL: 27 JUNE | CHANDIARH: 18 JUNE
HYDERABAD: 14 JULY | JAIPUR: 24 JUNE | JODHPUR: 2 JULY | LUCKNOW: 24 JUNE | PUNE: 16 JUNE

फाउंडेशन कोर्स सामान्य अध्ययन 2026

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

DELHI :15 जुलाई, 2 PM | JAIPUR : 24 जून | JODHPUR : 2 जुलाई | प्रवेश प्रारम्भ | BHOPAL | LUCKNOW

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VISIONIAS
INSPIRING INNOVATION

सामान्य अध्ययन फाउंडेशन कोर्स 2026

प्रीलिम्स और मेन्स, दोनों

दिल्ली

15 जुलाई, 2 PM

अवधि – 12 महीने

VisionIAS ऐप को डाउनलोड करने के लिए दिए गए **QR कोड को स्कैन कीजिए**

निःशुल्क काउंसिलिंग के लिए **QR** कोड को स्कैन कीजिए

डेली MCQs और अन्य अपडेट्स के लिए हमारे ऑफिशियल **टेलीग्राम ग्रुप को ज्वाइन कीजिए**

- सामान्य अध्ययन फाउंडेशन कोर्स में GS मेन्स के सभी चारों पेपर, GS प्रीलिम्स, CSAT और निबंध के सिलेबस को विस्तार से कवर किया जाता है।
- अभ्यर्थियों के ऑनलाइन स्टूडेंट पोर्टल पर लाइव एवं ऑनलाइन रिकॉर्डेड कक्षाओं की सुविधा भी उपलब्ध है, ताकि वे किसी भी समय, कहीं से भी लेक्चर और स्टडी मटेरियल तक प्रभावी ढंग से पहुंच सकें।
- इस कोर्स में पर्सनालिटी डेवलपमेंट प्रोग्राम भी शामिल है।
- 2025 के प्रोग्राम की अवधि: 12 महीने
- प्रत्येक कक्षा की अवधि: 3–4 घंटे, सप्ताह में 5–6 दिन (आवश्यकता पड़ने पर रविवार को भी कक्षाएं आयोजित की जा सकती हैं)

नोट: अभ्यर्थी फाउंडेशन कोर्स की लाइव वीडियो कक्षाएं घर बैठे अपने ऑनलाइन प्लेटफॉर्म पर भी देख सकते हैं। साथ ही, अभ्यर्थी लाइव चैट के जरिए कक्षा के दौरान अपने डाउट्स और विषय संबंधी प्रश्न पूछ सकते हैं। इसके अलावा, वे अपने डाउट्स और प्रश्न को नोट कर दिल्ली सेंटर पर हमारे क्लासरूम मेंटर को बता सकते हैं, जिसके बाद फोन / मेल के जरिए अभ्यर्थियों के प्रश्नों का समाधान किया जाता है।

GS फाउंडेशन कोर्स की अन्य मुख्य विशेषताओं पर एक नज़र

नियमित तौर पर व्यक्तिगत मूल्यांकन

अभ्यर्थियों को नियमित ट्यूटोरियल, मिनी टेस्ट एवं ऑल इंडिया टेस्ट सीरीज के माध्यम से व्यक्तिगत व अभ्यर्थी के अनुरूप और ठोस फीडबैक दिया जाता है

सभी द्वारा पढ़ी जाने वाली एवं सभी द्वारा अनुशंसित

विशेषज्ञों की एक समर्पित टीम द्वारा तैयार की गई मासिक समसामयिकी मैगजीन, PT 365 और Mains 365 डॉक्यूमेंट्स तथा न्यूज़ टुडे जैसी प्रासंगिक एवं अपडेटेड अध्ययन सामग्री

नियमित तौर पर व्यक्तिगत मार्गदर्शन

इस कोर्स के तहत अभ्यर्थियों के डाउट्स दूर करने और उन्हें प्रेरित रखने के लिए नियमित रूप से फोन / ईमेल / लाइव चैट के माध्यम से "वन–टू–वन" मार्गदर्शन प्रदान किया जाता है।

ऑल इंडिया टेस्ट सीरीज़

प्रत्येक 3 सफल उम्मीदवारों में से 2 Vision IAS की ऑल इंडिया टेस्ट सीरीज को चुनते हैं। Vision IAS के पोस्ट टेस्ट एनालिसिस के तहत टेस्ट पेपर में स्टूडेंट्स के प्रदर्शन का विस्तार से विश्लेषण एवं समीक्षा की जाती है। यह अपनी गलतियों को जानने एवं उसमें सुधार करने हेतु काफी महत्वपूर्ण है।

कोई क्लास मिस ना करें

प्रत्येक अभ्यर्थी को एक व्यक्तिगत "स्टूडेंट पोर्टल" उपलब्ध कराया जाता है। इस पोर्टल के जरिए अभ्यर्थी किसी भी पुराने क्लास या छूटे हुए सेशन और विभिन्न रिसोर्सेज़ को एक्सेस कर सकते हैं एवं अपने प्रदर्शन का सापेक्ष एवं निरपेक्ष मूल्यांकन कर सकते हैं।

बाधा रहित तैयारी

अभ्यर्थी VisionIAS के क्लासरूम लेक्चर्स एवं विभिन्न रिसोर्सेज़ को कहीं से भी तथा कभी भी एक्सेस कर सकते हैं और वे इन्हें अपनी जरुरत के अनुसार ऑर्गनाईज कर सकते हैं।

Heartiest Congratulations

to all Successful Candidates

10 in **TOP 10** Selections in **CSE 2024**

from various programs of **Vision IAS**

1 AIR

Shakti Dubey

2 AIR

Harshita Goyal

GS Foundation Classroom Student

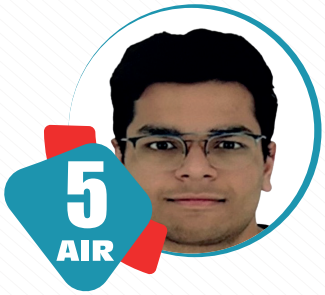
3 AIR

Dongre Archit Parag

GS Foundation Classroom Student

4 AIR

Shah Margi Chirag



5 AIR

Aakash Garg

6 AIR

Komal Punia

7 AIR

Aayushi Bansal

8 AIR

Raj Krishna Jha

9 AIR

Aditya Vikram Agarwal

10 AIR

Mayank Tripathi

79 Selections

in **TOP 100**

in **CSE 2023**

1 AIR

Aditya Srivastava

2 AIR

Animesh Pradhan

5 AIR

Ruhani

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