

# FORTUNE

# Prelims Precise

# Compilation

# Volume I



## **ECONOMY**

January 2025 - December 2025



# FORTUNE IAS

## Toppers in Top 100



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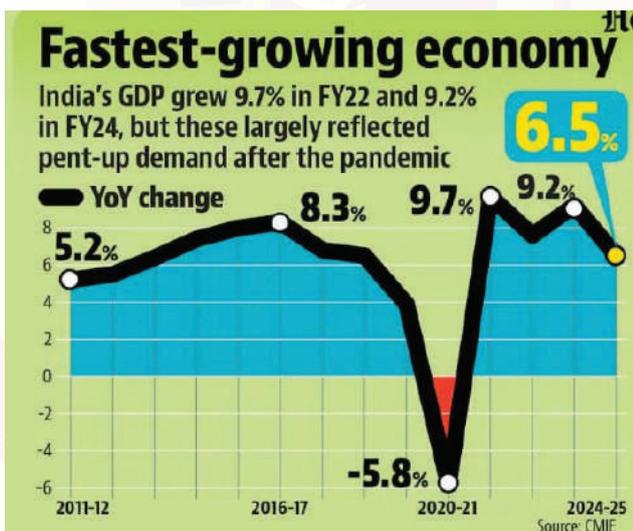
# 1. Growth, National Income & Macroeconomic Indicators

## India's Economic Growth 2025

- The Indian economy grew 6.5% in fiscal year 2024-25 and 7.4% in the quarter ending March, according to **data released by the National Statistical Office (NSO)**.
- The International Monetary Fund (IMF) also projects that India will overtake Japan in economic size by the end of the year, **reaching \$4.18 trillion**.

### Key Findings:

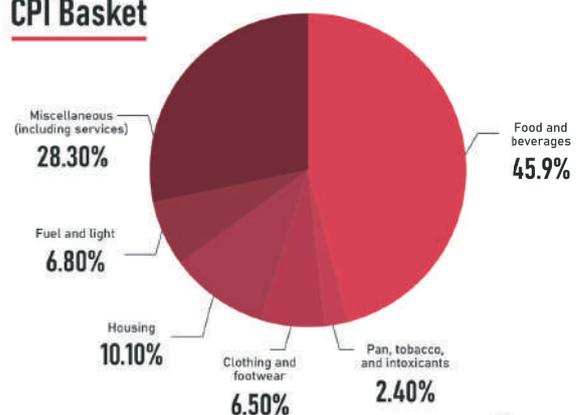
- The gross value added (GVA):** grew 6.8% in the first three months of 2025, compared to a revised expansion of 6.5% in the previous quarter.
  - GVA strips out indirect taxes and government subsidy payouts, which tend to be volatile.
- Private consumption:** rose by 7.2% year-on-year, up from 5.6% in the previous fiscal.
- Agriculture** grew 4.6% (vs. 2.7% last year)
- Construction** grew 9.4% (vs. 10.4%).
- Manufacturing** slowed to 4.5% (from 12.3%).



## India's Economic Growth data

- India's **retail-inflation rate**, based on the All India Consumer Price Index (CPI-Combined), recorded a slight uptick in August to 2.07% from an eight-year low of 1.61% in July 2025.
- This shows a relief for the customers but is primarily attributed to a **low base effect** and **deflation in food prices** (which has around 46% weightage).
- The CPI is a measure of retail inflation, tracking the average **change in prices of a fixed basket of goods and services** consumed by households over time.
- The inflation data was released by the National Statistics Office (NSO), Ministry of Statistics and Programme Implementation.
- The rural inflation based on CPI-Rural showed retail prices rose **1.69% in rural India and 2.47% in urban areas (CPI-Urban)**.
- The inflation is **well within the Reserve Bank of India's (RBI) 2-6% comfort zone**, which has an inflation target of 4% with a buffer, or tolerance band, of  $\pm 2$  percentage points.

### CPI Basket



## Becoming a High-Income Economy in a Generation

- A recent World Bank report, '**Becoming a High Income Economy in a Generation**,' indicates that **India needs an average annual growth rate of 7.8% over the next 22 years** to attain high-income status by 2047.
- Achieving this requires:
  - 👉 **Boosting Investment:** Increase the real investment rate from 33.5% to 40% of GDP by 2035.
  - 👉 **Enhancing Employment:** Raise labor force participation, especially among women, by creating jobs in sectors like manufacturing and services.
  - 👉 **Promoting Productivity:** Shift resources from agriculture to more productive sectors and adopt advanced technologies.
  - 👉 **Facilitating Inclusive Growth:** Implement tailored policies for states at different development stages to ensure balanced progress.
- India's **Gross National Income (GNI)** per capita, using the World Bank Atlas method, was reported at \$2,540 in 2023, making India a Lower Middle Income Country.

## Stagflation

- The **Trump administration's tariff policies** are fueling stagflation conditions, according to the latest CNBC Rapid Update.
- Stagflation is an economic state characterized by **high inflation and slow economic growth (stagnation)** occurring simultaneously, often coupled with **high unemployment**.
- The US GDP growth is anticipated to be **0.3% in the first quarter of 2025** which would be a fall from the **2.3% GDP growth reported in the last quarter of 2024**.

- Stagflation was a major issue for the U.S. economy in the 1970s due to the costly Vietnam War and the loss of manufacturing jobs.
- These conditions prompted the **Federal Reserve Chairman Paul Volcker** to implement a dramatic tightening of monetary policy in the late '70s and '80s known as the "**Volcker shock**."
- Despite these challenges, most economists are forecasting that **GDP growth will accelerate in the second quarter** to 1.4%, then further in the third quarter to 1.6% and by year-end to 2%.

## Liquidity Trap

- Recent economic trends in India indicate the presence of a **liquidity trap despite the Reserve Bank of India (RBI) lowering interest rates** by 100 basis points since February 2025.
- A **liquidity trap** occurs when, despite significant increases in the money supply and reductions in interest rates, there is little to no increase in borrowing or investment.
- This situation arises because businesses and consumers are **unwilling or unable to take on additional debt**, even when borrowing costs are low.
- Theoretically, lowering interest rates should increase demand for funds.
- However, despite **RBI cutting repo rate by 100 bps since Feb 2025**, credit growth remains modest at **10% YoY**.
- **Causes are attributed** to weak demand for credit, partial monetary transmission of rate cuts by banks, and global economic pressures like the US tariffs.
- Monetary policy in such a situation must be **accompanied by parallel fiscal steps such as government expenditure or tax concessions** in order to push the economy out of the trap and increase demand.

## Replacement Level Fertility

- A new study suggests that the conventional **replacement level fertility (RLF) of 2.1 children per woman** may be insufficient in developed countries to prevent long-term population decline and potential extinction.
- It recommends a **higher RLF of 2.7** for these regions.
- RLF refers to the **average number of children a woman needs to have** in order to exactly replace herself and her partner in the population—**without increasing or decreasing the overall population**, assuming no immigration or emigration.
- In **developed countries**, RLF is usually **2.1 children per woman**.
  - 👉 The extra 0.1 accounts for child mortality and women who don't reproduce.
- RLF maintains population size across generations only if mortality and migration remain stable.
- The study notes that **global population growth peaked in the 1960s** and is projected to reach 8.5 billion by 2030.
- However, due to **large population sizes and a female-biased birth ratio** (due to higher male mortality), extinction risk remains low for now.

## India's Transition to Power Sufficiency by 2025

- India has transformed **from a power-deficit to a power-sufficient nation**, with the energy demand-capacity gap now at just 0.1%.
- The **total installed capacity has reached 470 GW**.
- In 2024–25, **thermal sources** (coal, gas, etc.) produced 12,41,261 Million Units (MU), while **nuclear and hydro** contributed 51,962 MU and 1,39,780 MU respectively.
- **Renewables** produced 2,30,868 MU, with solar (1,27,339 MU) and wind (78,214 MU) leading.
- The renewable share rose from 11.5% (2021–22) to 13.78% (2024–25).
- India's **five regional power grids**—North, South, East, West, and North-East—were gradually interconnected, forming a unified

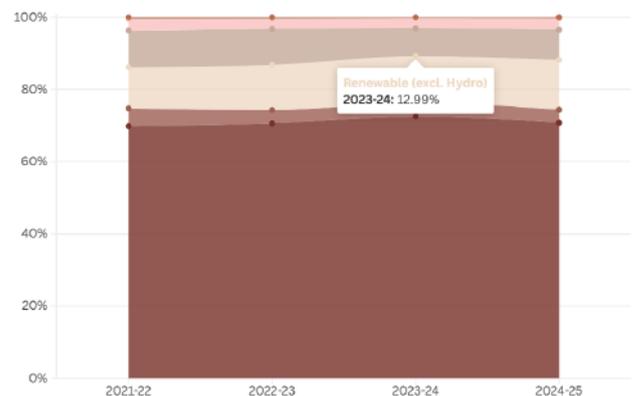
National Grid by 2013, operating at 50 Hz.

- The **Power Grid Corporation of India** manages it.
- However, Lakshadweep and Andaman & Nicobar islands remain off-grid due to geographic isolation.

Share of energy produced from different sources, 2021-22 to 2024-25\*

In 2024-25\*, around 71% of the country's total energy was produced through Coal

■ Coal ■ Other thermal ■ Renewable (excl. Hydro) ■ Hydro ■ Nuclear ■ Bhutan Import



\*Up to February 2025

## Gross Domestic Knowledge Product (GDKP)

- The Government of India is reviving the **Gross Domestic Knowledge Product (GDKP)** to supplement GDP by measuring knowledge-driven sectors' impact on economic growth.
- This initiative, spearheaded by the **Ministry of Statistics and Programme Implementation (MoSPI)**, aims to quantify the impact of knowledge-driven sectors on economic growth.
- GDKP quantifies contributions from **research, technology, education, and intellectual property**, unlike GDP, which focuses on tangible goods and services.
- First proposed by **NITI Aayog in 2021**, concerns were raised regarding the feasibility of developing a standardized methodology for data collection.
- To overcome this, MoSPI is considering a **"satellite account" approach** now.
- **Satellite account** is like a **separate notebook** that tracks specific things without changing the main record.
- For example, while GDP measures the entire economy, a **tourism satellite account** tracks only tourism-related activities like hotels, travel, and attractions.

- Similarly, for **GDPK**, the government wants a special record to track the value of **knowledge, research, and innovation** separately, while still linking it to overall economic data.

## Producer Price Index

- India is planning a **Producers' Price Index (PPI) to replace the Wholesale Price Index (WPI)**.
- PPI measures **wholesale prices from the point of view of producers** of goods and services by tracking prices at different stages of production.
- It records fluctuation in the product prices at the producer level.
- India currently uses the **wholesale price index (WPI), adopted in the 1970s**, to measure wholesale rates of 117 primary articles, 16 fuel and power items and 564 manufactured products.
- Most developed economies use **PPI to track producers' prices**, in line with the **UN's global System of National Accounts (SNA)**.
- **WPI** causes **double counting** by including both raw material prices (eg: price of steel) and final product prices (eg: car price that also includes steel), leading to inflation being recorded multiple times.
- PPI captures **prices at different stages of production**, reflecting only the **value added** at each stage without double counting.

## Energy Statistics India 2025

- The **National Statistics Office (NSO)** under the **Ministry of Statistics and Programme Implementation (MoSPI)** released the **"Energy Statistics India 2025"** report, highlighting a 7.8% growth in India's Total Primary Energy Supply (TPES) for FY 2023-24, indicating robust economic expansion.

### Energy Composition:

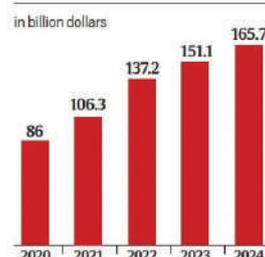
- ★ **Coal:** 48% - It's a major source of electricity generation in India.
- ★ **Oil:** 28% - primarily used in transportation and industry.
- ★ **Natural Gas:** 8% - primarily consumed by industry and used for power generation.

- ★ **Renewable Sources (solar, wind, hydro, biomass):** 12%
- ★ **Nuclear:** 4% - India has 24 nuclear reactors in operation in 8 nuclear power plants
- ★ As of March 31, 2024, India's **total renewable energy potential** is estimated at 2,109,655 Megawatts, with wind power comprising approximately 55% of this potential, followed by solar and large hydro.
- ★ Rajasthan, Maharashtra, Gujarat, and Karnataka collectively account for over half of this potential.
- ★ The installed capacity for electricity generation from renewable resources has seen a Compound Annual Growth Rate (CAGR) of 10.36% between 2015 and 2024.
- ★ Energy demand is primarily driven by industrial growth (40%), transportation (25%), and residential use (20%).

## The India BioEconomy Report

- India's bioeconomy reached a **valuation exceeding \$165 billion in 2024**, contributing over 4.2% to the nation's GDP.
- The Department of Biotechnology projects this sector to expand to approximately \$300 billion by 2030 and **\$1 trillion by 2047**.
- The **bioeconomy** refers to the **production, utilization, and conservation of biological resources**—including plants, animals, microorganisms, and their derived biomass—to generate goods, services, and energy across various economic sectors.
- The **industrial sector**, focusing on biofuels and bioplastics, contributed roughly \$78 billion, accounting for nearly half of the bioeconomy's value.
- Recognizing the sector's potential, the government introduced the Biotechnology for Economy, Environment, and Employment (BioE3) policy in 2024 to **establish India as a global hub for bio-manufacturing**

### VALUE OF INDIA'S BIOECONOMY



### TOP CONTRIBUTING STATES (IN 2024)

State	Value*	Share of total value
Maharashtra	35.45	21.4%
Karnataka	32.4	19.5%
Telangana	19.9	12%
Gujarat	12.9	7.8%
Andhra Pradesh	11.1	6.7%
Tamil Nadu	9.9	6%
Uttar Pradesh	7.7	4.6%

\*in billion \$. Source: India BioEconomy Report.

## World Employment and Social Outlook

- The ILO's World Employment and Social Outlook: Trends 2025 reports a slowing global economy, hindering full labour market recovery post-COVID-19
- **Key Findings:**
  - 📌 Global **unemployment remained steady at 5%** in 2024.
  - 📌 Economic growth slowed to 3.2% in 2024 from 3.3% (2023) and 3.6% (2022).
  - 📌 Wage growth lags behind pandemic-related losses due to weak employment and shifting labour market power.
  - 📌 The global jobs gap stood at 402.4 million, including 186 million unemployed and 137 million discouraged workers.

## World Social Report 2025

- The World Social Report 2025 was published by the United Nations Department of Economic and Social Affairs (UN DESA) in collaboration with the United Nations University World Institute for Development Economics Research (UNU-WIDER)
- UN DESA is a **department within the United Nations Secretariat** started in 1948.
- It provides **analysis, policy advice, and technical assistance** to UN member states.

### Key Findings of the report:

- **The social contract is under threat:** Rising insecurity and inequality are eroding trust and straining social bonds.
- **Many people remain one misfortune away from poverty:** More than a third of the world's population **lives on between \$2.15 and \$6.85 a day.**
- **Inequalities persist:** While the poorest half of the global population owned just 2% of all wealth in 2021, the richest 10% owned 76%, and

billionaire wealth has soared since 2019.

- **Gender disparity:** Women spend 4.2 hours daily on unpaid care work—over twice as much as men (1.7 hrs)—and earn only 35% of global labour income, a figure largely unchanged since 1990.
- **Climate change hits the poorest hardest:** the bottom 50% emit just 12% of global greenhouse gases but suffer 75% of income losses, while owning only 2% of global wealth.

## Trade and Development Foresights 2025

- The recent report, titled **Trade and Development Foresights 2025 – Under Pressure: Uncertainty Reshapes Global Economic Prospects**, painted a bleak picture of mounting economic pressures.
- It was released by the **United Nations Trade and Development (UNCTAD)**.

### Key Findings:

- » **Recessionary Trajectory:** Global growth is expected to slow to 2.3% in 2025, falling below the 2.5% threshold that is often associated with a global recessionary phase.
- » **Fear Index:** It is a gauge of US stock market volatility, which reached its third-highest level on record, behind only the peaks during the COVID-19 pandemic in 2020 and the global financial crisis of 2008.
- » **Trade Weakness:** After a volatile year for trade, an early 2025 rebound seems to be fading.
  - 📌 **Shanghai Freight Index** fell 40% between Jan–Mar 2025, returning to pre-pandemic lows.
- » **Strained Development Finance:** Developmental finance between nations are falling, social spending by nations are shrinking, while defence spending rises globally.
- » **India:** India is expected to grow by 6.5% in 2025 on the back of continued robust public spending and ongoing monetary easing.

## Trade and Development Foresights 2025

- **Global foreign direct investment (FDI) fell by 11%** to \$1.5 trillion in 2024, marking the second straight year of decline, according to the latest World Investment Report.
- The Report is released by the **United Nations Conference on Trade and Development (UNCTAD) annually**.
- Europe was hit hardest, with inflows down 58% in 2024

- **North America saw a 23% rise**, driven by a wave of semiconductor megaprojects in the United States, where FDI rose 20%.
- Asia remained the **top recipient region, despite a 3%** overall decline and a 29% drop in flows to China.
- India saw strong momentum in **greenfield investment**, even as **total inflows dipped slightly**.
- The **US remains both the top source and destination** for FDI.

## Sustainable Development Report (SDR) 2025

- This year marks the **10th anniversary of the adoption of the Sustainable Development Goals (SDGs)** and the 10th edition of the Sustainable Development Report (SDR) which was released recently along with **the SDG Index**.
- Prepared by the **UN Sustainable Development Solutions Network's (SDSN) SDG Transformation Center**, the SDR reviews progress made each year on the SDGs since their adoption by the 193 UN member states.

- This year's edition focuses on **"Financing the SDGs by 2030 and Mid-Century"**
- The 2025 Sustainable Development Report, shows that **none of the 17 goals are on track**, with only 17% of targets progressing as planned.
- **India ranks 99th (score: 67.0)**, entering the top 100 for the first time after steady improvement since 2021.
- However, it still trails neighbours like Bhutan (74th) and Nepal (85th), while China (49th) and the U.S. (44th) rank higher globally.

### World SDG Dashboard 2025



■ Major challenges   
 ■ Significant challenges   
 ■ Challenges remain   
 ■ SDG achieved   
 ● Data not available  
↓ Decreasing   
 → Stagnating   
 ↗ Moderately improving   
 ↑ On track or maintaining SDG achievement

## Gender Gap Index 2025

- India has ranked **131 out of 148 countries** in the World Economic Forum's **Global Gender Gap Report 2025**, slipping two places from its position last year.
- The report has an index designed to **measure gender equality** and was first published in **2006**.

### Key Findings:

- Iceland retains the world's most gender equal economy** for the 16th consecutive year, closing 92.6% of the gender gap – the only economy to reach 90% parity.
- The **global gender gap has marginally narrowed** in 2025, from 68.4% in 2024 to 68.8% in 2025, but at current pace, gender parity is only possible in **123 years**.
- Notably, **Saudi Arabia, Mexico, Ecuador, Bangladesh, and Ethiopia** have shown to be the most effective economies in overcoming gender inequalities across each income level.
- The **bottom 10 countries** in the Index—led by Pakistan, Sudan, Chad, and Iran—continue to show the widest gender disparities globally.



## Poverty and Equity Brief

- The **World Bank** released its biannual **Poverty and Equity Brief**.
- The briefs are released **twice a year for the Spring and Annual Meetings** of the World Bank Group and International Monetary Fund.
- These indicators cover various aspects of poverty using World Bank's international poverty lines - **\$2.15 per day for extreme poverty, \$3.65 for lower-middle-income, and \$6.85 for upper-middle-income**.

## Key Findings (India):

- The proportion of Indian people living in extreme poverty **fell sharply from 16.2% in 2011-12 to just 2.3% in 2022-23**.
- In Rural areas, extreme poverty fell from **18.4% in 2011-12 to 2.8% in 2022-23**.
- In Urban centres, extreme poverty reduced from **10.7% to 1.1%** over the same period.
- The **gap between rural and urban poverty shrunk** from 7.7% points to 1.7% points, with an annual decline rate of 16% between 2011-12 and 2022-23.
- The five most populous states i.e. Uttar Pradesh, Maharashtra, Bihar, West Bengal, and Madhya Pradesh, **represented 65% of India's extreme poor in 2011-12**.  
By 2022-23, these states contributed to **two-thirds of the overall decline** in extreme poverty.
- Non-Monetary Poverty**, as measured by the Multidimensional Poverty Index (MPI), which considers factors like **education, health, and living conditions**, declined from 53.8% in 2005-06 to 16.4% by 2019-21.



## Global Multidimensional Poverty Index (MPI)

- The United Nations Development Programme (UNDP) and the Oxford Poverty and Human Development Initiative (OPHI) released the Global Multidimensional Poverty Index (MPI) 2025 Report titled “Overlapping Hardships: Poverty and Climate Hazards”.
- The report shows how the **climate crisis is intensifying poverty worldwide**.
- Nearly **887 million of 1.1 billion poor people** face direct exposure to climate hazards like heat, floods, and droughts, with 309 million suffering from three or more overlapping hazards.
- **South Asia and Sub-Saharan Africa are the worst affected**, with 99% of South Asia’s poor exposed to at least one hazard.
- **UNDP** (United Nations Development Programme) is the UN’s global development agency working to eradicate poverty and reduce inequalities worldwide.
- **OPHI** (Oxford Poverty and Human Development Initiative) is a research centre at the University of Oxford that develops and analyses multidimensional poverty measures like the Global MPI.

- Inequality in India has come down significantly between 2011-12 and 2022-23, making it the **fourth-most equal country globally**, according to a **World Bank report**.

👉 This is in addition to a **sharp decrease in extreme poverty**, which has dropped from 16.2% in 2011-12 to 2.3% in 2022-23.

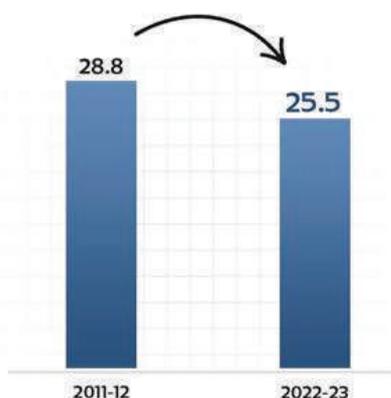
- The only three countries that have a better **Gini Index score, a measure of equality**, are the **Slovak Republic, Slovenia and Belarus**.
- India is much better placed than countries like China, the United States and the United Kingdom.
- The **Gini Index** helps in understanding how equally income, wealth or consumption is distributed across households or individuals in a country. **It ranges in value from 0 to 100**.
- A score of **0 means perfect equality**, while a score of 100 means one person has all the income, wealth or consumption and others have none, hence absolute inequality.
- The higher the Gini Index, the more unequal a country is and **India’s Gini Index stands at 25.5**.
- India’s score is **much lower than China’s 35.7** and far lower than the United States, which stands at 41.8.
- As per the World Bank’s report, which has released the data for 167 countries, **India falls into the “moderately low” inequality category**, which includes Gini scores between 25 and 30.

## State of Inequality in India

### India Achieves Greater Income Equality



Consumption-based Gini Index (Lower is More Equal)



Source: World Bank

## Women and Men in India 2024

- The **Ministry of Statistics and Programme Implementation (MoSPI)** released the 26th edition of “Women and Men in India 2024,” highlighting gender trends across sectors.

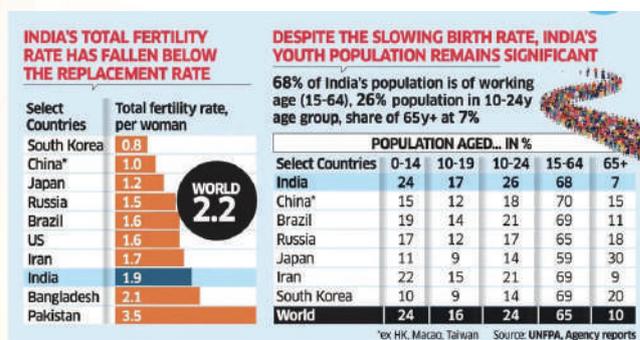
### Key Findings:

- Women now own 39.2% of **bank accounts** (42.2% in rural areas).
- Female-headed proprietary businesses have increased across sectors.
- Department for Promotion of Industry and Internal Trade (DPIIT)-recognized startups with **at least one woman director rose** from 1,943 in 2017 to 17,405 in 2024.
- While **female voter turnout dipped slightly** to 65.8% in 2024, **it surpassed male turnout.**
- Education shows strong gender parity,** especially at primary and higher secondary levels.
- The **female labour force participation rate (FLPR)** also rose significantly from 23.3% in 2017-18 to 41.7% in 2023-24.

### About UNFPA:

Founded in **1969** as the United Nations Fund for Population Activities, renamed in **1987**, the **United Nations Population Fund (UNFPA)** is based in **New York**.

It works to ensure **sexual and reproductive health rights**, especially for **women and youth**.



## The State of World Population Report 2025

- The **United Nations Population Fund (UNFPA)**'s 2025 State of World Population (SOWP) Report, titled, ‘**The Real Fertility Crisis**’ was recently released.

### Key Findings:

- Financial barriers** (job insecurity, housing, childcare) prevent 4 in 10 people from starting families.
- India's adolescent fertility rate is 14.1 per 1,000 women (15-19)**, higher than China, Sri Lanka, and Thailand.
- Fertility is below replacement level (2.1)** in 31 States/UTs but remains high in Bihar (3.0), Meghalaya (2.9), and UP (2.7).
- 36% of Indians faced unintended pregnancies; 30%** couldn't fulfill the desire for children; 23% faced both.

## 2. Inflation, Monetary Policy & Liquidity

### Monetary Policy Committee (MPC)

- The Central Board of Directors of Reserve Bank of India (RBI), at its recent meeting held in Lucknow, approved the nomination of **Indranil Bhattacharyya**, Executive Director, as an **ex officio** member of the Monetary Policy Committee (MPC).
- The MPC is a **six-member body within the RBI** & the constitution of the committee is as follows:
  - **RBI Governor** (ex-officio Chairperson)
  - RBI Deputy Governor (in charge of monetary policy)
  - **One RBI officer nominated** by the Central Board
  - **Three external members** appointed by the central government with expertise in economics, banking and finance, or monetary policy
- Each member has an **equal vote** and in case of a tie, the **Governor casts the deciding vote**.
- The core responsibility of this committee is to decide the **policy repo rate**, which is the rate at which the RBI lends short-term funds to financial institutions & is tasked with keeping **inflation within the target range of 4% to 6%**.
- The MPC was introduced through an **amendment to the RBI Act, 1934**, and was formally set up in 2016.
- Before that, decisions around **interest rates were taken solely by the RBI Governor**.
- However, with the growing complexity of the economy, the government introduced a more collaborative model, and **thus the MPC was established**.

### RBI Balance Sheet Growth

- The Reserve Bank of India (RBI) recently released its **Annual Report for 2024-25**, a statutory report of its Central Board of Directors.

#### Key Findings:

- **Financial Performance:** In FY25, the RBI's **balance sheet expanded by 8.2%** to ₹76.25 lakh crore.
  - This growth facilitated a **record transfer of ₹2.69 lakh crore to the central government**, aiding in fiscal consolidation.
- **Inflation Management:** The RBI's proactive monetary policy successfully moderated inflation, **bringing it below the 4% target** in February and March 2025.
- **Currency Management Reforms:** The RBI announced the **cessation of printing ₹2, ₹5, and ₹2,000 denomination notes**. By March 2025, **98.2% of ₹2,000 notes had been returned to banks**, signaling their near-total withdrawal from circulation.
  - The ₹500 note has become the dominant currency, comprising **40.9% of all notes and 86% of the value in circulation**.
  - Additionally, the RBI is promoting sustainability by **recycling old notes into furniture material** and advancing its '**Sa-Mudra**' project to digitize and automate currency management.
- **Expansion of Digital Rupee (e₹):** The RBI has intensified efforts to expand the scope of its **Central Bank Digital Currency (CBDC)** for both **retail (e₹-R) and wholesale (e₹-W)**
- **Financial Sector Frauds:** The RBI has noted an increase in banking frauds, with the number of instances rising to 36,075 in FY24, **up from 13,564** in the previous year.

## Revised Economic Capital Framework (ECF) of the Reserve Bank

- The Reserve Bank of India (RBI) has recently taken a step to **strengthen its financial resilience** by revising its Economic Capital Framework (ECF) and risk provisioning norms.
- The ECF has been built on the 2019 framework established by the **Dr. Bimal Jalan Expert Committee**.
- The ECF governs how much capital the RBI should maintain to **cover its various risks** and how much of its **surplus income can be transferred** to the Government of India.

### Key Findings:

- **Inclusion of Minor Currencies:** Foreign currency assets in minor currencies will now be considered in market risk assessments.
- **Flexible Resilience Range:** The Central Board can maintain market risk buffers within a range defined by **Expected Shortfall (ES) at 99.5% and 97.5% confidence levels**.
  - This offers flexibility based on prevailing market conditions.
- **Widened Buffer Range:** The buffer range for monetary and financial stability risks has been expanded from the earlier **4.5%- 5.5% to 3.5%- 6.5%** of the balance sheet size.
- **Contingent Risk Buffer (CRB):** The CRB, which covers buffers for monetary, financial, credit, and operational risks, will now be maintained in the range of **6% ± 1.5% (4.50%-7.50%)** of the balance sheet size, replacing the earlier fixed level of 6.5% (with a lower bound of 5.5%).
- **Equity Threshold for Surplus Transfer:** Surplus will only be transferred to the government if the RBI's available **equity (capital) exceeds 7.5% of the balance sheet size**, after accounting for any shortfall in market risk buffers.
  - The buffer was gradually increased from 5.5% (2018–22) to 6.5% (2023–24).

## Open Market Operation (OMO) Purchase

- The RBI announced **OMO purchases of government securities worth ₹1 trillion** and a **3-year dollar-rupee buy/sell swap of \$5 billion** to inject **durable liquidity** into the banking system.
- **Open Market Operations (OMOs)** are a monetary policy tool through which the RBI **buys or sells government securities** to manage liquidity.
- **OMO purchases inject liquidity**, while **OMO sales absorb liquidity**.
- The RBI conducts OMOs under **Section 17(8) of the RBI Act, 1934**; OMOs include **outright transactions and repo/reverse repo operations under the LAF**.
- The move comes amid **sharp rupee depreciation (crossing ₹90 per US dollar) and foreign investor outflows**, which reduce banking system liquidity.
- **OMO purchases help offset this liquidity drain** by supplying long-term funds to banks.

## Basel Liquidity Norms

- The Reserve Bank of India (RBI) recently released the final guidelines for the Basel III Liquidity Coverage Ratio (LCR).
- **The Liquidity Coverage Ratio (LCR)** is a regulatory standard that requires banks to maintain a sufficient stock of **High-Quality Liquid Assets (HQLAs)** to manage liquidity crunch up to a 30-day period due to any sudden withdrawals of funds.
- HQLA are assets comprising mainly government securities, that banks can quickly convert to cash with minimal loss during a liquidity crisis.
- As part of **post 2008 Global Financial Crisis (GFC) reforms**, Basel Committee on Banking Supervision (BCBS) had introduced Liquidity Coverage Ratio (LCR) in 2010 as part of Basel III reforms.
  - In India, RBI has been rolling out a phased implementation of LCR in India after assessing the liquidity risks of various bank deposits.
- Further, as per **Banking Regulation Act, 1949**, the banks in India are required to hold liquid assets to maintain **Statutory Liquidity Ratio**

(SLR).

- RBI delayed implementation of the norms to 2019 to allow Indian banks, which already invest around **18% of deposits in government securities** under statutory liquidity ratio (SLR) rules, time to adjust.
- From 2019 onward, banks were allowed to count these SLR securities also as HQLA.
  - ☞ However, **Cash Reserve Ratio is not included** as the HQLA of banks.

## India's Retail Inflation Trends

- **The Consumer Price Index (CPI) based retail inflation**, which the Reserve Bank of India (RBI) monitors for its policy action, **declined to 2.82% in May (year-over-year) from 3.16%** in the previous month.
- The data released by the **National Statistical Office (NSO), the Ministry of Statistics and Programme Implementation (MoSPI)**.
- **CPI** is a metric that measures the **change in the price level of goods consumed** by retail consumers, who are on the demand side of the economy.
- **Core inflation** — which excludes items whose prices are volatile such as food and fuel and is seen as an indicator of underlying demand conditions — inched up to around **4.2% in May**.
- **Imported inflation** rose to 6.3% in May driven by the jump in the prices of oils and fats.
- The decline in inflation was sharper in urban areas and rural inflation in May stood at 2.6%, which is 48 basis points lower than the urban inflation.



## Composite Flash Purchasing Managers' Index

- After softening for three quarters in a row, the Composite flash Purchasing Managers' Index (PMI) rose at a faster pace in February.
- The Composite Flash Purchasing Managers' Index (PMI) is an early estimate of overall economic activity in a country measured later as PMI, covering both manufacturing and services sectors.
- PMI data are compiled by S&P Global for more than 40 economies worldwide.
- It is based on surveys of purchasing managers (people who buy the supplies for businesses) in companies and helps gauge economic trends like growth or contraction.
- PMI focuses on month-over-month changes and thus is a diffusion index without a base year.
  - ✓ Above 50 → Expansion in business activity.
  - ✓ Below 50 → Contraction in business activity.
  - ✓ Exactly 50 → No change

## Dollar Rupee Swap Auction

- To address durable liquidity needs, the RBI will conduct a **\$10 billion USD-INR buy/sell swap auction** for three years (long term).
- This will be the second swap in a month since on January 31, RBI had infused \$5.1 billion through a six-month swap (short-term).
- A **Dollar-Rupee Swap** is a foreign exchange transaction where the Reserve Bank of India (RBI) or banks exchange U.S. dollars for Indian rupees with an agreement to reverse the transaction at a later date.
  - ➔ In a **USD-INR buy/sell swap**, banks sell USD to the RBI and agree to buy it back later at a pre-agreed premium rate.
  - ➔ This helps inject rupee liquidity into the banking system.
  - ➔ In a **USD-INR sell/buy swap**, banks buy USD from the RBI and agree to sell it back later, absorbing rupee liquidity.
- These swaps help manage liquidity, stabilize currency markets, and influence interest rates

(as banks will have more liquidity).

- Successful bidders would be those who **had placed their bids at or above the cut-off premium**.
- In the first leg of the transaction, the bank will sell U.S. dollars to the Reserve Bank at **FBIL Reference Rate** on the auction date.
  - FBIL Reference rate means the rates of currency pairs computed and published on a daily basis, on all Mumbai business days, by Financial Benchmarks India Private Limited.

issued by a government.

- A **rollover** means when the T-bill matures, instead of taking back the money, India reinvests it in a new T-bill, effectively **extending the loan**.
- Importantly, this support is **interest-free**, meaning the Maldives does not pay any extra cost to India.
- This financial assistance is meant to help the **Maldives meet its short-term budgetary and liquidity needs**.

## Indian Rupee Fall Against Dollar

- The Indian rupee hit a record **low of over 87 against the US dollar** for the first time ever recently as a reaction to US President Donald Trump's tariffs.

### The Reasons:

- The sharp fall in the rupee was mainly **triggered by the executive orders signed by Trump** to increase tariffs on Canada, Mexico and China
- The new trade restrictions have **boosted the value of the US dollar**, making it stronger against most global currencies.
- **The dollar index** (which measures the US dollar against six major currencies) also **rose 0.3% to 109.8**.
- **Foreign Institutional Investors (FII)** have been on a selling spree in Indian markets since October 2024.
- A weaker rupee increases import costs and inflation but boosts export competitiveness and remittance value, benefiting export sectors like IT and remittance-dependent regions.

## Crypto Strategic Reserve

- The U.S. President has announced the creation of a 'Crypto Strategic Reserve'.
- This marked a major policy shift by allocating part of **national reserves to cryptocurrencies** like Bitcoin, Ethereum, XRP, Solana, and Cardano.
- The plan, aimed at **enhancing financial stability** and hedging against inflation, sparked a surge in crypto markets.
- To fund this reserve, the **U.S. may sell part of its gold reserves** to buy 1 million Bitcoin (5% of total supply).
- Only **three countries**—El Salvador, Bhutan (partially only), and the Central African Republic—currently recognize crypto as legal tender.
- Both US and India allow buying and selling of cryptocurrencies but it is **not a legal tender**.
- India has imposed a **30% tax on crypto income** and **1% TDS** on transactions, treating it as a **virtual digital asset**.

## Treasury Bill (T-bill) "Rollover"

- India has renewed a **\$50 million Treasury Bill (T-bill)** for the Maldives for another year via the **State Bank of India (SBI)**.
- This is part of a **Government-to-Government financial assistance program** started in March 2019, under which India has subscribed to and rolled over these T-bills annually
- A **Treasury Bill** is a short-term debt instrument

## 3. Banking & Financial Sector

### Amalgamation of RRBs

- **Department of Financial Services (DFS)** has notified amalgamation of 26 Regional Rural banks (RRBs) on the principles of “**One State One RRB**”.
- **Amalgamation** is a process where two or more existing entities combine to form a new single entity.
- The move aims to strengthen the **operational efficiency, financial viability, and regional focus** of RRBs.
- At present, **43 RRBs are functioning in 26 States and 2 UTs**.
- Post amalgamation, there will be **28 RRBs in 26 states and 2 UTs** with more than 22000 branches covering 700 districts.
- Their **predominant area of operation is in rural areas** with approx. 92% of branches in rural/semi urban areas.
- The amalgamation is being carried out under **Section 23A(1) of the Regional Rural Banks Act, 1976**, which allows such mergers in the public interest and for the development of the regions they serve.
- This is the fourth phase of amalgamation and the previous 3 phases led to reduction of RRBs from **196 to 43**.
- RRBs were **set up in 1975** based on the recommendations of the Narasimham Committee on Rural Credit, under the Regional Rural Banks Act, 1976.
- RRBs are **jointly owned** by the Central Government (50%), the Sponsor Bank (35%), and the concerned State Government (15%).

### Banking Laws (Amendment) Act, 2025

- Banking Laws (Amendment) Act, 2025 came into effect from 1st August 2025 and aims to **enhance bank governance**, safeguard depositors, and align cooperative banks with constitutional norms.
- The Act contains a total of **19 amendments across five legislations**—the Reserve Bank of India Act, 1934, Banking Regulation Act, 1949, State Bank of India Act, 1955 and Banking

Companies (Acquisition and Transfer of Undertakings) Act, 1970 and 1980.

### The amendments aim to:

- Redefine the threshold of ‘**substantial interest**’ from ₹5 lakh to ₹2 crore, revising a limit that has remained unchanged since 1968.
- Align **director tenures in cooperative banks with the 97th Constitutional Amendment** by increasing the **maximum tenure from 8 years to 10 years** (excluding the chairperson and whole-time director).
- Public sector banks (PSBs) will now be **permitted to transfer unclaimed shares, interest, and bond redemption amounts to the Investor Education and Protection Fund (IEPF)**, bringing them in line with practices followed by companies under the Companies Act.

### Substantial Interest:

- Before the enactment of the new law, under the **Banking Regulation Act**, substantial interest in a company **referred to holding shares of over five lakh rupees or 10%** of the paid-up capital of the company, whichever was lower.
- This may be held by an individual, his spouse, or minor child, either individually or collectively.

### Investor Education and Protection Fund (IEPF):

- It falls under the **Ministry of Corporate Affairs** and aims to **promote investor awareness**, ensure effective grievance redressal, and facilitate the recovery of unclaimed investments through accessible and user-friendly platforms

### Domestic Systemically Important Bank (D-SIBs)

- The **RBI’s 2025 list of Domestic Systemically Important Banks (D-SIBs)** continues to include **SBI, HDFC Bank and ICICI Bank**, recognising their critical role in financial stability.
- These banks must maintain **additional Common Equity Tier-1 (CET1) capital** to absorb systemic risks: **SBI is placed in Bucket 4 (0.80%), HDFC Bank in Bucket 2 (0.40%), and ICICI Bank in Bucket 1 (0.20%)**, over and above the Capital Conservation Buffer.
- CET-1 is the bank’s own, most reliable money that protects depositors and the system during

losses and includes bank's **equity share capital (ordinary shares), share premium, and retained earnings and reserves.**

- The D-SIB framework, introduced in 2014 and updated in **2023**, assigns banks to buckets based on their **Systemic Importance Scores** to reduce "too-big-to-fail" risks.

➔ SBI and ICICI were first identified in 2015–16, and HDFC in 2017, with the current list based on **March 31, 2025 data.**

- Foreign banks operating in India that are designated as **Global Systemically Important Banks (G-SIBs)** must also hold an **additional CET1 surcharge** proportionate to their **RiskWeighted Assets in India.**
- Note: The Financial Stability Board (FSB)** identifies G-SIBs as globally significant banks based on their size, cross-jurisdictional activities, and interconnectedness.

The list of D-SIBs is as follows:

Bucket	Banks	Additional Common Equity Tier 1 requirement as a percentage of Risk Weighted Assets (RWAs)
5	-	1%
4	State Bank of India*	0.80%
3	-	0.60%
2	HDFC Bank*	0.40%
1	ICICI Bank	0.20%

\* The higher D-SIB surcharge for SBI and HDFC Bank will be applicable from April 1, 2025. Hence, up to March 31, 2025, the D-SIB surcharge applicable to SBI and HDFC Bank will be 0.60% and 0.20% respectively.

at over Rs 67,000 crore.

- The RBI had earlier launched a dedicated **portal called 'UDGAM' to enhance accessibility and simplify the search process** for unclaimed deposits.
- Note: UDGAM** refers to Unclaimed Deposits Gateway to Access inforMation, and it facilitates the **registered users to search unclaimed deposits/accounts across** multiple banks at one place in a centralized manner.

## RBI Gold Reserves

- India's gold reserves have **crossed the \$100 billion mark** for the first time, reaching \$102.36 billion, while total foreign exchange reserves stood at \$697.78 billion.
- Gold now makes up **14.7% of total reserves** — the highest since 1996–97 — nearly doubling its share over the past decade due to **steady RBI purchases and rising global prices.**
- However, **overall forex reserves fell** by \$2.17 billion in October, mainly because foreign currency assets (FCAs) dropped to \$572.10 billion.
- SDRs fell to \$18.68 billion, and India's IMF reserve position fell to \$4.63 billion.

## Unclaimed Deposits in Banks

- The Reserve Bank of India (RBI) launched a **special outreach programme** till December 2025 **to reduce the volume of unclaimed deposits with banks.**
- Under the scheme, banks receive an incentive up to 7.5% (capped at Rs.25,000) when they help customers reclaim their unclaimed deposits.
- The objective is to encourage banks to actively pursue customers/ depositors for **reactivation of their inoperative accounts** and return of their unclaimed amounts lying with **Depositors Education Awareness (DEA) Fund** to the rightful claimant in a timely and efficient manner.
- Unclaimed deposits in customer accounts which are **inoperative for more than 10 years** go into the DEA fund, but a depositor can reclaim the money later as well.
- As of June 2025, the **unclaimed deposits stood**

India's foreign exchange reserves comprise four main components: **Foreign Currency Assets (FCA)** — the largest share, including holdings like U.S. dollars, euros, pounds, and yen kept with foreign central banks and invested in securities; **Gold Reserves**, held both in India and abroad; **Special Drawing Rights (SDRs)** — international reserve assets created by the IMF based on a currency basket; and the **Reserve Tranche Position (RTP)** in the IMF, which represents India's readily withdrawable claim on the Fund.

## National Bank for Financing Infrastructure and Development (NaBFID)

- The Finance Minister recently said the National Bank for Financing Infrastructure and Development (NaBFID) will set up a **partial credit enhancement facility** for corporate bonds in the infrastructure sector.
- NaBFID is a specialized **Development Finance**

**Institution (DFI)** established in India to address the critical need for long-term infrastructure financing.

- Created under the NaBFID Act, 2021, it aims to **bridge the financing gaps** in infrastructure projects, particularly those requiring **extended loan tenures** and **non-recourse** financing.
- NaBFID functions under the regulatory oversight of the Reserve Bank of India (RBI) as an All-India Financial Institution (AIFI).
- NaBFID plays a vital role in promoting the development of **robust bond and derivatives markets**.

In a **non-recourse loan**, if the borrower fails to repay the loan, the lender can seize the **collateral**

However, they **cannot pursue the borrower's other assets** to recover any remaining debt

## Electronics Development Fund (EDF)

- Recent reports reveal that, with **₹257.77 crore** invested, the Electronics Development Fund (EDF) has **supported 128 startups nationwide**.
- The **Electronics Development Fund (EDF)**, managed by the **Ministry of Electronics and IT (MeitY)** with contributions from the government and industry, aims to **promote R&D, innovation, and manufacturing in electronics** in India.
- It aims to strengthen the ecosystem by acting as a **fund of funds** i.e.: supporting funds that **provide risk capital to startups and companies** engaged in developing cutting-edge technologies.
- EDF has invested in **eight Daughter Funds** which have made further investments of ₹1,335.77 crore across 128 startups and ventures.
- The supported startups have generated **over 23,600 high-tech jobs** and created or acquired **368 intellectual properties (IPs)**.

## Masala Bond

- The Kerala High Court has extended the stay on the **Directorate of Enforcement (ED)**'s show cause notice to **Kerala government** over its masala bonds issue.
- Masala bonds are **rupee-denominated debt instruments** issued by Indian entities to **foreign investors**.
- **Currency risk is borne by investors**, not the Indian issuer (unlike dollar bonds).
- It is used mainly for **infrastructure financing**.
- The first such bond was issued by World Bank Group's **International Finance Corporation (IFC)** in 2014, raising ₹1,000 crore for infrastructure.
- They can be **subscribed to by eligible investors from Financial Action Task Force (FATF)**-member countries, with **RBI-prescribed maturities** of three years up to USD 50 million and five years above that, and are **settled at market exchange rates**.
- As of now, **only one Indian state — Kerala** (through the Kerala Infrastructure Investment Fund Board) has publicly issued masala bonds in the international market (listed on London and Singapore exchanges)
- **Other entities** (like NHAI, NTPC, HDFC, IREDA and IFC) have also issued masala bonds.

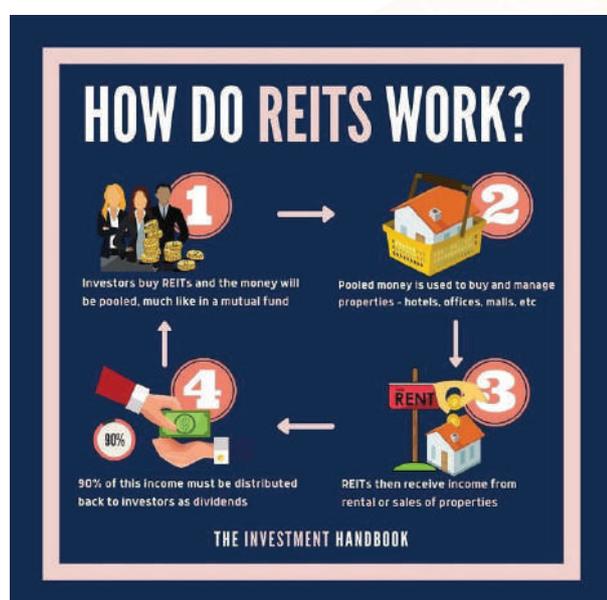
## Real Estate Investment Trusts (REITs)

- **SEBI reclassified REITs as equity instruments** which will make them more accessible and attractive to both retail and institutional investors
- **Equity instruments** are financial assets representing **ownership in a company**, like shares. Investors can earn **dividends** or **capital gains**, but also bear the risk of **loss if the company performs poorly**.
- A **REIT (Real Estate Investment Trust)** is a **trust registered with SEBI** that owns large **income generating properties** like offices, malls, or warehouses and allows ordinary people to invest in them without buying property directly.

👉 Investors **pool their money**, the trust manages the buildings, and the **rent earned** from these properties is distributed

as regular income.

- ☞ REIT units are **listed on the stock exchange**, so they can be bought and sold just like shares.
- When SEBI **reclassified REITs as equity instruments**, it means that REIT units are now officially treated like **shares of a company** for regulatory, investment, and accounting purposes.
- **Earlier**, SEBI placed REITs under a **hybrid category** because they were considered a mix of regular income (like from debt instruments like bonds) and potential capital gains (like equity).
- The **hybrid category had restrictions** which limited retail and institutional investment.



## Infrastructure Investment Trust (InvIT)

- The **National Highway Authority of India (NHAI)-sponsored Raajmarg Infra Investment Trust** has received **SEBI approval as an Infrastructure Investment Trust (InvIT)** to monetise road assets by attracting **retail and domestic investors**.
- **InvITs**, regulated under the **SEBI (Infrastructure Investment Trusts) Regulations, 2014**, are investment vehicles similar to mutual funds that pool investor funds to invest in **completed, revenue-generating infrastructure assets** such as highways and power grids, providing stable income.
- Structurally, an InvIT comprises a **trustee, sponsor, investment manager and project**

**manager**, where the investment manager oversees assets and investments, and the project manager executes projects.

- NHAI's InvIT is established as a **trust under the Indian Trusts Act, 1882**, in accordance with SEBI regulations.

## Qualified Institutional Placement

- Indian companies have shown more acceptance in issuing **Qualified Institutional Placements (QIPs)** to raise capital quickly and efficiently domestically.
- QIPs are **equity instruments** that provide companies with a faster and cost-effective way to raise capital.
- SEBI allows public listed companies to **issue equity shares or convertible securities** in the form of QIPs directly to **"Qualified Institutional Buyers" (QIBs)** without extensive regulatory approvals.
- QIPs help companies avoid market **volatility risks**, as shares are privately placed with institutional investors, ensuring stability.
- Additionally, QIPs **promote domestic institutional investment**, reducing reliance on foreign capital while allowing companies to secure funds efficiently for growth and expansion.
- **QIBs are institutional investors recognized by SEBI** as financially sophisticated entities capable of assessing investment risks.
  - ☞ QIBs include mutual funds, scheduled commercial banks, insurance companies, foreign portfolio investors (FPIs), pension funds, and sovereign wealth funds.

## Foreign Portfolio Investment (FPI)

- Foreign portfolio investors (FPIs) **resumed buying Indian equities in October**, ending a three-month stretch of continuous selling.
- FPI refers to **investments by foreign entities in Indian financial assets** such as stocks, bonds, mutual funds etc **without direct ownership or management control**.
- **Regulated by SEBI**, a foreign investor can hold **up to 10% of an Indian company's paid-up capital**; beyond this, the investment is classified

as Foreign Direct Investment (FDI).

- FPIs form **part of the capital account** in India's Balance of Payments, providing liquidity and capital inflows to financial markets, but are **often called "hot money"** due to their high volatility and tendency to exit during economic uncertainty.
- **FPIs differ from FDI** in that they do not involve management participation and primarily aim for short-term capital gains, whereas FDI is focused on long-term strategic interests and direct ownership of assets.

The **National Consumer Disputes Redressal Commission (NCDRC)** is the top consumer court in India, set up in 1988 under the Consumer Protection Act. It handles consumer complaints involving claims of ₹2 crore or more, hears appeals from State Commissions, and is headed by a former Supreme Court judge

## Cryptocurrency Trading

- **National Consumer Disputes Redressal Commission (NCDRC)** recently dismissed a lawsuit by Indian cryptocurrency investors against a cryptocurrency exchange.
- **Cryptocurrencies or virtual digital assets" (VDA)** are digital or virtual currencies secured by cryptography, making them resistant to counterfeiting.
- They operate on **decentralised networks using blockchain technology**, which functions as a distributed ledger maintained across multiple computers.
- While **cryptocurrencies or its trading is not illegal** in India, they are **not recognised as legal tender** to be used as currencies.
- In the present case, many investors lost money when a cryptocurrency exchange named **WazirX** faced a cyber attack.
- When millions of dollars worth cryptocurrencies were illegally withdrawn from the exchange in 2018, the investors took the case to NCDRC.
- NCDRC, however, ruled that cryptocurrencies in India **cannot be considered as a "good"** under **Consumer protection Act** and hence it cannot take up the case.
- It observed that **RBI neither regulated cryptocurrencies nor its exchanges.**
- NCDRC also observed that cryptocurrencies come within the **definition of property** under the **Income Tax Act** (and taxed at a rate of 30% since April 2022).

## 4. External Sector & Forex

### India's External Debt

- India's external debt increased by 10.7% yoy to \$717.9 billion at the end of December 2024 according to the Finance Ministry.
- External debt** is the money a country owes to foreign lenders, including governments, international institutions, or private entities, and is typically repaid in foreign currency.
- US dollar-denominated debt** remained the largest component of India's external debt, with a share of 54.8% in end-December 2024.

➤ It is followed by Indian Rupee (30.6%), Japanese Yen (6.1%), SDR (4.7%) and Euro (3%)

- Who owes the external debt: The share of outstanding debt** of non-financial corporations (like tech and manufacturing firms) in the total external debt was 36.5%, followed by deposit-taking corporations (except RBI) (27.8%), central government (22.1%) and other financial corporations (like insurance companies) (8.7%).
- What kind of debt is it: Loans were the largest component** of the debt, with a share of **33.6%**, followed by currency and deposits (23.1%), trade credit and advances (18.8%) and debt securities (16.8%).
- Debt service ratio:** 6.6% of current receipts This means India is using 6.6% of its export earnings and other external income to pay interest and repay the principal on its foreign debt.  
➤ This is slightly better than the 6.7% in September 2024

### Changing Dynamics of India's Remittances

- The Reserve Bank of India's recent survey highlights a **shift in India's remittance sources**, with advanced economies surpassing Gulf nations.
- In FY24, the **U.S. contributed 27.7% of total remittances**, up from 23.4% in FY21, while the U.K.'s share increased to 10.8% from 6.8% in the same period.

- The **UAE remained the second-largest source** at 19.2%.
- States like **Maharashtra (20.5%), Kerala (19.7%), and Tamil Nadu (10.4%)** were the top recipients.
- Notably, remittances **exceeding ₹5 lakh accounted for 28.6% of the total**, whereas transfers of ₹16,500 or less constituted 40.6%

**COUNTRY-WISE SHARE OF INDIA'S REMITTANCES**

Country	2016-17	2020-21	2023-24
United States	22.9%	23.4%	27.7%
United Arab Emirates	26.9%	18.0%	19.2%
United Kingdom	3.0%	6.8%	10.8%
Saudi Arabia	11.6%	5.1%	6.7%
Singapore	5.5%	2.4%	6.6%
Kuwait	6.5%	1.5%	3.9%
Qatar	-	5.7%	4.1%
Canada	3.0%	1.6%	3.8%

Source: RBI

### India's Invisible Trade Surpasses Merchandise Exports

- A recent report indicates that India now earns more from **intangible exports** ("invisibles") than from exporting physical goods.
- These invisible transactions—**primarily services and remittances**—have become the dominant driver of the country's external balance of payments.
- A major shift:** In 2013-14, India's goods exports were approximately \$85 billion more than its invisible receipts.  
➤ By 2024-25, this trend had reversed, with invisible receipts surpassing merchandise exports by about \$135 billion.
- Soaring receipts:** Total invisible receipts grew from \$53.5 billion in 2003-04 to \$576.5 billion in 2024-25.
- The Components of "Invisibles":** The growth in invisible receipts is primarily driven by two key components:  
➤ **Services Exports:** This is the largest category, with receipts soaring to \$387.5 billion in 2024-25. This includes a wide range of services, such as IT, consulting, and business process outsourcing, making India a global services hub.

👉 **Remittances:** These are private transfers of money from the large Indian diaspora working abroad, which reached \$135.4 billion in 2024-25. This steady flow of income acts as a resilient and stable source of foreign exchange

- Though it may violate **WTO's MFN principle**, it can be justified under **GATT Article XXIV** by framing it as a **free trade agreement**.

## Liberalised Remittance Scheme (LRS)

- Foreign remittances of Indian residents through **the Reserve Bank of India's (RBI) Liberalised Remittance Scheme (LRS)** dipped drastically in February 2025.
- Under the Liberalised Remittance Scheme, **all resident individuals**, including minors, are allowed to **freely remit up to USD 2,50,000 per financial year** (April – March) for any permissible current or capital account transaction or a combination of both.
- The Scheme was introduced on February 4, 2004, with a limit of USD 25,000.
- Currently, clients making remittances through LRS **can now deploy up to \$2.5 lakh each year** for economic purposes such as overseas education and overseas medical treatment, acquisition of overseas real estate, or **even purchases of foreign security**.
- The Scheme is **not available to corporates**, partnership firms, Hindu Undivided Families (HUF), and Trusts.
- Data shows that the numbers of Indian students who have been issued study permits in these countries **have fallen by at least 25%** in 2025, thereby reducing the flow of funds to other countries for education purchase

## Zero-for-Zero Tariff Strategy

- US President Donald Trump has announced reciprocal tariffs on India from April 2025.

### India's Possible Strategy – Zero-for-Zero Tariff Deal:

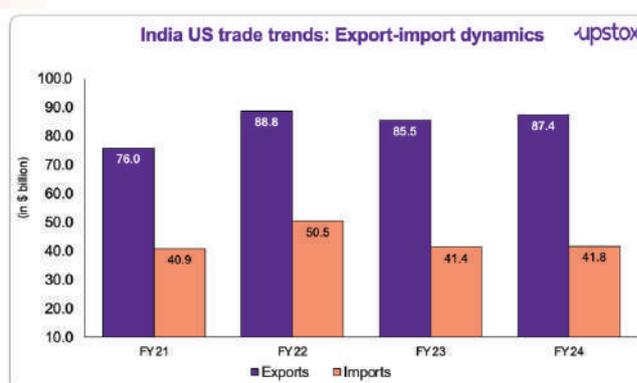
- India may propose a **'zero-for-zero'** deal, eliminating tariffs on select US goods without harming its domestic sectors.
- In return, the US would remove tariffs on a comparable number of Indian goods.

## GATT Article XXIV – Key Conditions:

Eliminate barriers on **substantially all trade** among parties.

Do so within a **reasonable period** (typically 10 years).

Must not **raise tariffs or trade restrictions on other WTO members** (those **outside** the agreement) **compared to what they were before** the agreement.



## Foreign Currency Settlement System (FCSS)

- The Finance Ministry launched **FCSS** at **GIFT City IFSC, Gujarat** to enable **real-time settlement of foreign currency transactions** like US dollars within India.
- Earlier, banks relied on **foreign correspondent banks** and **Nostro accounts** (accounts held by Indian banks in foreign banks) to settle foreign currency transactions, causing **36–48 hour delays**, higher costs, and dependence on overseas systems.
- For example, to transfer US dollars between two GIFT City banks, the money first moved from the sender's Indian bank → US bank (Nostro account) → recipient's bank's Nostro account → back to India
- Under the FCSS, a **local settlement bank** will handle inter-bank foreign currency transactions, bypassing foreign channels and reducing time and cost.
- The system will operate under the regulatory framework of the **Payment and Settlement Systems (PSS) Act, 2007**, and is **authorised by International Financial Services Centres Authority (IFSCA)**.

**GIFT City** is India's **first special economic zone**, which is designed to host institutions dealing in global finance, insurance, fintech, and capital markets.

The IFSCA, which was set up in 2020, regulates all activities inside the GIFT City.

## Classification of India's Forex Framework

- The International Monetary Fund (IMF) is expected to change the way it classifies India's exchange rate regime to **"crawling peg"**.
- Countries adopt different **exchange rate strategies** to manage their foreign exchange and stabilize their economy:
- Currencies can be managed as **fixed/pegged** (tied to another currency with central bank maintaining the rate), **pure float** (marketdetermined with minimal intervention), or **managed float** (mostly floating but central bank intervenes to limit volatility).
- Crawling peg is a variant of managed float where the currency is pegged to another currency or a basket but **allowed to adjust gradually over time** (small, pre-announced steps or in response to inflation differences).
- It combines stability of a fixed rate with flexibility to adapt.
- Countries with Forex volatility and economic instability may use this combination of a fixed and floating rate model to minimize the effects of economic dislocation, manage inflation expectations, and prevent uncontrolled currency devaluation.
- IMF had in 2023 classified India's exchange rate regime as a **"stabilized arrangement" from a floating arrangement** in its Article IV report, which means that the rupee mostly floats, but the **RBI intervenes frequently** to limit large swings.
- If the IMF now calls it a **crawling peg**, it signals that the **rupee is increasingly being managed in a structured way**, with **gradual adjustments over time** rather than occasional interventions.

Note: The Article IV report is the IMF's annual assessment of a member country's economy, conducted under Article IV of the IMF's Articles of Agreement (founding legal document of the IMF)

## Russian Ruble's Sharp Rise

- The **Russian Ruble saw a steep rise by 45% against the US dollar** since the start of the year and has made it one of the world's best performing currencies.
- The Central Bank of the Russian Federation (aka **Bank of Russia**) has implemented a high interest rate policy, with rates on ruble deposits exceeding 20%.
- This makes the ruble an **attractive currency for savers**, which increases demand and strengthens its value.
- Recent talks between the US and Russia regarding a peace settlement in Ukraine had also fueled optimism in the market. While the central bank maintains a freely floating exchange rate, it has been **actively selling the Chinese yuan** to support the ruble.
  - 👉 This intervention, though limited to a single currency, provides a key tool for managing the ruble's value

## Abolition of Equalisation Levy

- The government proposed to abolish the Equalisation Levy or **digital tax** on online advertisements from April 1.
- As of now **6% is the Equalisation Levy on online advertisements** and abolishing this levy will reduce the tax burden on digital ad consumers and costs on platforms like Google, X and Meta.
- The digital tax was introduced in India in 2016 as a measure **to tax cross-border digital advertising transactions**.
- It was specifically **designed to target nonresident digital platforms** that generated revenue from Indian advertisers, even when these **platforms had no physical presence** in India.
- The proposal to remove the Levy, according to experts, is aimed at **showing an accommodative stance to the US**, which has threatened to introduce reciprocal tariffs from April 2.

## Hong Kong Enforces Stablecoin Licensing

- The **Hong Kong Monetary Authority** has made it illegal to issue or market **unlicensed fiat-referenced stablecoins (FRS)** to the public.
- Stablecoins are **cryptocurrencies** pegged to assets like **fiat currencies** (USD, EUR, HKD), commodities (gold), or even other crypto, to maintain stable value—unlike volatile coins such as Bitcoin or Ether.
  - 👉 **Fiat means government-issued currency** that is not backed by a physical commodity like gold or silver but by the trust in the issuing government and its central bank.

👉 Example: **Tether (USDT)** pegged to USD.

- Stablecoins differ from Central Bank Digital Currencies (CBDC) like **Digital Rupee (₹)**, which are official digital currency issued and fully backed by a country's central bank and is a **sovereign legal tender**.
  - 👉 Stablecoins, on the other hand, can be privately issued and pegged to foreign currencies.
- Companies in Hong Kong must **now obtain a licence**, maintain proper reserves, ensure redemption, stabilise assets, process user requests, and comply with anti-money laundering and counter-terror financing rules, with assets disclosed and audited.

## 5. Fiscal Policy, Taxation & Public Finance

### GST 2.0

- The Goods and Services Tax (GST) Council, during its recently held **56th meeting, decided to revamp the tax structure** into a primarily two-rate system as proposed by the Central government
- The GST Council reduced the GST structure **from four slabs (5%, 12%, 18%, 28%) to two main rates—5% (merit rate) and 18% (standard rate)**.
- The new GST system also includes a **40% “special rate” (Demerit rate) on sin goods** such as tobacco and luxury items such as large cars, yachts, and helicopters.
- The net fiscal implication of the rate cuts, based on consumption patterns in 2023-24, would be ₹48,000 crore according to the government.
- All these GST rate changes **will be effective from 22nd Sept 2025** except tobacco product.

#### The Rate cuts:

- **The food-processing sector: major beneficiary** as most products witnessing a **decline to 5% GST slab**.
- **Home Appliances, Small Cars & and motor cycles (≤350cc):** brought down to 18%.

- **Life insurance:** GST has been exempted (0%).
- **Dairy products**, 33 lifesaving drugs and educational essentials: Nil rate.
- **Daily essentials**, agriculture goods, health care equipment: 5%.
- **Textile sector:** manmade fibre from 18% to 5% and manmade yarn from 12% to 5%.

### Goods and Services Tax Appellate Tribunal

- The **Goods and Services Tax Appellate Tribunal (GSTAT)**, to resolve disputes related to GST, was officially launched in **New Delhi**.
- GSTAT will be **the largest tribunal in India**, with **116 members, 32 benches, and 45 locations** across the country.
- Under the GST framework, the **first appeal** is made to tax officers.
- If taxpayers are dissatisfied with the decision, the **second appeal** can now be taken to GSTAT, instead of directly approaching High Courts.
- This helps **reduce the burden on courts** and

speeds up dispute resolution.

- Although GST laws had allowed the tribunal since **2017**, it became functional only in **2025**

## SEZ regulations

- **The Ministry of Commerce and Industry** has recently amended rules for Special Economic Zones (SEZs) focused on **semiconductor and electronic component manufacturing**.
- In India, a Special Economic Zone (SEZ) is a **duty-free area** treated as a **foreign territory** for trade, **offering tax incentives** to boost exports and investment.
- SEZ is governed by the **Special Economic Zones Act, 2005** and 2006 Rules.

### Amendments to SEZ Rules, 2006:

- **Rule 5:** For SEZs focused on semiconductors or electronic components, the minimum land requirement has been reduced from **50 hectares to 10 hectares** - Makes it easier for smaller investors to enter the sector.
- **Rule 18:** SEZ units in these sectors can now **sell within India** (domestically) after **paying applicable duties**, not just export goods - Increases domestic availability of critical components and reduces import dependency.
- **Rule 7:** The Board of Approval can now allow SEZ land to be **mortgaged or leased** to government agencies, even if it's not fully free of legal claims (encumbrances) - Eases land acquisition hurdles and enables quicker setup of SEZs without legal bottlenecks.
- **Rule 53:** The amendment will allow the value of goods received and supplied on a free-of-cost basis to be included in Net Foreign Exchange (NFE) calculations and assessed using applicable customs valuation rules.

## Safeguard Duty

- India has imposed a **three-year safeguard duty (11–12%)** on select **flat steel products** to curb **cheap imports, mainly from China**.
- **Flat steel products** are **steel products that are flat in shape**, as opposed to long or structural forms like rods or beams.

- A **safeguard duty** is a **temporary import tax** imposed by a country to **protect its domestic industry** from a sudden surge in **imports that cause or threaten serious injury** to local producers.
- It is **different from anti-dumping duty** (which targets unfairly low-priced imports) and countervailing duty (which targets subsidized imports).
- Usually **applied for a limited period** (often 2–4 years) and can be reduced gradually.
- Recommended after an **investigation** by a body like India's **Directorate General of Trade Remedies (DGTR), Ministry of Commerce & Industry**.
- Helps domestic industries adjust to competition without permanently restricting trade.
- The move follows a DGTR finding of a sudden surge in imports causing serious injury to domestic producers.
- In the first eight months of the fiscal year, India was a **net steel importer**, with **domestic consumption rising and exports increasing**.

## Capital Gains Account Scheme (CGAS)

- The **Ministry of Finance** has notified the **Capital Gains Accounts (Second Amendment) Scheme, 2025**, introducing changes to the **Capital Gains Account Scheme, 1988**.
- A **capital gain** is the profit earned from the sale or transfer of a capital asset such as property, land, shares, jewellery, or certain investments.
- Depending on the **holding period**, the gain is classified as either short-term or long-term, and the applicable tax rules differ accordingly.
- Under **Section 54 of the Income Tax Act**, if you make a capital gain, you can avoid paying tax on that gain by reinvesting it in another residential property.
- However, there are **time limits**: either buy a new property within 1 year before or 2 years after the capital gain, or construct a new property within 3 years of capital gain.
- When someone cannot immediately complete the purchase or construction the **Capital Gains Account Scheme (CGAS)** allows taxpayers to deposit the gains within these timelines, so they still qualify for tax exemption.

- The 2025 amendment allows **private banks to offer CGAS accounts**, and accepts **electronic payments including UPI**.
- It also **simplifies holding periods** to 1 year and 2 years.

## Adjusted Gross Revenue (AGR)

- The Supreme Court has **dismissed review petitions** seeking corrections in the calculation of Adjusted Gross Revenue (AGR) dues.
- As per a 1999 revenue sharing model, telecom companies in India have to pay a license fee to the central government at the rate of 8% of their **Adjusted Gross Revenue**.
- There is a **dispute** regarding what constitutes AGR as the telecom companies wanted AGR to include only **telecom-related revenue** (calls, SMS, internet) but the **government** (DoT) insisted AGR should include all revenue, even from **non-telecom sources** (like rent, interest, or asset sales of the telecom company).
- In 2021, the **Supreme Court ruled in favor** of the DoT, making telecom companies pay higher dues.
  - ☞ This puts a **financial strain** on telecom companies that **exceeded Rs 1 trillion**
  - ☞ Later, the government **provided relief** by allowing deferred payments and converting dues into equity to support struggling telecom firms.
- In addition to License fee, telcos have to pay a **Spectrum Usage Charge (SUC)** of 3-5% of AGR.

## Fiscal Health Index (FHI)

- NITI Aayog launched the inaugural issue of "Fiscal Health Index (FHI) 2025".
- The Aayog, using data from the Comptroller and Auditor General (CAG), released the index for 18 states, which contribute 85% of the cumulative gross domestic product of all states.
- The report provides a comprehensive assessment based on key sub-indices
- The States are divided into 4 categories namely Achievers, Front Runners, Performers and Aspirational.

MAJOR SUB-INDICES	MINOR SUB-INDICES
1. Quality of Expenditure	1.1 Total Developmental Expenditure/Total Expenditure
	1.2 Total Capital Outlay/ GSDP*
2. Revenue Mobilization	2.1 State Own Revenue/ GSDP*
	2.2 State Own Revenue/ Total Expenditure
3. Fiscal Prudence	3.1 Gross Fiscal Deficit/ GSDP*
	3.2 Revenue Deficit/ GSDP*
4. Debt Index	4.1 Interest Payments/Revenue Receipts
	4.2 Outstanding Liabilities/ GSDP*
5. Debt Sustainability	5.1 Growth Rate of GSDP* - Growth Rate of Interest Payments

GSDP at current prices for the year 2022-23

## HOW STATES FARE

Fiscal Health Index Score (out of 100)

### TOP 5 ▲

1	Odisha	67.8
2	Chhattisgarh	55.2
3	Goa	53.6
4	Jharkhand	51.6
5	Gujarat	50.5

### BOTTOM 5 ▼

18	Punjab	10.7
17	Andhra Pradesh	20.9
16	West Bengal	21.8
15	Kerala	25.4
14	Haryana	27.4

Source: NITI Aayog

## Spending Cap on MGNREGS

- The **Union Finance Ministry** has capped spending under the **Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)** at **60%** of its annual allocation for the first half of Financial Year (FY) 2025-26.
- The programme has been for the first time brought under the **Monthly Expenditure Plan/Quarterly Expenditure Plan (MEP/QEP)**, a spending control mechanism introduced by the Finance Ministry in 2017.
- The **Ministry of Rural Development** data shows that over the last few years, more than **70% of the budget is frequently exhausted by September**, and the supplementary allocations run out by January.
- The MGNREGS budget for FY 26 stands at Rs 86,000 crore, and FY 25 ended with pending dues of Rs 21,000 crore.

The **Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)** is a **social security and employment scheme** enacted in **2005**, guaranteeing 100 days of **wage employment** per year to every rural household whose adult members volunteer for unskilled manual work.

Work must be provided within **15 days** of demand, failing which **unemployment allowance** is paid.

Minimum wages paid as per state norms; **wages must be paid within 15 days.**

Work must be provided **within 5 km** of the applicant's residence, or extra wages are paid.

Emphasis on **women participation (at least 33%)** and marginalized groups.

## Corporate Social Responsibility (CSR)

- The **Supreme Court** recently held that **Corporate Social Responsibility (CSR)** inherently includes **environmental responsibility**, recognising that corporations have a fundamental duty to protect the environment.
- CSR refers to a company's responsibility to contribute to **social, environmental, and economic development** and is a **statutory obligation under Section 135 of the Companies Act, 2013** for companies meeting any of these criteria:
  - **net worth > ₹500 crore, turnover > ₹1,000 crore, or net profit > ₹5 crore.**
  - Such companies must spend **at least 2% of their average net profits** of the preceding three years (or all preceding years if incorporated less than three years ago) in permitted CSR activities

**Schedule VII of the Companies Act, 2013 permits CSR activities** related to eradication of hunger and poverty, healthcare and sanitation, education and women empowerment, environmental sustainability and animal welfare, livelihood and rural/slum development, protection of heritage and support to armed forces veterans, promotion of sports, contributions to specified government relief funds, disaster management, and other notified activities such as COVID-19 awareness or Har Ghar Tiranga.

**However**, normal business activities, activities outside India (except sports training), political contributions are not to be included.

- Companies must form a **CSR Committee** (3+ directors, including 1 independent for listed/public companies) and formulate its CSR Policy.
- Any **unspent CSR amount** must be transferred within six months of the end of the financial year to a specified Schedule VII fund (e.g., PM National Relief Fund, Swachh Bharat Kosh, etc..)
- If it relates to an **ongoing multi-year project**, it must be moved to a separate Unspent CSR Account within 30 days and spent within the project period (up to three years).
- Compliance is enforced by the **Registrar of Companies** through enhanced, data-driven scrutiny under the online **MCA-21 system**, Ministry of Corporate Affairs (MCA).

## Corporate Social Responsibility (CSR)

- The Agriculture Ministry revised **Market Intervention Scheme (MIS)** guidelines, raising the **procurement limit** for select **non-MSP perishables from 20% to 25%**.
- Revision will also include allowing states to pay the difference between the **Market Intervention Price (MIP)** and the selling price directly into the bank account of farmers.
- **MIS** is a government program that helps farmers when prices of perishable crops (not covered under MSP) fall sharply.
- Under MIS, the government **procures perishable crops like tomatoes, onions, and potatoes** to prevent distress selling (selling at low prices due to financial needs).
- MIS is implemented on the **request of a state/UT gov't for procurement** when there is a **reduction of at least 10% in market prices in states/UTs** as compared to rates of the previous normal season.
- MIS is one of the **three components** under the Pradhan Mantri Annadata Aay Sanrakshan Abhiyan (**PM-AASHA**) launched in 2018.
- Other components are:
  - ➔ **Price Support Scheme (PSS)** – Government agencies procure pulses, oilseeds, and copra at Minimum Support Price (MSP) to support farmers.
  - ➔ **Price Deficiency Payment Scheme (PDPS)** – Farmers receive direct compensation if the market price falls below MSP, without physical procurement of crops.

## 6. Agriculture & Rural Economy

### National Pulses Mission

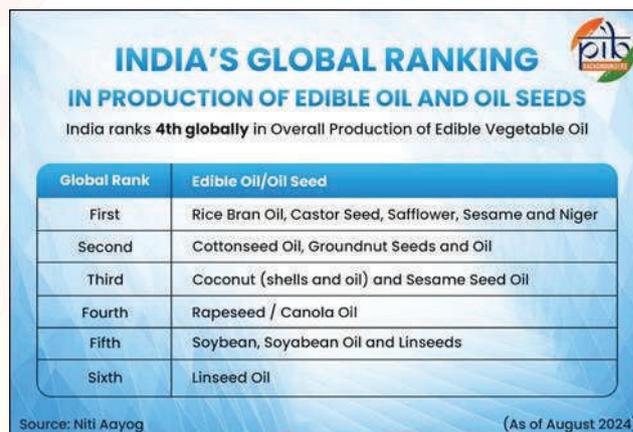
- The Union Cabinet approved the “**Mission for Aatmanirbharta in Pulses**” (2025–26 to 2030–31) with an outlay of ₹11,440 crore to achieve self-sufficiency in pulses.
- The scheme targets raising production from **242 lakh tonnes (2023–24) to 350 lakh tonnes** by 2030–32, focusing on **tur, urad, and masur**.
- **Procurement** will be assured through National Agricultural Cooperative Marketing Federation of India (**NAFED**) and National Cooperative Consumers’ Federation of India (**NCCF**) from registered farmers.
- Implemented through a **cluster-based approach** in 416 districts, the mission will also establish around 1,000 **processing and packaging units** with subsidies up to ₹25 lakh each.
- India is the **world’s largest producer, consumer, and importer** of pulses.
- The main **sources for imports** include Myanmar, Canada, Australia, Mozambique, and Tanzania.

### National Mission on Edible Oils (NMEO)

- According to a 2024 NITI Aayog report, **India ranks first globally** in the production of rice bran oil, castor seed, safflower, sesame and niger, yet remains heavily import-dependent for edible oils.
- To address low productivity and import dependence, the **National Mission on Edible Oils (NMEO)** adopts a two-pronged approach.
  - ➔ **NMEO–Oil Palm (2021)**, a centrally sponsored scheme, aims to expand oil palm area and raise **Crude Palm Oil (CPO) output**; it introduced **Viability Price (VP)** to assure oil palm farmers’ returns despite global CPO price fluctuations
  - ➔ **NMEO–Oilseeds (2024)**, approved for 2024-25 to 2030-31, focuses on achieving **Atmanirbharta** by boosting **production of major oilseeds** (rapeseed-mustard, groundnut, soybean, sunflower, sesamum, safflower, niger, linseed, castor) and improving **extraction from secondary**

sources like cottonseed, coconut, rice bran and Tree-borne oilseeds (TBOs), with special emphasis on small and marginal farmers.

- In 2023-24, India produced 12.18 million tonnes of **edible oils, meeting only about 44% of domestic demand; however, import dependence has declined** from 63.2% (2015-16) to 56.25% (2023-24), indicating gradual improvement in self-sufficiency.



### Prime Minister Dhan-Dhaanya Krishi Yojana

- PMDDKY was launched under the **Ministry of Agriculture and Farmers welfare** at the Indian Agricultural Research Institute also called the Pusa Institute in Delhi.
- The scheme aims to develop **100 underperforming agriculture districts** across states and Union Territories, targeting farmers facing low yields, water scarcity, and limited resources.
- With a **budget of ₹1.44 lakh crore over six years (2025-26 to 2030-31)**, it supports 1.7 crore small and marginal farmers (owning less than 2 hectares).
- The scheme provides **direct financial aid**, modern farming tools, crop insurance, and better market access.
- PMDDKY **consolidates 36 existing agricultural schemes across 11 ministries**, including Prime Minister Kisan Samman Nidhi (PM-KISAN), Pradhan Mantri Fasal Bima Yojana (PMFBY), Pradhan Mantri Krishi Sinchai Yojana (PMKSY), and Rashtriya Krishi Vikas Yojana (RKVY), into a unified program, inspired by NITI Aayog’s Aspirational Districts Programme (ADP).
- **Implementation** is overseen by national, state,

and district-level committees, including District Dhan Dhaanya Samitis led by District Collectors.

- **Progress** is monitored via a digital dashboard tracking 117 Key Performance Indicators (KPIs) such as crop yields, loan disbursements, and storage usage.

## Nutrient Based Subsidy Scheme (NBS)

- The Union Cabinet has approved the **Nutrient Based Subsidy (NBS)** rates for fertilizers for the Rabi Season 2025-26.
- The **NBS scheme**, launched on 1 April 2010, provides fertilizer companies with a **fixed subsidy per kilogram of nutrients**—mainly Nitrogen (N), Phosphorus (P), Potassium (K), and Sulphur (S)—contained in each fertilizer.
- The government **announces subsidy** rates for these nutrients annually or semi-annually, after which **companies set the prices** of fertilizers like Di-Ammonium Phosphate (DAP), Muriate of Potash (MOP), and NPK mixtures based on market conditions.
- The subsidy is **paid directly to manufacturers or importers**, who pass on the benefit to farmers by offering fertilizers at reduced prices.
- The NBS excludes urea, the main nitrogen fertilizer, which remains price-controlled and outside the NBS framework.

**Note:** Urea is sold to farmers at a fixed price of ₹242 for a 45 kg bag, a rate that has remained unchanged since March 2018. The government covers the cost difference via subsidy to the manufacturers.

## Soil Health Cards Scheme (SHCS)

- The Soil Health Card Scheme (SHCS) marks a **decade** since its inception.
- Launched in 2015 in **Suratgarh, Rajasthan**, it falls under the Ministry of Agriculture and Farmers Welfare.
- The scheme helps **State Governments issue soil health cards to farmers**, providing **nutrient status** and fertilizer recommendations.
- Each card assesses **12 soil parameters**, including macronutrients (N, P, K, S), micronutrients (Zn, Fe, Cu, Mn, Bo), pH, EC, and organic carbon.
- Soil samples are collected **twice a year**, postharvest of Rabi and Kharif crops, or when no crop is standing.

## Crop Production Estimates 2024–2025

- India's final crop production estimates for 2024–25 show the **highest foodgrain increase in a decade**, rising by **106 million tonnes** to **357.73 million tonnes**.
- Rice (1,501.84 lakh tonnes) and wheat (1,179.45 lakh tonnes) hit record levels, while maize and **Shri Anna** (millets) saw their strongest growth in 10 years.
- Oilseed output grew by over **8%**, driven by soybean and groundnut.
- India is the **second largest rice and wheat producer** following China.
- The United States remains the world's largest **maize producer**, followed by China and Brazil and India ranks around 5th.
- India is the **world's largest millet producer**, with Rajasthan being the leading state, accounting for about 27% of national production, primarily growing pearl millet (bajra), followed by Karnataka (ragi) and Maharashtra (jowar)
- The **Self-Reliance in Pulses Mission** significantly boosted pulse production through better seeds, technology, cluster farming, FPOs, and assured MSP procurement.

**NOTE:** Mission for Aatmanirbharta in Pulses" (Self-Reliance in Pulses) is a **centrally sponsored scheme** to achieve self-sufficiency in pulse production, boost farmer income, and cut import reliance.

## State of Marginal Farmers in India Report 2025

- The **State of Marginal Farmers in India 2025** report was released by the **Forum of Enterprises for Equitable Development (FEED)** on **Kisan Diwas (23 December)**.

Note: In India, farmers are classified by land holdings as **Marginal** (below 1 ha), **Small** (1–2 ha), **Semi-Medium** (2–4 ha), **Medium** (4–10 ha), and **Large** (10 ha and above).

- The report examined the functioning of agricultural cooperatives for marginal farmers across **six states**—Andhra Pradesh, Bihar, Himachal Pradesh, Maharashtra, Tripura and Uttarakhand.
- It found that **less than 25%** of marginal farmers (who form **60–70%** of agricultural households) are active cooperative members, mainly due to **structural barriers** like complex procedures, lack of capital and social exclusion.
- **Digital adoption** remains weak, especially in **Bihar and Tripura**, with **77.8% cooperatives in Tripura** not using digital tools.
- **Gender gaps** persist, as cooperatives are maledominated: though **21.25 lakh women** are members, only **3,355** serve as directors.
- Positively, **45%** of cooperative-linked marginal farmers reported higher incomes, **49%** improved livelihood security, and about **67%** accessed credit through cooperatives

### e-NAM Expansion

- The Central Government has **added 9 more farm products** (like tea, mustard oil, and rice) to the **e-NAM platform**, which now allows trading of 247 agricultural items online.
- **e-NAM (National Agriculture Market)** is a pan-India online trading platform launched in 2016 by the Ministry of Agriculture and Farmers Welfare.
- It seeks to link existing Agricultural Produce Market Committees (APMCs) which are the agricultural markets also called mandis and create a **unified national market for agricultural commodities**.
- Implemented by the **Small Farmers' Agribusiness Consortium (SFAC)**, an autonomous society started in 1994 under the ministry, it enables transparent price discovery, online bidding, and digital payments, benefiting farmers, traders, and buyers nationwide.
- The **Department of Agriculture and Farmers' Welfare** adds new commodities to **e-NAM** based on the recommendations and tradable parameters formulated by the **Directorate of Marketing and Inspection (DMI)**.
- **DMI was set up in 1935** to implement the agricultural marketing policies and programmes for the integrated development of marketing of agricultural and other allied produce in the country.

The Directorate is headed by **Agriculture Marketing Adviser to Government of India** and has its Head Office at Faridabad (Haryana).

### Minimum Selling Price (MSP) on Sugar

- Sugar mills have requested a hike in the **minimum selling price (MSP)** of sugar due to rising costs.
- The **Minimum Selling Price (MSP)** of sugar is the floor price at which sugar mills must sell their sugar to wholesalers or retailers.
- It was introduced in **2018 by the Centre under the Sugar Price (Control) Order, 2018** issued under the **Essential Commodities Act, 1955**.
- It seeks to ensure that mills cover their **cost of production** and can pay **Fair and Remunerative Price (FRP)** to farmers.
  - ◆ FRP on the other hand is the price that **sugar mills must pay the farmers for the sugarcane**.
- FRP is decided based on recommendations of the **Commission for Agricultural Costs and Prices (CACP)** in consultation with State governments and the sugar industry.
- However, some States like Uttar Pradesh, Haryana and Punjab offer higher prices for sugarcane under **State Advised Price (SAP)**, which mills in those States must abide by.
- The MSP was introduced by the Centre to ensure that the industry gets at least the minimum cost of production of sugar, allowing them to clear sugarcane dues of farmers.
- MSP is determined by taking **FRP and adding minimum conversion cost (sugarcane to sugar) incurred by sugar mills** running at highest efficiency.

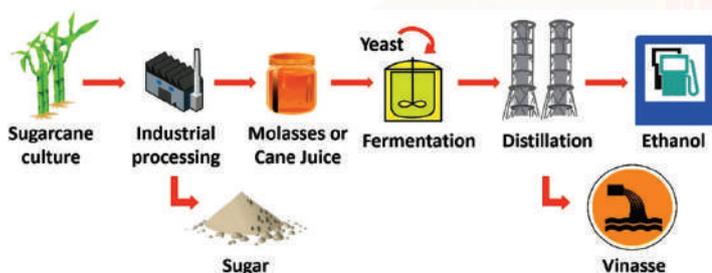
### Ethanol Procurement Price

- The **Cabinet Committee on Economic Affairs (CCEA)** has increased the ethanol procurement price for **Ethanol Supply Year 2024-25 (1st November 2024 to 31st October 2025)**.
- The **Ethanol Blending Programme (EBP)** of India targets to blend 20% ethanol into petrol by 2025-26, also known as the E20 target.
- India's ethanol production mainly comes from **fermentation of C Heavy Molasses (CHM)**.

☞ Molasses is a **thick syrup byproduct of sugar production** from sugarcane.

☞ A Heavy Molasses (AHM) has the highest sugar content, followed by B Heavy

- Molasses and C-Heavy Molasses (CHM) with the lowest sugar content. Ethanol Procurement Price refers to the ex-mill price at which **Public Sector Oil Marketing Companies (OMCs) purchase ethanol from suppliers.**
- The **ex-mill price** refers to the price at which ethanol is sold directly from the production facility (mill) before adding transportation, taxes, or other charges.
- The **Ministry of Petroleum and Natural Gas (MoPNG)** announced that Ethanol blending by OMCs has achieved an average **blending of 14.60%** in 2023-24.



### Modified Ethanol Interest Subvention Scheme

- The **Department of Food & Public Distribution** has announced an MEIS scheme to help Cooperative Sugar Mills (CSMs).
- The scheme aims to support CSMs in upgrading their existing ethanol production facilities, which **currently rely solely on sugarcane**, into multi-feedstock plants.
- This would allow them to **use alternative raw materials** such as **maize and damaged food grains (DFG)**, which are unfit for human consumption but suitable for ethanol production.
- By diversifying feedstock sources, the mills can **operate throughout the year**, beyond the limited 4–5 month sugarcane crushing season.
- It will boost efficiency and support the target of **20% ethanol blending with petrol by 2025.**
- The Centre will provide **interest subvention at 6% per annum or 50% of the bank interest rate (whichever is lower) for five years** (including one-year moratorium) on loans.

### India's First Bamboo-Based Ethanol Plant

- India recently inaugurated its **first bamboo-based bioethanol plant in Golaghat, Assam.**
- The **balco and tulda varieties of bamboo**, indigenous to the northeastern region, are preferred for their **high alpha-cellulose content** in the range of 40-60%.
- Bamboo is lignocellulosic, meaning its **fibers contain sugars locked inside a woody structure**, which need to be broken down to make bioethanol.
- Bioethanol from bamboo is made by industrially breaking down its **fibers (lignocellulosic biomass) into sugars, fermenting** the sugars into **alcohol**, and then **purifying** the alcohol for fuel.
- The bioethanol plant has been designed to also yield **acetic acid**, furfural from raw bamboo stock and food-grade liquid carbon dioxide.

☞ **Acetic acid** is generated through the fermentation and oxidation of ethanol derived from bamboo's cellulose and hemicellulose.

☞ **Furfural** is produced by the acid hydrolysis and dehydration of hemicellulose's pentose sugars (mainly xylose).

☞ **Liquid carbon dioxide** is captured and purified from the fermentation process's gaseous byproducts.

### OECD-FAO Agricultural Outlook

- The **Agricultural Outlook** report is a collaborative effort between the **Organisation for Economic Co-operation and Development (OECD)** and the **Food and Agriculture Organization (FAO)** of the United Nations.
- The **2025 OECD-FAO Agricultural Outlook** projects a significant shift in global cereal consumption by 2034.
  - ☞ Only **40%** of cereals will be used directly for human food.
  - ☞ **33%** will be used for animal feed.
  - ☞ **27%** will go towards biofuel and industrial uses.
- This shift is driven by **increasing demand for bioenergy and competition** between food,

feed, and fuel sectors.

- Demand for **meat, dairy and eggs will rise** by 17 per cent by 2034.
  - ☞ This is largely due to income growth in middle-income countries, which shifts diets towards higher protein intake

## Annapurti

- The Swedish telecommunications company, Ericsson has launched the **5G-enabled version of Grain ATM, Annapurti**.
- Annapurti (Hindi for “fulfiller of food”), is an **automated grain dispensing machine** introduced to strengthen India’s Public Distribution System (PDS).
- The Annapurti was **developed in 2021** by the **World Food Programme (WFP) India** in collaboration with the **Department of Food and Public Distribution**.
  - ☞ It was first launched in 2024 in **Odisha**.
- The machine uses **Aadhaar biometrics** to quickly dispense up to 30 kg of food grains in 30 seconds, reducing waiting time and ration leakages.
- Annapurti is energy efficient and consumes **only 0.6 Watts per hour** and can be connected to solar panels for automatic refilling.
- The new Annapurti uses **5G connectivity** for real-time data transmission and seamless transaction, reducing transaction time over the older 4g version.

## PAHAL Scheme

- The **Ministry of Petroleum & Natural Gas** recently informed that over 4 crore duplicate LPG Connections were deactivated to curb misuse with the help of **PAHAL Scheme**.
- **The PAHAL (Pratyaksh Hanstantrit Labh) Scheme** has been implemented since January 2015 for transparent and effective disbursement of subsidies across the country.
- Under the scheme, **all domestic LPG cylinders are sold at non-subsidised prices** and the applicable subsidy is transferred **directly into the bank account of the consumers**.
- Once the subsidy is credited, the consumer **receives an SMS confirming the subsidy**

**deposit.**

- From January 2016 onwards, consumers or spouses with taxable incomes above Rs. 10 lakhs **are not eligible for the subsidy**.
- The PAHAL has played a crucial **role in identifying and blocking ‘ghost’ accounts**, multiple accounts, and inactive LPG connections, thereby curbing the diversion of subsidised LPG for commercial use.

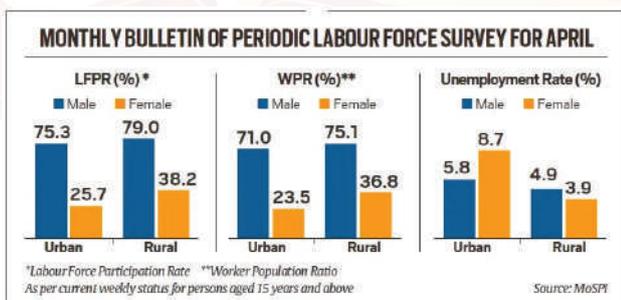
## 7. Employment, Labour & Human Capital

### Periodic Labour Force Survey – April 2025

- India's unemployment rate stood at 5.1% in April for persons aged 15 years and above, with the rate for males at 5.2% and for females at 5.0%.
- PLFS was released by the National Statistics Office (NSO) under the Ministry of Statistics and Programme Implementation (MoSPI).

#### Key indicators of the Report:

- Labour Force Participation Rate (LFPR):** LFPR is defined as the percentage of persons in the labour force (i.e. working or seeking or available for work) in the population.
- Worker Population Ratio (WPR):** WPR is defined as the percentage of employed persons in the population.
- Unemployment Rate (UR):** UR is defined as the percentage of persons unemployed among the persons in the labour force.
- Activity Status- Usual Status:** The activity status of a person is determined on the basis of the activities pursued by the person during the specified reference period. When the activity status is determined on the basis of the reference period of the last 365 days preceding the date of survey, it is known as the usual activity status of the person.
- Activity Status- Current Weekly Status (CWS):** The activity status determined on the basis of a reference period of last 7 days preceding the date of survey is known as the current weekly status (CWS) of the person.



### Labour Force Participation and Unemployment Trends 2025

- The Labour Force Participation and Unemployment Trends was recently released by the **Ministry of Statistics and Programme Implementation (MoSPI)**.
- As per the report, unemployment rate (UR) among people aged 15 and above has remained the same at 5.6%.

#### Key findings:

- LFPR of all persons aged 15 and above, dropped from 54.8 % in May to 54.2% in June 2025.
- LFPR in rural areas was 56.1%, higher compared to LFPR in urban areas 50.4% during June 2025.
- LFPR for males shows marginal decline in rural (78.3% to 78.3%) as well as in urban (75.1% to 75%) areas.
- Female LFPR rural areas decreased from 36.9% in May to 35.2% June 2025, and in urban areas also it decreased from 25.3% in May to 25% in June.

LFPR	RURAL		URBAN	
	MAYJ	UNE	MAYJ	UNE
MALE	78.3%	78.3%	75.1%	75%
FEMALE	36.9%	35.2%	25.3%	25%

### PM Viksit Bharat Rozgar Yojana (PM-VBRY)

- The Employment Linked Incentive (ELI) Scheme** which was recently cleared by the Union Cabinet, will come into effect from 1 August 2025 as the “PM Viksit Bharat Rozgar Yojana (PM-VBRY)”.
- PM-VBRY** falls under the **Ministry of Labour and Employment** which aims to generate over 3.5 crore new jobs in two years (2025 - 2027).
- It focuses on inclusive and sustainable employment, especially in the **manufacturing sector**.
- The Scheme consists of two parts with **Part A** focused on first timers and **Part B** focused

on employers:

#### PART A :

- Targets first-time employees registered with EPFO, it will offer one-month EPF wage up to Rs 15,000 in two instalments with a targeted population with salaries up to Rs 1 lakh.
- Payments to first-time employees will be made through **DBT (Direct Benefit Transfer)** mode using the Aadhar Bridge Payment System (ABPS)

#### PART B :

- Targets to incentivise employers, up to **Rs 3,000 per month**, for two years, for each additional employee with sustained employment for **at least six months with the manufacturing sector** receiving extended benefits.
- Payments to the employers will be made directly into their PAN-linked accounts.

### Time Use Survey (Jan–Dec 2024)

- The **National Statistics Office (NSO)**, under the Ministry of Statistics and Programme Implementation, has released the **second Time Use Survey**, highlighting gender disparities in unpaid work.

#### Key findings:

- **Unpaid Domestic Work:** Women (age 6+) spend 289 mins/day vs men's 88 mins; women aged 15–59 spend 305 mins/day (down from 315 mins in 2019).
- **Caregiving:** Women spend 137 mins/day vs men's 75 mins; 41% of women (15–59) participate vs 21.4% men.
- **Paid Work:** 75% of men (15–59) engaged in employment vs only 25% of women.
- **Age Factor:** Burden of unpaid work on women increases with age.
- **Economic Value:** Govt estimates women's unpaid domestic work to be worth 15–17% of India's GDP.

#### About the Survey:

India joins countries like Australia, Japan, US, and China in conducting national-level time-use surveys. The first pilot was in 1998, followed by a national survey in 2019. The survey tracks time spent by men and women on various paid and unpaid activities.

### Swayamshakti Sahakar Yojna and Nandini Sahakar

- The National Cooperative Development Corporation (NCDC) has recently implemented these schemes exclusively for women cooperatives..

#### Swayamshakti Sahakar Yojna:

- It **aims to provide affordable and accessible credit to women-led Self-Help Groups (SHGs) and cooperatives** for collective socioeconomic activities and sustainable livelihoods.
- Features:
  - Targets Primary Agricultural Credit Societies (PACS), District Central Cooperative Banks (DCCBs), State Cooperative Banks (StCBs), and SHG federated cooperatives.
  - It enables women SHGs to access low-cost financial services for livelihood generation.
  - Promotes financial inclusion and selfreliance in rural economies.

#### Nandini Sahakar:

- It **aims to offer a holistic support system including financial aid, capacity building, and business model** development for women cooperatives.
- Features:
  - Excludes urban housing but includes all other economic sectors.
  - Focus on entrepreneurial training, business planning, and interest subvention.
  - Promotes women-led cooperatives under the vision of Atmanirbhar Bharat.
- Note: **National Cooperative Development Corporation (NCDC)** was established by an Act of Parliament in 1963 as a statutory Corporation under the Ministry of Cooperation and functions include planning, promoting and financing programmes for production, processing, marketing, storage, export and import of agricultural produce etc.

## The National Cooperative Policy 2025

- The Union Home Minister recently unveiled the new **National Cooperative Policy (NCP) 2025**, replacing one in place since 2002.
- The vision of this policy is to build a Viksit Bharat by 2047 through **‘Sahkar Se Samridhhi’** (Prosperity through Cooperation) and will be effective from 2025 to 2045.
- The policy was drafted by a 48-member committee led by **Suresh Prabhu**.
- This policy is significant as the **United Nations has declared 2025 the International Year of Cooperatives** with the theme **“Cooperatives Build a Better World”**.
- India is home to over **8.44 lakh cooperatives**, including 2 lakh credit cooperatives and 6 lakh non-credit cooperatives spanning housing, dairy, fisheries, and more.
- The policy is structured around **six mission pillars**:
  1. **Strengthening the Foundation** – Legal reforms, better governance, access to finance, digitalization.
  2. **Promoting Vibrancy** – Creating business ecosystems, expanding exports and rural clusters.
  3. **Making Cooperatives Future-Ready** – Technology integration, professional management, cooperative stack.
  4. **Promoting Inclusivity and Deepening Reach** – Promoting cooperative-led inclusive development and cooperatives as a people’s movement.
  5. **Entering New and Emerging Sectors** – Biogas, clean energy, warehousing, healthcare, etc.
  6. **Shaping Young Generation for Cooperative Growth** – Courses, training, employment exchanges.

## India’s Labour Reforms

- India has implemented the four Labour Codes— **Wages (2019), Industrial Relations (2020), Social Security (2020), and Occupational Safety & Health (2020)**—to simplify compliance and improve worker welfare.
- Fixed Term Employees (FTEs) will now receive the **same benefits as permanent workers**, including leave, medical cover, and **gratuity after just 1 year**.
- For the first time, **gig and platform workers** are officially recognised, and aggregators must contribute **1–2% of revenue** to welfare funds; a portable **Aadhaar-linked UAN** will help workers access benefits anywhere.
- The Codes also strengthen **gender equality**, mandate equal pay, allow women to work night shifts and in all roles with safety measures, and require grievance panels to include women.
- Salaries must be paid by the **7th of every month**, and overtime must be paid at **twice the normal rate** with consent.
- The Labour Codes face **criticism** for weakening worker protections by **allowing firms with up to 300 employees to lay off staff** without prior approval, **restricting union formation and strikes**, and thereby reducing collective bargaining power.
- Gig worker benefits are seen as **symbolic** since they receive recognition but no guaranteed social security, only a welfare fund based on aggregator contributions.
- **Many provisions exclude small establishments**, leaving most informal workers uncovered, while enforcement of safety and gender-related rules remains weak.

## 8. Industry, Manufacturing & Infrastructure

### National Manufacturing Mission

- Recently, the Union Minister for Finance announced the National Manufacturing Mission while presenting the Union Budget 2025-26 in Parliament.
- It aims to cover **small, medium and large industries** for furthering “Make in India”.
- The National Manufacturing Mission will lay emphasis on **five focal areas**:
  - 👉 Ease and cost of doing business;
  - 👉 Future ready workforce for in-demand jobs;
  - 👉 A vibrant and dynamic MSME sector;
  - 👉 Availability of technology; and
  - 👉 Quality products.
- The Mission will also support **Clean Tech manufacturing** and aims to **Clean Tech/Climate Tech manufacturing**, EV batteries, motors among others.

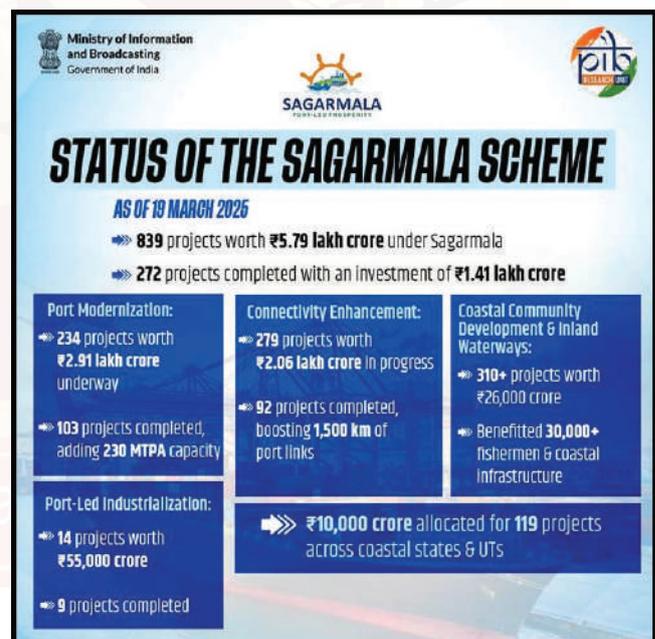
### National Critical Mineral Mission

- The Union Cabinet has approved the National Critical Mineral Mission (NCMM) which was announced in the previous Budget.
- The Mission envisages a budget of ₹16,300 crore and expected PSU investment of ₹18,000 crore.
- The NCMM will encompass **all stages of the value chain**, including mineral exploration, mining, beneficiation, processing, and recovery from end-of-life products.
- The mission aims to intensify the exploration of critical minerals **within the country and in its offshore areas**.
- The mission includes provisions for setting up of **mineral processing parks** and a **Centre of Excellence on Critical Minerals**.

- The **Ministry of Mines** had released a list of **30 critical minerals for India**. These minerals are Antimony, Beryllium, Bismuth, Cobalt, Copper, Gallium, Germanium, Graphite, Hafnium, Indium, Lithium, Molybdenum, Niobium, Nickel, PGE, Phosphorous, Potash, REE, Rhenium, Silicon, Strontium, Tantalum, Tellurium, Tin, Titanium, Tungsten, Vanadium, Zirconium, Selenium and Cadmium.

### The Sagarmala Programme

- The Sagarmala Programme, launched in 2015 by the **Ministry of Ports, Shipping, and Waterways (MoPSW)**, has completed 10 years.
- The program focuses on **port modernization, industrial growth, job creation**, and sustainable coastal development, ensuring minimal infrastructure investment while maximizing economic impact.
- It is a key pillar of the **Maritime Amrit Kaal Vision 2047 (MAKV)**, driving India’s ambition to become a **global leader in maritime affairs**.
  - 👉 Building on Maritime India Vision 2030, MAKV aims to position India **among the top five shipbuilding nations by 2047**.



## Infrastructure Investment Trust (InvIT)

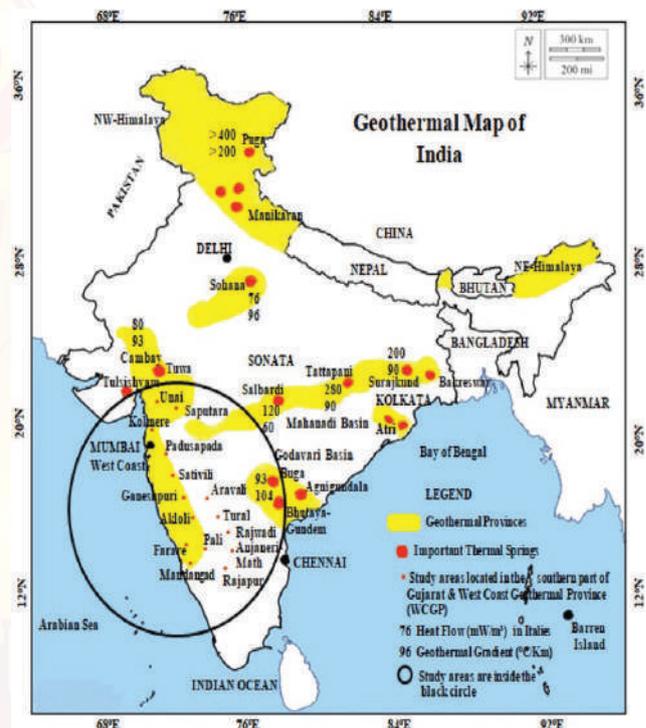
- The **National Highway Authority of India (NHA)**-sponsored **Raajmarg Infra Investment Trust** has received **SEBI approval as an Infrastructure Investment Trust (InvIT)** to monetise road assets by attracting **retail and domestic investors**.
- InvITs**, regulated under the **SEBI (Infrastructure Investment Trusts) Regulations, 2014**, are investment vehicles similar to mutual funds that pool investor funds to invest in **completed, revenue-generating infrastructure assets** such as highways and power grids, providing stable income.
- Structurally, an InvIT comprises a **trustee, sponsor, investment manager and project manager**, where the investment manager oversees assets and investments, and the project manager executes projects.
- NHA's InvIT is established as a **trust under the Indian Trusts Act, 1882**, in accordance with SEBI regulations.

## National Policy on Geothermal Energy 2025

- India has notified the **National Policy on Geothermal Energy** to promote clean energy and support its **Net Zero 2070** goal.
- Geothermal energy** refers to heat stored beneath the Earth's surface that can be used for **electricity generation** or **direct applications** such as district heating, agriculture, aquaculture, and space cooling through **Ground Source Heat Pumps (GSHPs)**.
- According to the **Ministry of New and Renewable Energy (MNRE)**, the **Geological Survey of India (GSI)** has identified **381 hot springs** with temperatures between **35°C and 89°C** across **10 geothermal provinces**, including **Ladakh, Himachal Pradesh, Uttarakhand, Arunachal Pradesh, Sikkim, Jharkhand, Chhattisgarh, Gujarat, Odisha, Maharashtra, and Telangana**.
- The policy encourages **joint ventures** between geothermal developers and **oil and gas companies** to use idle or abandoned wells and existing drilling expertise.
- It also allows **100% FDI** and promotes **indigenous technology development** to cut import dependence.

V

A **hot spring** is a place where **naturally heated groundwater flows to the surface**, with temperatures higher than the surrounding environment. The heat comes from **geothermal energy**, or the Earth's internal heat. Such water often contains **dissolved minerals**, making it popular for **therapeutic baths and spa treatments**.



## India's Path to 70% Round-The-Clock Clean Electricity

- A new report by London based NGO, **TransitionZero** states that India is on track to provide **70% round-the-clock (RTC) clean electricity** to its commercial and industrial (C&I) consumers by 2030.
- 70% round-the-clock (RTC) clean electricity** means that 70% of an electricity consumer's power demand is met every hour of the day and night with electricity from **zero-carbon sources** (solar, wind, and batteries), ensuring genuine decarbonization.
- Emissions Reduction:**
  - Achieving 70% RTC can cut emissions by **2.4%**, more than double the 1% reduction from annual matching.
  - Reaching 100% RTC could reduce emissions by up to **7%**.

- **Cost-Effectiveness:** The report finds that RTC is almost **three times more efficient** at reducing carbon compared to annual approaches, making it a highly economical solution.
- **Additional Benefits:** The adoption of RTC clean power will help in cost-effective grid expansion, provide financial relief to grid operators, and support the growth of a robust market for **Renewable Power Purchase Agreements (PPAs)**.

## India's Sustainable Aviation Fuel Production

- The Indian Oil Corporation (IOC) recently received the **international certification - ISCC CORSIA** for manufacturing Sustainable Aviation Fuel (SAF), which they produced from **used cooking oil**.
- The ISCC CORSIA (**International Sustainability and Carbon Certification – Carbon Offsetting and Reduction Scheme for International Aviation**) is a mandatory certification for commercial Sustainable Aviation Fuel (SAF) production.
- Adopted by the International Civil Aviation Organization (ICAO) in 2016, **CORSIA applies only to international flights**, with domestic emissions covered under the UNFCCC and Paris Agreement.
- ICAO set 85% of 2019 emissions as the baseline (2024–2035), with implementation in **two voluntary phases (2021–26) and a mandatory phase from 2027**.
- Under this, India's **National Biofuel Coordination Committee (NBCC)** has set SAF blending targets of 1% in 2027 and 2% in 2028 for international flights.

### Sustainable Aviation Fuel (SAF):

- SAF is a biofuel that is produced from sustainable feedstocks and has chemistry similar to conventional aviation turbine fuel (ATF) or jet fuel, which is derived from crude oil.
- This means that **existing aircraft engines can easily use the SAF-ATF blend**.
- Airbus claims that all its aircraft are capable of flying on a maximum 50% blend of SAF and conventional fuel and according to the aviation industry, SAF alone is likely to account for over **60% of the global aviation industry's decarbonisation efforts**

## Green Energy Paradox

- India faces a **Green Energy Paradox**, where **44 GW of renewable energy capacity is ready but not fully utilized** because of a shortage of **Power Purchase Agreements (PPAs)**.
- PPAs are **contracts** that let electricity producers sell power and buyers agree to purchase it at fixed terms and prices.
- Despite global recognition for its renewable push, India's **energy mix remains heavily dependent on fossil fuels**, with **79% of domestic energy in FY23 from coal and lignite**.
- On including **oil and gas imports**, the share of renewables drops even further.
- Although **solar and wind costs have declined**, tariffs in India remain **higher than global benchmarks** due to high capital costs, GST, duties, and import taxes.
- Additionally, **storage-backed renewable energy**, which is essential for meeting peak demand, is **not yet commercially viable**, limiting the full integration of renewables into the grid.

## 9. Digital Economy & Technology

### Digital Payments Index (RBI-DPI)

- The Reserve Bank of India (RBI) has recently released a composite **Reserve Bank of India – Digital Payments Index (RBI-DPI)**.
- The index for March 2025 stands at **493.22** against **465.33** for **September 2024**.
- The RBI has tracked this **index since March 2018 (base 100)** to measure growth in payment infrastructure and performance.
- Published **semi-annually since March 2021** with a **four-month lag**, it is based on **five parameters** that capture the penetration and deepening of digital payments over time
- These **parameters** are:
  - Payment **Enablers** (weightage 25%);
  - Payment **Infrastructure – Demand-side** factors (10%);
  - Payment **Infrastructure – Supply-side** factors (15%);
  - Payment **Performance** (45%); and
  - **Consumer** Centricity (5%).
- The increase in RBI-DPI index was driven by significant growth in parameters viz. **Payment Infrastructure – Supply-side factors and Payment Performance** across the country over the period.

### Digital Payments Index (DPI)

- Digital payments across the country **registered an 11.11% year-on-year rise** as of September 2024, according to the **Reserve Bank of India’s (RBI) digital payments index (DPI)**.
- DPI was launched in 2021 and it indicates the **extent of digitisation of payments across the country**.
- The RBI-DPI has been constructed with **March 2018 as the base period**, i.e., the DPI score for March 2018 is **set at 100**.
- The DPI index comprises **five broad parameters**:
  - ➔ Payment enablers (25% weightage in the index)

- ➔ Payment Infrastructure: Demand-side factors (10%) & supply-side factors (15%)
- ➔ Payment performance (45%)
- ➔ Consumer centricity (5%)

### Electronic-Negotiable Warehouse Receipts (e-NWRs)

- Central government has set aside ₹1,000 crore to support a scheme that helps farmers get loans using digital warehouse receipts called **e-NWRs**.
- An **e-NWR (electronic Negotiable Warehouse Receipt)** is a digital proof that a farmer has stored crops in a registered warehouse.
- Farmers can use the receipt as **collateral for bank loans**, giving them immediate financial support without selling their produce at low prices.
- It also enables **trading and transfer**, helping farmers get better market prices while reducing risks like spoilage and theft.
- It is called **“negotiable”** because it can be **transferred or traded** to another person, similar to a cheque or a promissory note.
- To promote safe and better storage of farm produce, the central government established the **Warehousing Development and Regulatory Authority (WDRA)** in 2010 under the Warehousing (Development & Regulation) Act, 2007.
- WDRA promotes the **e-NWR** system as they prevent fraud, damage, or misuse.
- The receipt stays valid until the crop’s shelf-life or until the farmer takes it back.

### New Online Gaming Bill 2025

- Recently, Parliament has passed the Promotion and Regulation of Online Gaming Bill, 2025.
- It introduces a complete ban on real money gaming, citing its social, financial, and psychological harms, while simultaneously creating an enabling framework for e-sports and online social games

### Key findings:

- The legislation is structured around **three key segments of gaming**:
  - **E-Sports** – Recognised as a creative and recreational industry with strong growth potential, the Bill supports e-sports development as a mainstream sector.
  - **Online Social Games** – Encouraged as safe entertainment options that do not involve financial risks or addictive gambling mechanisms.
  - **Online Money Games** – Completely prohibited, covering activities such as fantasy sports, poker, rummy, and other real money-based platforms where players deposit funds with monetary return expectations.
- It **applies to all online games in India**, irrespective of whether such a platform is hosted offshore or within Indian territory also it bans offering, advertising, promoting, or transferring funds for such games.
- The **Central government is empowered to set up a regulatory authority** to recognise, categorise, and register online games.
- Violations of the ban will attract strict penalties, including:
  - Imprisonment of up to three years and fines up to Rs. 1 crore for first-time offenders.
  - Enhanced penalties for repeat offenders, including imprisonment between three to five years and fines up to Rs. 2 crore

### Grameen Credit Score

- The finance minister announced **Grameen Credit Score** scheme in the union budget 2025.
- GCS is a digital initiative to be designed by public sector banks to **improve financial inclusion** in rural India, particularly for women entrepreneurs and Self-Help Groups (SHGs).
- By **analyzing diverse data points** such as financial transactions, repayment history, and business activities, this system provides a creditworthiness assessment for individuals and groups often excluded from traditional financial systems.
- The initiative will be supplemented by **customized credit cards for microenterprises**, with limits of up to ₹5 lakh.

- GCS will **complement existing microfinance models** and work alongside credit scores like CIBIL and CRIF Highmark for assessing loans.

### The WIPO Global Innovation Index (GII) 2025

- India is ranked **38th among 139 economies** in the Global Innovation Index (GII) 2025, published by World Intellectual Property Organisation (WIPO).
- The GI ranks countries based on **innovation performance**, using criteria like **institutions, human capital, research, investment, knowledge creation, and creative outputs**.
- It has **two sub-indices** — Innovation Input and Innovation Output — and **seven pillars** with three sub-pillars each.

### Key points:

- **Switzerland tops** for the 15th year; Sweden and the USA are 2nd and 3rd.
- **China enters the top 10**; middle-income countries like India, Türkiye, and Vietnam are the fastest climbers since 2013.
- **India** is top in Central and Southern Asia and the leading lower middle-income economy, excelling in **ICT exports (1st), venture capital deals (4th), intangible asset intensity (8th), and unicorn valuation (11th)**.
- **India lags** in infrastructure and R&D spending (0.65% of GDP in 2020), indicating a need for more investment.

**World Intellectual Property Organization (WIPO):** A specialized agency of the United Nations established in **Stockholm Convention 1967**, WIPO promotes protection of intellectual property (IP) worldwide. It helps develop IP laws, provides dispute resolution services, and facilitates international cooperation. WIPO also publishes the **World Intellectual Property Indicators (WIPI) and World IP Report**. **India is a founding member** of WIPO.

## 10. Social Protection & Welfare Economics

### Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY)

- The Ministry of Consumer Affairs has started removing ineligible beneficiaries from the **Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY)** — a **free ration scheme launched in 2020** during COVID-19.
- Under it, **5 kg of free food grains per person per month** are given to beneficiaries of the **National Food Security Act (NFSA), 2013**, in addition to subsidized rations under PDS.
- **Eligibility:** Families under **Antyodaya Anna Yojana (AAY)** and **Priority Households (PHH)** identified by states — including widows, elderly, disabled, landless labourers, marginal farmers, daily wagers, primitive tribes, and HIV-positive BPL families.
- **Antyodaya Anna Yojana (AAY)**, launched in **2000**, is a **government scheme** under the **Public Distribution System** that provides **highly subsidized food grains** (35 kg per month per household) to the **poorest of the poor**, identified by state governments.

### PM-SETU Scheme

- The **Ministry of Skill Development and Entrepreneurship (MSDE)** through the State/UT governments and the **Directorate General of Training (DGT)** has recently invited industry leaders to join the PM-SETU.
- **PM-SETU (Prime Minister Skilling and Employability Transformation through Upgraded ITIs)** is a scheme of the **MSDE**, implemented through **States/UTs and the Directorate General of Training (DGT)**, to modernise the ITI ecosystem and align training with current labour-market needs.
- The scheme aims to **upgrade 1,000 Government ITIs** using a **hub-and-spoke model**, with **200 hub ITIs** supporting about **four spoke ITIs each** with advanced machinery.
- It also proposes to upgrade **five National Skill Training Institutes (NSTIs)**—Bhubaneswar, Chennai, Hyderabad, Kanpur and Ludhiana—into **global Centres of Excellence**.

- A key feature is **industry-led governance**, where each upgraded ITI is managed by an **SPV with 51% industry and 49% government ownership**, supported by **up to 83% government co-funding**, focusing on sectors such as advanced manufacturing, electronics, mobility and logistics.

### SHANTI Act, 2025

- The **Sustainable Harnessing and Advancement of Nuclear Energy for Transforming India (SHANTI) Act, 2025** received **Presidential assent**.
- The Act modernises India's civil nuclear legal framework, repealing the **Atomic Energy Act, 1962 and Civil Liability for Nuclear Damage Act, 2010** to remove growth barriers.
- For the first time, it allows **private companies and joint ventures** to **build, operate, and decommission nuclear power plants** under government licensing.
- **Sensitive activities** like uranium/thorium mining, fuel enrichment, spent fuel reprocessing, radioactive waste management, and heavy water production remain exclusive to the central government.
- The Act grants **statutory recognition to the Atomic Energy Regulatory Board (AERB)**, which existed earlier as an administrative/regulatory body under the Department of Atomic Energy.
- AERB will have a chairperson and members appointed via a **search-cum-selection committee** for three-year terms (extendable to six).
- The Act also establishes the **Atomic Energy Redressal Advisory Council** for appeals, with further recourse to the **Appellate Tribunal for Electricity**.
- The **liability framework** for nuclear activities has been **updated** to clearly define who pays in case of nuclear damage:
  - ➔ Tiered caps → Maximum financial liability of the operator is fixed at different levels depending on the type/scale of the accident.
  - ➔ Compulsory insurance → Operators must

have insurance to cover potential claims.

- Claims Commissioners → Special officials appointed to adjudicate compensation claims from victims of nuclear incidents.

**India currently operates 24 reactors across 7 locations, with a total installed capacity of 8.78 GW**



- **Productivity Focus:** Employment linked to durable asset creation in four priority domains (e.g., water security, rural infrastructure).
- **Funding:** Centrally Sponsored Scheme with 60:40 Centre-State sharing (90:10 for NE/Himalayan states; 100% Centre for UTs without legislatures).

## Nutritional Intake in India Report

- Recently the **National Statistics Office** has released the Nutritional Intake in India report, based on the **Household Consumption Expenditure Surveys (HCES)** for 2022-23 and 2023-24.
- It reveals that the richest 5% of Indians in urban areas cut down their daily calorie intake by 11.1% from the previous year.

### Key Findings:

- In both urban and rural India there is a slight increase in average calorie intake from 2022-23 to 2023-24.
- Average Nutrient and Fat intake also show positive trends from 2022-23 to 2023-24.

Intake of	per capita per day				per consumer unit* per day			
	2022-23		2023-24		2022-23		2023-24	
	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban
Calorie (Kcal)	2233	2250	2212	2240	2407	2488	2383	2472
Protein (gm)	61.9	63.2	61.8	63.4	66.7	69.9	66.6	69.9
Fat (gm)	59.7	70.5	60.4	69.8	64.4	78.0	65.1	77.0

- With an increase in the **Monthly Per Capita Consumption Expenditure (MPCE)**, the average calorie intake also increases in rural as well as urban India.
- Also, cereals continue to be the most important source of protein among the five food groups

## VB—G RAM G Act, 2025

- The President of India has assented to the Viksit Bharat—Guarantee for Rozgar and Ajeevika Mission (Gramin) (**VB—G RAM G**) Act, 2025.
- The act replaced the Mahatma Gandhi National Rural Employment Guarantee Act (**MGNREGA**), 2005, with a framework aligned to Viksit Bharat @2047.

### Key features:

- **Enhanced Guarantee:** Statutory right to at least 125 days (up from 100) of wage employment per rural household annually for unskilled manual work.
- **Pause Period:** States can notify up to 60 aggregated days of pause during peak agricultural seasons to ensure labour availability; full 125 days provided in the remaining period.
- **Timely Wages:** Mandates weekly payments or within 15 days of work completion; delays attract compensation as per Schedule II.

# 11. Trade, Investment & Competitiveness

## World Trade Report 2025

- The WTO World Trade Report 2025 projects that **AI could boost global trade by 34–37% and raise global GDP by 12–13%**.
- AI-enabled trade in goods like raw materials, semiconductors, and intermediates totaled USD 2.3 trillion in 2023, but access to AI remains uneven, with tariffs up to 45% in some low-income countries.
- Quantitative restrictions on AI goods, i.e., the **number of government-imposed limits on the import or export of AI-related goods**—like semiconductors, sensors, or AI hardware—**increased from 130 restrictions in 2012 to nearly 500 in 2024**.
- The report emphasizes the need for open trade policies, education, and labour market support to prevent inequality.
- The report says that as AI automates tasks, it **affects medium- and high-skilled jobs more than low-skilled ones**, reducing the demand for certain skilled tasks.
- This may cause the skill premium—the wage gap between high- and low-skilled workers—to **decline by 3–4%**.
- Despite this, **overall real wages are expected to rise globally**, because AI increases productivity and economic output, benefiting workers across skill levels.

## QS World Future Skills Index

- India ranked 2nd in **future of work** preparedness, including AI and green skills, in the **QS World Future Skills Index 2025**, behind the USA.
- However, it ranked **25th overall**, categorized as a “**future skills contender**,” while top-ranking nations like the USA, UK, and Germany were labeled “future skills pioneers.”
- **QS (Quacquarelli Symonds)** is a London based for-profit company that specializes in higher education analysis.

QS World Future Skills Index 2025					
Transforming Higher Education for the Skills Economy					
INDIA					
Indicator	Skills Fit	Academic Readiness	Future of Work	Economic Transformation	Overall
Score	59.1	89.9	99.1	58.3	76.6
Global position	37th	26th	2nd	40th	25th

## Protection of Plant Varieties Act

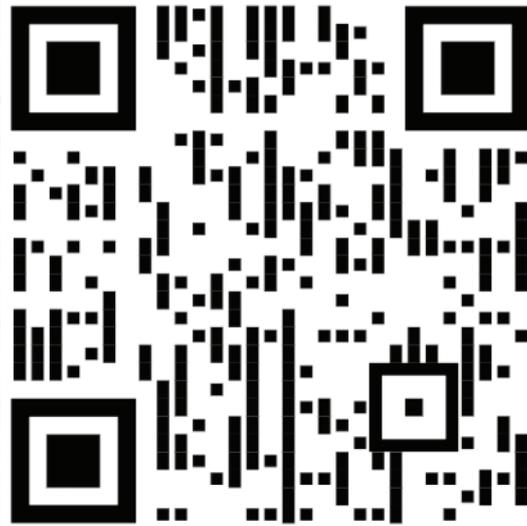
- The Ministry of Agriculture is celebrating the **Silver Jubilee of the Protection of Plant Varieties and Farmers’ Rights (PPV&FRA) Act, 2001**.
- The Act was passed to comply with India’s obligations under the **WTO’s TRIPS Agreement** (which mandates protection for plant varieties) and to acknowledge the contribution of farmers as conservers and breeders.
- The Act has a unique **Dual Protection approach** that gives exclusive rights to plant breeders for new varieties that are **distinct, uniform, and stable (DUS)**, while still allowing farmers to use, save, and share seeds.
  - 👉 This is unlike a **patent that gives the inventor full exclusive rights, so no one can use, sell, or reproduce it** without permission, including farmers.
- The Act established the **Protection of Plant Varieties and Farmers’ Rights Authority** headquartered in New Delhi.
- Its key objectives are to grant exclusive **IP rights to plant breeders**, recognize and **reward farmers conserving traditional varieties**, protect **farmers’ rights to save and exchange seeds**, encourage **research** in plant breeding, and maintain the **National Register of Plant Varieties (NRPV)**.
- The Act **allows researchers to freely use any protected variety** for experimentation and mandates a Benefit Sharing Mechanism where farmers or communities who contributed genetic material or traditional knowledge used to develop a registered variety **must receive a share of the benefits** derived from its commercialization, ensuring equity.
- Under the PPV&FRA Act, the government provides **financial incentives of up to ₹15 lakh** to promote the conservation of seed varieties.

## Latest GI Ta

GI Tag	Place	Description
Nolen Gurer Sandesh	West Bengal	It is a winter treat that is prepared with fresh chhena or curdled milk and the prized 'nolen gur' or date palm jaggery.
Baruipur guavas	West Bengal	Guava is cultivated in about 60%-70% of the agricultural land in Baruipur region.
Kumbakonam vetrilai	Tamil Nadu	The betel leaf is found in the Cauvery Delta region.
Thovalai maanikka maalai	Tamil Nadu	A special type of garland that is made only in Thovalai. The flowers are intricately folded in a special manner with <b>multi-coloured flowers</b> , typically oleander, rose, and sometimes other local flowers.
KannadippayaK	Kerala	The product derives its name (literally meaning mirror or mat) from its unique reflective pattern. Made from the soft inner layers of reed bamboo, the mat stands out for its unique properties providing <b>warmth during winter and cooling effect in summer</b> .
Warangal Chapata Chilli	Telangana	Also called as Tomato chilli, it is under cultivation in the villages of Nagaram of Jammikunta mandal for more than 80 years.



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**INTERVIEW TOPPERS**



**KIRAN P B**

(2022)

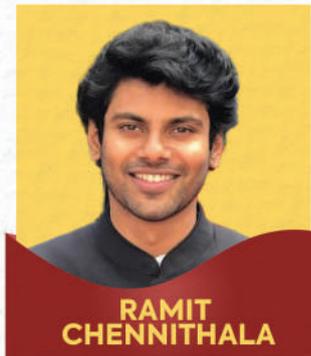
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**ARYA R NAIR**

(2019)

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**RAMIT**  
**CHENNITHALA**

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