

ECONOMY

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Note to Students

Dear Students,

Economy PT 365 document comprehensively covers the economy related important current affairs events of last 1 year 365 days in a consolidated manner to aid prelims preparation.

In our endeavor to further enhance the document in the interest of aspirants, the following additions have been incorporated:



Macroeconomic Developments: The document provides a **comprehensive yet concise** overview of all significant macroeconomic trends, enriched with the **latest facts, figures, and data**.



Key Reports and Indices: The document effectively **presents key reports and indices released over the past year** in a clear and concise format, enhanced with **visually engaging elements** for easy comprehension.



Infographics: Relevant infographics such as, Indian Tax Structure, Indian Financial Market Structure, RBI Monetary Policy, Economics of Price etc., have been provided in respective articles to **simplify complex concepts**, present **data** etc, helping aspirants **enhance their visual memory** and **make learning easy**.



Integration of PYQs: The **PT 365 Economy** document effectively integrates Previous Year Questions (**PYQs**) to provide a focused approach for UPSC preparation in line with the trend.



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1. BANKING AND MONETARY POLICY

1.1. RESERVE BANK OF INDIA

1.1.1. RBI MONETARY POLICY

RBI MONETARY POLICY: KEY INSTRUMENTS (DETAILED OVERVIEW)



OBJECTIVE:

Price Stability & Economic Growth

QUANTITATIVE TOOLS (Volume of Credit)

Directly impact the overall money supply



REPO RATE (Lending Rate)

Rate at which RBI lends short-term to banks.
Main signal rate.

\uparrow Rate = \downarrow Money Supply.



REVERSE REPO RATE (Borrowing Rate)

Rate at which RBI borrows from banks.
Absorbs excess liquidity.

\uparrow Rate = \downarrow Money Supply.



CRR (Cash Reserve Ratio)

% of net demand & time liabilities (NDTL) banks must keep as CASH with RBI.
No interest paid.

\uparrow CRR = \downarrow Lendable Funds.



SLR (Statutory Liquidity Ratio)

% of NDTL banks must maintain in LIQUID ASSETS (Gold, Bonds, Cash) by themselves.

\uparrow SLR = \downarrow Lendable Funds.

QUALITATIVE TOOLS (Direction of Credit)

Selectively influence credit flow to specific sectors

MORAL SUASION

Persuading and advising banks to follow policy directives through dialogue and letters
Non-binding but effective.

MARGIN REQUIREMENTS

Changing the loan-to-value (LTV) ratio.

Higher margin = less loan amount for collateral. Used to curb speculation.

DIRECT ACTION

Penalties, restrictions, or sanctions imposed on banks for non-compliance with RBI guidelines.

1.1.2. SURPLUS TRANSFER TO CENTRE

Why in the News?

RBI has transferred Rs 2.69 Lakh Crore surplus to centre. The transferable surplus for 2024-25 has been arrived at on the basis of the revised Economic Capital Framework (ECF) as approved by the Central Board.

Key Sources of RBI's Income:

- Income from interest on government securities, Net interest from liquidity management tools (e.g., Liquidity Adjustment Facility), Loans, seigniorage (profit from currency printing), Interest earned on foreign currency investments.

About the Economic Capital Framework (ECF)

- Genesis:** ECF was adopted by RBI in 2019, based on the recommendations of the Bimal Jalan Committee.
 - The ECF is an integral part of the **Enterprise-wide Risk Management (ERM) framework (2012)**.
- Concept:** ECF provides a methodology for determining the appropriate level of risk provisions and profit distribution to be made under **Section 47 of the RBI Act, 1934**.
- Components of Economic Capital under ECF:**
 - Realized Equity:** This consists of RBI's Capital, Reserve Fund, Contingency Fund (CF), and Asset Development Fund (ADF).

- > **Contingent Risk Buffer (CRB):** Component of **RBI's realized equity** to provide for monetary and financial stability, credit, and operational risks.
- **Revaluation Balances:** The unrealized gains, net of losses, resulting from exchange rate, gold price and interest rate movements.
- **Tenure:** The Committee recommended the framework to be reviewed every 5 years.

1.1.3. INDIA'S FOREX RESERVES

Why in the news?

According to the **Reserve Bank of India's** (RBI) latest foreign exchange reserves data, gold reserves have reached to **\$102.3 billion**.

More on the news

- This has taken the **share of the gold in the foreign reserves to nearly 15%** from around 7% a decade ago.
- RBI is the **primary authority managing foreign exchange (Forex)** in India.

Why is RBI increasing gold reserves?

- **Diversification:** Diversify the foreign currency assets base and **reduce dependency on the US dollar (de-dollarization)**.
- **Risk Mitigation:** Help protect against **currency volatility** and the resulting revaluation risks to its foreign exchange stockpile.
- **Hedge against Inflation:** Gold is accumulated as a hedge against inflation, helping **protect the purchasing power** of India's foreign reserves.

Risk Associated with Storing Gold

- **Reduced Liquidity and Flexibility:** Converting large gold holdings to cash during is **slower and costlier** than liquidating foreign currency assets.
- **Zero Yield:** Gold yields **no interest or dividends**, unlike bonds or currency deposits.
- **Storage and Security Costs:** Physical gold demands secure storage, often in domestic or overseas vaults , **increasing costs for storage, insurance, and transportation.**

Components of Foreign Exchange Reserves

- **Foreign Currency Assets (FCA):** These are **maintained in currencies** like the **US dollar, euro, pound sterling, Australian dollar, and Japanese yen**.
- **Gold Reserves** held with RBI.
- **Holdings with IMF**
 - **Special Drawing Rights:** An **interest-bearing reserve asset created by the IMF** to supplement members' reserve assets.
 - **Reserve Tranche Position (RTP):** It is the difference between **the member's quota** and the **IMF's holdings of the member's currency** that is readily available for withdrawal without strict conditions.

1.1.4. RESERVE BANK - INTEGRATED OMBUDSMAN SCHEME, 2021

Why in the News?

The Central and State Co-operative Banks have been brought under the ambit of Reserve Bank - Integrated Ombudsman Scheme, 2021 under Banking regulation act, 1949.

About Reserve Bank - Integrated Ombudsman Scheme, 2021 (RB-IOS, 2021)

- **Objective:** Provide customers of **regulated entities (REs)** a **speedy, cost-effective and expeditious alternate grievance redress mechanism**.
- **Coverage:** Until now, it covered-

- All Commercial Banks, Regional Rural Banks, Scheduled Primary (Urban) Co-operative Banks, and Non-Scheduled Primary (Urban) Co-operative Banks with deposits size of ₹50 crore.
- All **Non-Banking Financial Companies** (excluding **Housing Finance Companies**) which are authorised to accept deposits or have customer interface, with an assets size of ₹100 crore
- All System Participants (includes System Provider which participate in a **payment system** in accordance with the **Payment and Settlement Systems Act, 2007**).
- Credit Information Companies.
- It integrated the three Ombudsman schemes of RBI, namely,
 - the Banking Ombudsman Scheme, 2006;
 - the Ombudsman Scheme for Non-Banking Financial Companies, 2018; and
 - the Ombudsman Scheme for Digital Transactions, 2019.
- It adopted the '**One Nation One Ombudsman**' approach by making the **RBI Ombudsman mechanism jurisdiction neutral**.
- **Power:** The Ombudsman can award up to ₹20 lakh in compensation, plus up to ₹1 lakh for the complainant's time, expenses, and any mental distress or harassment.

1.1.5. OTHER KEY TERMS/INITIATIVES RELATED TO RBI

Standing Deposit Facility (SDF)	<ul style="list-style-type: none"> • It is a monetary tool that absorbs liquidity from commercial banks without collateral. • Features: <ul style="list-style-type: none"> ○ SDF replaced the Fixed Rate Reverse Repo as the Liquidity Adjustment Facility corridor's floor. ○ SDF is an overnight liquidity absorption mechanism with the flexibility for the RBI to increase its duration. ○ Any entity that is eligible for LAF can use this facility. ○ SDF will be available every day, including holidays and weekends.
Variable Rate Reverse Repo (VRRR)	<ul style="list-style-type: none"> • It is a method used by the RBI to absorb excess money from banks for a short period. • RBI takes money from banks and offers them interest in return. <ul style="list-style-type: none"> ○ The term variable rate means the interest rate is not fixed and is decided by the market. ○ Reverse Repo Rate, the rate is fixed by RBI.
Switch Auction	<ul style="list-style-type: none"> • Genesis: Began in 2019 by the RBI on behalf of the Government of India. • Objective: To manage the maturity profile of public debt by replacing short-term securities with longer-dated ones. • Mechanism: Market participants sell source securities to the Government of India and simultaneously buy destination securities at quoted prices. <ul style="list-style-type: none"> ○ The process is executed through the e-Kuber portal via the Switch Transaction module.
Co-lending norms	<p>Recently, RBI issued revised directions for Co-Lending Arrangements (CLA) between banks and Non-bank Financial Companies (NBFCs).</p> <ul style="list-style-type: none"> • Under CLAs, Regulated Entities (REs) can enter a lending arrangement with other REs for extension of credit to the borrowers, subject to compliance with the extant prudential regulations. <p>Key highlights of the revised Directions</p> <ul style="list-style-type: none"> • Minimum share: Each RE to retain a minimum 10% share of the loans. • Priority Sector Lending (PSL) status: Each lender can claim PSL status for its share under co-lending, if the loan qualifies as priority sector.

	<ul style="list-style-type: none"> Uniform asset classification system: If one lender tags a loan as Non-performing Asset (NPA), other co-lenders must do the same.
Payment Aggregators	<ul style="list-style-type: none"> It is an entity that facilitates aggregation of payments made by customers to merchants through payment channels through merchant's interface (physical / virtual) for purchase of goods, services or investment products. E.g., Paytm, Google Pay, PayPal, etc. It is incorporated as a company under the Companies Act, 2013. New framework mandates non-bank PAs to obtain RBI authorisation under the Payment and Settlement Systems Act, 2007.
Ways and Means Advances (WMA)	<ul style="list-style-type: none"> It is a temporary advance given by the RBI to the central government to cover any mismatch in receipts and payments. <ul style="list-style-type: none"> Unlike ad hoc Treasury Bills, the instrument of WMAs is not a source of financing fiscal deficit. WMA is also available for state governments and Union Territories. WMA limit is decided by RBI in consultation with the Central government. Legal framework: RBI Act, 1934 authorises the central bank for WMA. Interest rate: Interest rate on WMA is the RBI's repo rate. <ul style="list-style-type: none"> However, interest on overdraft (amounts in excess of their WMA limits) is 2 % above the repo rate. Duration: It shall be fully paid off within 3 months from the date of making the WMAs.
New Initiatives by RBI	<ul style="list-style-type: none"> Unified Lending Interface (ULI): It is envisioned as a Digital Public Infrastructure (DPI) aiming to enhance delivery of credit. <ul style="list-style-type: none"> It aggregates data from multiple data sources which would be made available to lenders for better credit assessment. Central Bank Digital Currency (CBDC) retail sandbox: For fintech firms to innovate and test solutions. <ul style="list-style-type: none"> CBDC is a digital version of fiat currencies issued by Central Banks. Tokenisation of Certificate of Deposits (CD): Tokenization is the process of creating a digital representation, called a "token", of a real-world asset like stocks on a distributed ledger or blockchain. <ul style="list-style-type: none"> CD is a negotiable money market instrument and issued in dematerialised form or as a Promissory Note against funds deposited at a bank or other eligible financial institution. <ul style="list-style-type: none"> Issued by: Scheduled commercial banks (excluding Regional Rural Banks and Local Area Banks); select All-India Financial Institutions (FIIs) permitted by RBI to raise short-term resources. Issued by at a discount on face value. Its maturity period is up to one year (min- 7 days).

1.2. SELF-REGULATORY ORGANISATION FOR NBFCs

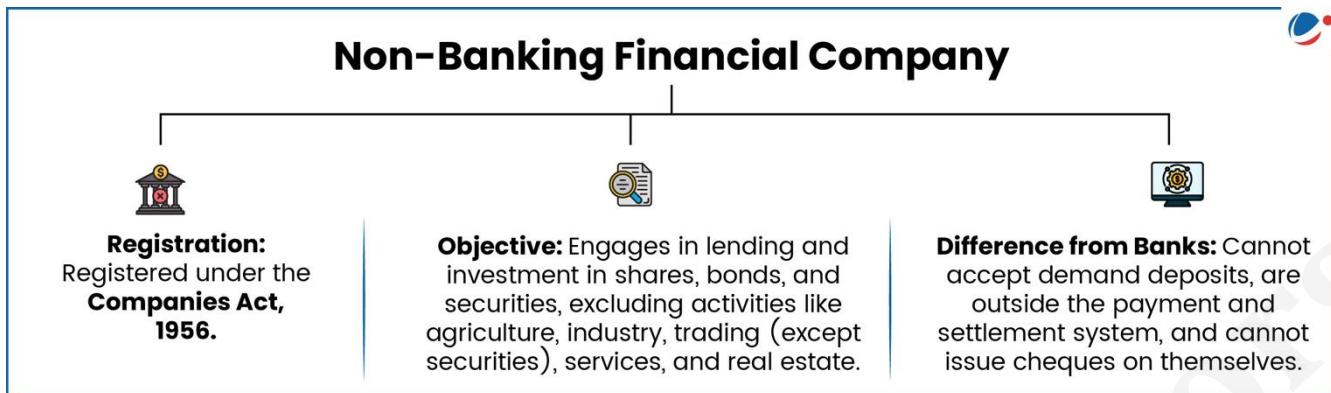
Why in the News?

RBI granted Self-Regulatory Organisation status to Finance Industry Development Council (FIDC) to oversee NBFCs. FIDC is a **representative body of non-banking financial companies (NBFC)** registered with the RBI.

About Self-Regulatory Organisation (SRO)

- Legal Backing:** RBI's Omnibus Framework for recognising Self-Regulatory Organisations (SROs) for Regulated Entities (REs), 2024.
- Eligibility of SROs:**
 - An SRO shall be setup as a not-for-profit company registered under Section 8 of the Companies Act, 2013.

- It should have adequate net worth, sufficiently **diversified shareholding** (no entity shall hold 10% or more of its paid-up share capital) and must represent the sector.
- **Responsibilities of SROs:**
 - **Towards members:** Frame a code of conduct, establish a grievance redressal and dispute resolution/arbitration framework, etc.
 - **Towards Regulator:** Ensuring regulatory compliance, promote sector development, foster innovation and detect early warning signals.
- **Governance framework:** At least **one-third of members** in Board of Directors including Chairperson shall be independent.



1.3. ONE STATE, ONE RRB

Why in the News?

Recently, the Central Government notified **amalgamation of 26 Regional Rural Banks (RRBs)** on the principles of “One State One RRB” under **Regional Rural Banks Act, 1976.**

More on the news

- This is **the fourth phase of amalgamation** and post amalgamation, there will be **28 RRBs** (down from 43 earlier) **in 26 states and 2 UTs.**
- The **phases of amalgamation** (FY 2006 to FY 2010) was based on recommendations of the **Dr. Vyas Committee.**

About Regional Rural Banks

- **Genesis:** RRBs were established in **1975** based on the recommendations of the **Narasimham Working Group.**
- **Ownership:** Jointly owned by **Government of India (50% stake)**, the concerned **State Government (15%)**, and the **sponsoring commercial bank (35%).**
- **Regulation and Supervision:** RRBs are regulated by the **Reserve Bank of India (RBI)** under the **Banking Regulation Act, 1949** and supervised by the **National Bank for Agriculture and Rural Development (NABARD).**
 - For tax purposes, they are treated as cooperative societies under the Income Tax Act, 1961.
- **Status:** 22,000 branches in 700 districts with 92% branches in rural/semi-urban areas.
- **Requirements:**
 - **Must allocate 75%** of ANBC (Adjusted Net Bank Credit) or CEOBE (Credit Equivalent of Off-Balance Sheet Exposure) whichever is higher to **Priority Sector Lending (PSL).**
 - Must maintain a **Capital to Risk-Weighted Assets Ratio (CRAR) of 9%**, as per RBI norms.

1.4. SMALL FINANCE BANK

Why in the News?

The Reserve Bank has granted ‘in-principle’ approval to AU Small Finance Bank for **transitioning from a small finance bank (SFB) to a universal bank**, for the first time in a decade.

More on the news

- A Universal Banking Licence **permits a financial institution to offer a wide array of banking services**, including commercial and investment banking, under a single umbrella.

Eligibility criteria for SFB to transition into a Universal bank

- **Status:** Scheduled status for a minimum period of five years.
- **Stock Listing:** Shares of the bank should have been listed on a recognized stock exchange.
- **Net Worth:** Having a minimum net worth of ₹1,000 crore.
- **CRAR:** Meeting the prescribed CRAR requirements for SFBs.
- **Financial Health**
 - **Profitability:** Should have net profits in the last two Financial Years.
 - **Asset Quality:** Gross non-performing assets (G-NPA) and net NPA (N-NPA) must be less than or equal to 3% and 1%, respectively, over the last two FYs.
- **Promoter Requirements:** No addition of new promoters or changes to existing promoters during the transition.
- **Preference:** SFBs with a diversified loan portfolio will be preferred.

About Small Finance Bank				
Genesis Announced in the Union budget of 2014-15	Registered As a public limited company under the Companies Act, 2013	Licensed Section 22 of the Banking Regulation Act, 1949	Objectives For furthering financial inclusion by: <ul style="list-style-type: none">▶ Savings vehicles to underserved and unserved sections▶ Supply of credit to small business units, small farmers, etc, through high technology-low-cost operations	Capital requirement <ul style="list-style-type: none">▶ Minimum paid up voting equity capital for small banks shall be Rs 200 crores▶ For Primary (Urban) Co-operative Banks, transitioning into SFBs initial requirement of net worth shall be at ₹100 crore, which will have to be increased to ₹200 crore

1.4.1. PRIORITY SECTOR LENDING (PSL) NORMS FOR SMALL FINANCE BANKS (SFBs)

Why in the News?

The new rules were issued by the Reserve Bank of India (RBI) under **Section 22(1)** of the **Banking Regulation Act, 1949**.

Key Change in PSL Requirements for SFBs

Earlier Rule	New Rule (Effective FY 2025-26):
<ul style="list-style-type: none"> SFBs had to lend 75% of ANBC to Priority Sector Lending (PSL) sectors. <ul style="list-style-type: none"> 40%: Mandatory allocation to PSL sectors (e.g., agriculture, microenterprises). 35%: Flexible allocation (could choose PSL sectors of competitive advantage). 	<ul style="list-style-type: none"> Total PSL reduced to 60% of ANBC. 40%: Still mandatory for PSL sectors. 20%: Flexible (can now be used for non-PSL secured loans).

About Priority Sector Lending (PSL)

- Established:** In the 1970s.
- Concept:** PSL framework, initiated by RBI, mandates banks to allocate a specific percentage of their Adjusted Net Bank Credit ("ANBC") to priority sectors.
 - ANBC Comprises:** Net Bank Credit (NBC), Bank's investments in non-statutory liquidity ratio (non-SLR) bonds, etc.
- Categories under Priority Sector:** Agriculture; Micro, Small and Medium Enterprises; Export Credit; Education; Housing; Social Infrastructure; Renewable Energy; Others.
- Applicability:** Commercial Bank [including Regional Rural Bank (RRB), Small Finance Bank (SFB), Local Area Bank (LAB)] and Primary (Urban) Co-operative Bank (UCB) **other than Salary Earners' Bank.**

1.5. SARFAESI ACT, 2002

Why in the News?

Recently, the Supreme Court in a judgement highlighted anomalies in the **SARFAESI Act, 2002** and **SARFAESI Rules 2002**.

Contradiction:

- Section 13(8) (post-2016 amendment):** Borrower loses their statutory right to pay back the debt in full and recover the secured asset, once the auction notice is published.
- Rules 8 & 9:** Indicate borrowers still have a window to redeem even after publication, up until the auction date.

About Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002

- Objectives: Recovering** the financial institutions', banks' and cooperative banks' **Non-Performing Assets (NPAs)** in a timely and effective manner.
 - NPA** refers to a classification for loans or advances of a bank that are in default or arrears.
 - A loan is in arrears when principal or interest payments are late or missed and become an NPA when the interest and/or instalment of principal remain overdue for more than 90 days.

Key Features of the Act

- NPA Notices:** Loans are classified as NPAs per RBI guidelines, with a mandatory 60-day demand notice to borrowers before action to recover the asset.
- Key Methods of Recovery:**
 - Securitisation:** Involves transactions where **risk of recovery** in **stressed assets** is distributed, among investors, by repackaging such assets into tradable securities with different risk profiles.
 - Asset reconstruction:** Act provides for the creation of the **Asset Reconstruction Companies (ARCs)**, registered and regulated by RBI.
 - ARC is a **financial institution that buys the Non-Performing Assets (NPAs)** or bad assets from banks and financial institutions so that the latter can clean up their balance sheets.

- > ARC is a company incorporated under the **Companies Act** and registered with RBI under **SARFAESI Act**.
- **Court-Free Enforcement:** Secured creditors like banks and financial institutions, can take possession and sell assets except for agricultural land under Section 13 without judicial approval.
- **Central Database:** Established **Central Registry** for registration of transaction of securitisation and reconstruction of financial assets.
- **Borrower Rights:** Borrowers can approach the **Debt Recovery Tribunal (DRT)** to rectify their grievances against the creditor or authorised officer.
 - DRT are established under the **Recovery of Debts and Bankruptcy Act, 1993**.

1.6. OTHER KEY DEVELOPMENTS

SWIFT Messaging Network	<p>Indian banks have accelerated adoption of the SWIFT messaging framework, ISO 20022.</p> <ul style="list-style-type: none"> ● The ISO 20022 is an open global standard for financial information. <p>About SWIFT (Society for Worldwide Interbank Financial Telecommunication)</p> <ul style="list-style-type: none"> ● It is a secure messaging network facilitating global financial transactions between over 11,000 institutions across 200 countries. ● Genesis: Founded in 1973 by 239 banks from 15 countries. ● Headquarters: Belgium. ● Purpose: To streamline and secure cross-border financial communication. <p>Note: BRICS Pay is a proposed cross-border payment system to facilitate trade and financial transactions among BRICS member to reduce dependence on SWIFT.</p>
India Post Payments Bank (IPPB)	<ul style="list-style-type: none"> ● Genesis: 2018 as a 100% government-owned payments bank under the Department of Posts, Ministry of Communications. <ul style="list-style-type: none"> ○ Payment banks are specialized financial institutions designed to provide basic banking services to the underbanked and unbanked population. ● Aim: Leverages the extensive postal network to bring banking services to the doorstep of every citizen. ● Services offered: Saving/ Current account, Direct Benefits Transfers, Bill and Utility Payments, access to 3rd Party products such as loans, insurance, etc. <ul style="list-style-type: none"> ○ It can accept deposits (up to ₹2 lakh), and enable money transfers and bill payments, but cannot give loans or issue credit cards.
PCA Framework	<p>About 500 Primary Urban Co-operative Banks (UCBs) under the RBI's supervisory action framework will shift to the Prompt Corrective Action (PCA) framework from April 1, 2025.</p> <p>About PCA Framework</p> <ul style="list-style-type: none"> ● RBI had introduced a PCA Framework for Scheduled Commercial Banks in 2002 & for UCB in July, 2024. <ul style="list-style-type: none"> ○ PCA framework for UCBs replaced the existing Supervisory Action Framework (SAF). ● Objective: To enable supervisory intervention at an appropriate time and require the UCBs to initiate and implement remedial measures promptly, to restore their financial health. ● Applicability: It applies to both banks and NBFCs. ● Capital Adequacy Ratio (CAR), Asset Quality and Profitability are the key areas for monitoring.

	<ul style="list-style-type: none"> ○ CAR is the ratio of total capital to total risk-weighted assets in percentage terms. > It is also called Capital to Risk-weighted Asset Ratio (CRAR).
Financial Fraud Risk Indicator (FRI)	<ul style="list-style-type: none"> ● Launched in May 2025 by DoT's Digital Intelligence Unit (DIU). ● A risk-based metric that classifies a mobile number to have been associated with Medium, High, or Very High risk of financial fraud. ● This classification is an outcome of inputs obtained from various stakeholders including reporting on Indian Cyber Crime Coordination Centre (I4C's) National Cybercrime Reporting Portal (NCRP), DoT's Chakshu platform, and Intelligence shared by banks and financial institutions.

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2. FINANCE & TAXATION

2.1. FISCAL RESPONSIBILITY AND BUDGET MANAGEMENT (FRBM) ACT

Why in the News?

Recently, Comptroller and Auditor General of India (CAG's) report has highlighted several fiscal inconsistencies and transparency issues in the government's compliance with the FRBM Act.

About FRBM Act, 2003

- **Purpose:** The FRBM Act, 2003, was enacted to foster **inter-generational equity in fiscal management and ensure long-term macroeconomic stability.**
 - The Act aims to guide the **central government's fiscal policy towards a sustainable path**, thereby promoting **economic stability and responsible financial governance**.
 - A key mandate of the Act is that the **CAG must conduct an annual compliance review** of its provisions.
- FRBM Act mandates the following statements to be laid before the Parliament along with the Budget:
 - **Macro-economic Framework Statement.**
 - **Medium Term Fiscal Policy Statement.**
 - **Fiscal Policy Strategy Statement.**

Key Targets under FRBM Act

Parameter	Target
Fiscal deficit (original FRBM)	3% of GDP
Debt limits	General Govt (Centre + State) \leq 60% of GDP; Central Govt \leq 40% of GDP
Revised fiscal consolidation path	< 4.5% of GDP fiscal deficit
Additional guarantees (against Consolidated Fund of India)	\leq 0.5% of GDP in any year

The targets for Revenue and Effective Revenue Deficit were removed by the 2018 Amendment to the FRBM Act.

Key Findings of the CAG Report

- **Central Government Debt Trends:**
 - **Debt-to-GDP Ratio:** The central government debt as a ratio of GDP peaked significantly during the pandemic, reaching 61.38% in FY 2020-21.
 - > A **high debt-to-GDP ratio is undesirable**, as a higher ratio indicates a higher risk of default.
- **Interest Payments to Revenue Receipts:** This ratio **rose marginally to 35.35% in 2022-23** after declining from a peak of 38.66% in 2020-21.
- **Compliance with Guarantee Limits:** This **remained within the legal ceiling of 0.5% of GDP in 2022-23**, indicating compliance.
- **Unrealized Tax Revenues:** The report revealed a significant amount of **tax revenue raised but not realized**, which surged to ₹21.30 trillion by the end of 2022-23.
 - A large portion of this unrealized amount was **not under dispute**, suggesting potential issues in tax enforcement or recovery processes.

Know the terms

- **Fiscal Deficit:** Fiscal deficit is the difference between the government's total expenditure and its total receipts excluding borrowing.
- **Primary Deficit:** Fiscal deficit-Interest payments.
- **Revenue Deficit:** Revenue deficit is the excess of revenue expenditure of the Government over its revenue receipts. It represents net dissaving of the Government for the sake of present consumption. Revenue deficit leads to increase in borrowings without corresponding capital/asset formation.
- **Effective Revenue Deficit:** It means the difference between the revenue deficit and grants for creation of Capital Assets.
- **Fiscal Slippage:** A situation where a government's actual fiscal performance deviates from its planned or targeted fiscal targets, usually resulting in higher-than-expected budget deficits, increased public debt, or a combination of both.
 - It can be due to reasons such as farm loan waivers, cut back on GST collection, reduction in VAT and excise due to lessen the impact of rising Brent crude oil price.

2.2. INDIAN TAX STRUCTURE

INDIAN TAX STRUCTURE: DIRECT vs. INDIRECT TAXES

DIRECT TAXES (Burden on Same Person)			INDIRECT TAXES (Burden Shifted to Consumer)		
			 Manufacturer  Seller  Consumer		
Incidence & Impact fall on the payer. Cannot be shifted.			Liability on seller, but burden is shifted to buyer.		
NATURE: PROGRESSIVE (Higher Income = Higher Tax Rate)			NATURE: REGRESSIVE (Same rate for everyone, regardless of income)		
 INCOME TAX (On individual annual income)	 CORPORATE TAX (On company profits)	 CAPITAL GAINS TAX (On profit from asset sale)	 GOODS AND SERVICES TAX (GST) (On supply of goods & services - "One Nation, One Tax")	 CUSTOMS DUTY (On imports into India)	 EXCISE DUTY (On specific items like Petroleum & Liquor - outside GST)
Administered by: CBDT (Central Board of Direct Taxes)			Administered by: CBIC (Central Board of Indirect Taxes and Customs)		
KEY DIFFERENCE SUMMARY					
1. Burden		Direct Tax Payer bears it directly		Indirect Tax Consumer bears it ultimately	
2. Collection		Harder to collect (evasion risk)		Easier to collect (embedded in price)	
3. Example		Income Tax		GST	

2.3. INCOME TAX ACT 2025

Why in the News?

The President has given her assent to the Income Tax Act 2025 which replaces the Income-Tax Act, 1961.

Key Highlights of the Act

- **Shorter and Simpler:** The provisions of **Minimum Alternate Tax (MAT)** and **Alternate Minimum Tax (AMT)** have been separated into two sub-sections.
 - **MAT** aims to **bring into the tax net "zero tax companies"** which in spite of having earned substantial book profits and having paid handsome dividends, do not pay any tax due to various tax concessions and incentives provided under the Income-tax Law.
 - > The provisions of MAT are applicable to a **corporate taxpayer only**.
 - **AMT** has similar provisions as MAT which is applicable to non-corporate tax payers.
- **Undisclosed Income:** The definition of undisclosed income for assessing search cases, which previously included money, bullion, jewellery, or other valuable articles, is expanded to include **virtual digital assets**.
- **Virtual Digital Space Access:** Income tax authorities are now allowed to gain access to a virtual digital space during search and seizure proceedings such as email servers, social media accounts, etc.
- **Dispute resolution panel:** The Act allows certain eligible assessee to refer draft orders passed by assessing officers to a dispute resolution panel.
 - These assessees include persons engaged in transfer pricing cases, non-residents, or foreign companies.
 - > Transfer pricing refers to the price charged in a transaction between related entities of a multinational enterprise.
- **Interpretation of tax treaties:** The Act allows the central government to enter into agreements with other countries to provide relief in cases of double taxation.

2.4. OTHER DEVELOPMENT RELATED TO DIRECT TAX

Safe Harbour	<p>Central Board of Direct Taxes (CBDT) notifies amendments in Income-Tax Rules, 1962 to expand the scope of safe harbour rules.</p> <ul style="list-style-type: none">• Scope of safe harbour rules has been expanded by:<ul style="list-style-type: none">○ Increasing threshold for availing safe harbour from Rs. 200 Crore to Rs. 300 Crore.○ Including Lithium-Ion Batteries for use in electric or hybrid electric vehicles in definition of core auto components.• Safe harbour is generally defined as circumstances in which the tax authority shall accept the transfer price declared by the taxpayer to be at arm's length.• Income-tax Act, 1961 empowers CBDT to make safe harbour rules.
Advance Pricing Agreements	<p>In FY 2024-25, Central Board of Direct Taxes (CBDT) signed highest number of Advance Pricing Agreements (APAs) – 174 APAs – surpassing 125 APAs of FY 2023-24.</p> <p>What is Advance Pricing Agreement (APA)?</p> <ul style="list-style-type: none">• An APA is an agreement between the Board (tax authority) and the person (taxpayer).

	<ul style="list-style-type: none"> It aims to provide certainty to taxpayers in the area of transfer pricing by specifying pricing methods and determining the arm's length price (refer to box) of international transactions. The term of APA can be a maximum of 5 years with no minimum period. Types <ul style="list-style-type: none"> Unilateral APA: It involves only the tax payer and the tax authority of the country. Bilateral APA: It involves the taxpayer and tax authority of the country, as well as an associated enterprise (AE) of the taxpayer in another country. Multilateral APA: It involves the tax payer, two or more AEs of tax payers in different foreign countries, tax authority of the country, and the tax authorities of AEs.
Securities Transaction Tax	<p>Key Concepts/Terms</p> <ul style="list-style-type: none"> Transfer Pricing: It is the price of goods and services exchanged between companies that are under common ownership or control. Arm's Length Principal of Pricing: This principle states that the price agreed in a transaction between two related parties must be the same as the price agreed in a comparable transaction between two unrelated parties.

2.5. GOODS AND SERVICES TAX (GST) REFORM

Why in the News?

The 56th meeting of the GST Council has approved Next-Gen GST reform (GST 2.0) that includes rate rationalization with a simplified two-slab structure.

Evaluation of GST 1.0

- About GST:** It is a **single indirect tax** on the supply of goods and services across India.
 - It was introduced by the **101st Constitutional Amendment Act, 2017**.
 - It subsumed **17 different taxes and 13 cesses** into one unified tax.
 - It eliminated **cascading of taxes (tax on tax)**.
- Main components of GST:** Central GST (CGST), State GST (SGST), Union Territory GST (UTGST) and Integrated GST (IGST).
 - CGST, SGST and UTGST** are on intra-state transactions; **IGST** is on inter-state transactions, collected by the Centre and shared with states
- Destination-Based Tax:** Revenue goes to the state/UT where the goods or services are finally consumed.

GST 2.0: Key Reforms and Recommendations

- The New Rate Structure:**

- **Two-slab system** of **5% and 18%**, removing the earlier 12% and 28% rate.
- A **40% Special De-Merit Rate** applies to 'sin' goods and select luxuries, **replacing the compensation cess levy**.
- The **median tax rate** effectively moves from 12% to **5%**.

Relief for Citizens and Key Sectors:

- **FMCG/Essentials (18% to 5%)**: Items like hair oil, soap bars, shampoos, and toothpaste.
- **Health (18% to Exempt/5%)**: GST is exempted on all **individual life and health insurance policies** and their reinsurance.
 - **Additionally**, 36 specific lifesaving drugs move to **Nil rate**, and most other medicines move from 12% to 5%.
- **Key Economic Drivers (28% to 18%)**: Air conditioners, dishwashing machines, and all TV sets (uniform at 18%). **Cement** drops from 28% to 18%.
- **Transportation (28% to 18%)**: Small cars (Petrol/LPG/CNG up to 1200cc; Diesel up to 1500cc, both under 4000mm length) and motorcycles up to 350cc.

- **Dispute Resolution**: The **Goods and Services Tax Appellate Tribunal (GSTAT)** is set to be operational for appeals before the end of September 2025.
 - It has been **formally launched** by the government.
- **Registration Ease**: A simplified, **optional GST registration scheme** is recommended for small and low-risk businesses, guaranteeing **automated registration** (operational from November 1, 2025).
 - **Simplified registration** for small suppliers using e-commerce operators (ECOs) has also been approved in principle.
- **Export Benefits**: Recommended that the place of supply for "**intermediary services**" will be determined as per the location of the recipient of such services (earlier it was decided by Place of supply).
 - This will help Indian exporters of such services to **claim export benefits**.
 - Intermediary services **involve facilitating the supply of goods or services** between two parties without altering them.



GST Council



- **Constitutional Basis:** Established under **Article 279A**, the apex decision-making body on GST matters.
- **Key Role:** Recommends GST rates, exemptions, thresholds, model GST laws, special provisions for states, and dispute resolution mechanisms.
- **Meetings:** Must meet at least **once every quarter**; special sessions can be called for urgent issues.
- **Composition:** Chaired by the **Union Finance Minister**, with the Union MoS (Revenue/Finance) and Finance Ministers of all states/UTs with legislatures as members.
- **Voting:** Uses a **weighted system**; Centre has **one-third vote**, states **two-thirds**; decisions need **three-fourths majority** of weighted votes.
- **Significance:** Promotes **cooperative federalism**, ensuring uniformity and stability of GST across India.

2.6. OTHER KEY TERMS

Anti-Dumping Duty	<ul style="list-style-type: none"> An anti-dumping duty is a protectionist tariff that a domestic government imposes on foreign imports that are said to be dumped in the domestic market. <ul style="list-style-type: none"> Dumping is a process wherein a company exports a product at a price that is significantly lower than the price it normally charges in its domestic market. General Agreement on Tariffs and Trade (GATT) allows countries to take action against dumping.
Safeguard Duty	<ul style="list-style-type: none"> It is a form of safeguard measure available to World Trade Organization (WTO) Member countries. They are imposed to provide a level-playing field to domestic players against sudden and significant increase in imports of a product. In principle, safeguard measures cannot be targeted at a particular country. <ul style="list-style-type: none"> However, under exceptional circumstances where the imports increase disproportionately, individual country quotas can be applied. A safeguard measure should not last more than four years, although this can be extended up to eight years, subject to national authorities.
Off-budget borrowing	<ul style="list-style-type: none"> Definition: Government borrowing that is not explicitly included in the official budget presented to the public or approved by the legislature. These borrowings are typically raised through government-controlled Public Sector Undertakings (PSUs), or entities which depend heavily on budgetary support via equity infusions, loans, grants, or subsidies for their operations. Purpose: Keeps borrowings off the fiscal deficit books, creating an impression of prudence. Concerns: Reduces transparency, accountability, and conceals true debt burden.



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फाउंडेशन कोर्स सामान्य अध्ययन

प्रारंभिक एवं मुख्य परीक्षा **2027**

इनोवेटिव क्लासरूम प्रोग्राम

- प्रारंभिक परीक्षा, मुख्य परीक्षा और निबंध के लिए महत्वपूर्ण सभी टॉपिक का विस्तृत कवरेज
- मौलिक अवधारणाओं की समझ के विकास एवं विश्लेषणात्मक क्षमता निर्माण पर विशेष ध्यान
- एनीमेशन, पॉर्चर प्लाइअंट, वीडियो जैसी तकनीकी सुविधाओं का प्रयोग
- अंतर - विषयक समझ विकसित करने का प्रयास
- योजनाबद्द तैयारी हेतु करेंट ओरिएंटेड अप्रोच
- नियमित क्लास टेस्ट एवं व्यक्तिगत मूल्यांकन
- प्री फाउंडेशन कक्षाएं
- सीसैट कक्षाएं
- PT 365 कक्षाएं
- MAINS 365 कक्षाएं
- PT टेस्ट सीरीज
- मुख्य परीक्षा टेस्ट सीरीज
- निवंध टेस्ट सीरीज
- सीसैट टेस्ट सीरीज
- निवंध लेखन - शैली की कक्षाएं
- करेंट अफेयर्स मैगजीन

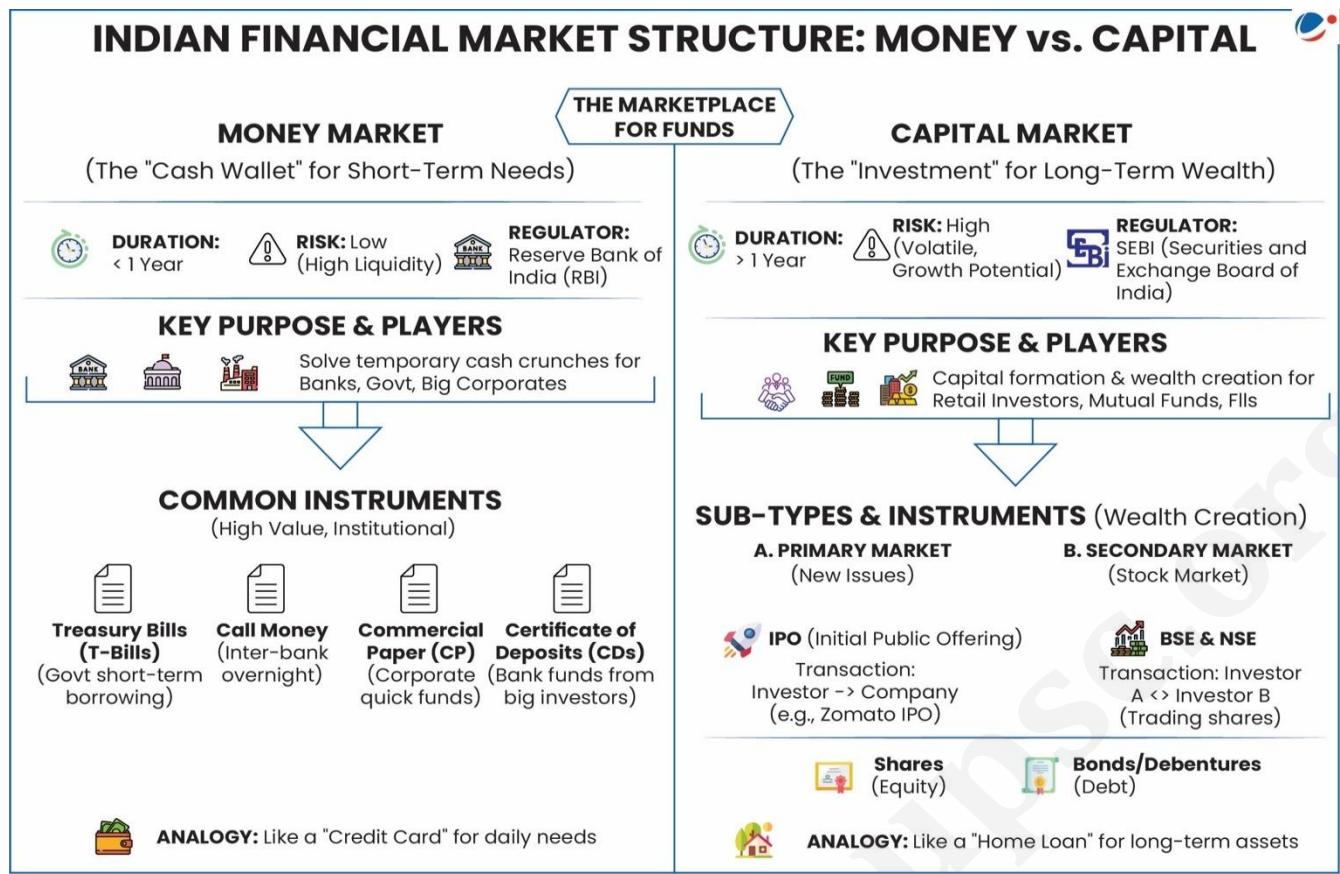
नोट: ऑनलाइन छात्र हमारे पाठ्यक्रम की लाइव वीडियो कक्षाएं अपने घर पर ऑनलाइन प्लेटफॉर्म पर देख सकते हैं। छात्र लाइव वीडियो के माध्यम से कक्षा के दौरान अपने संदेह और विषय संबंधी प्रश्न पूछ सकते हैं। वे अपने संदेह और प्रश्न नोट भी कर सकते हैं और दिल्ली केंद्र में हमारे कक्षा सलाहकार को बता सकते हैं और हम फोन/मेल के माध्यम से प्रश्नों का उत्तर देंगे।

DELHI : 25 नवंबर, 11 AM | 12 जनवरी, 11 AM

JAIPUR : 10 दिसंबर **JODHPUR : 2 दिसंबर**

3. FINANCIAL MARKET & PAYMENT SYSTEM

3.1. INDIAN FINANCIAL MARKET



3.2. SEBI

Why in the News?

The SEBI board meeting relaxed key regulations and introduced the SWAGAT-FI framework to improve the investment-friendly environment and reduce regulatory complexity.

About SEBI

- Establishment:** First set up in 1988, but it became a statutory body only after the SEBI Act of 1992.
- Objective:** To protect the interests of investors, promote the development of the securities market, and regulate its functioning to ensure transparency and fairness.
- Power:** Enforcement and investigation powers, including powers similar to those of a civil court under the Code of Civil Procedure, 1908.
- SEBI is governed by a **Board of Directors**.
 - A chairman nominated by the **Union Government of India**.
 - Two members representing the **Union Ministry of Finance**.
 - One member representing the **Reserve Bank of India**.
 - Five members are nominated by the Union Government of India, of which at least three are full-time members.

Decisions at SEBI Board Meeting

- SWAGAT-FI Framework:** SEBI approved the introduction of the **Single Window Automatic & Generalised Access for Trusted Foreign Investors (SWAGAT-FI)** framework for FPIs and Foreign Venture Capital Investors (FVCIs).

- While **FPIs** invest in listed securities (like equity, bonds, derivatives etc.) on public markets, **FVCI** invests in venture capital funds.
- **Reclassification of Real Estate Investment Trusts (REITs) as Equity:** Enabling enhanced investment by mutual fund schemes in REITs.
 - REITs allow individuals to invest in large-scale, income-producing real estate.
 - > **InvITs** are similar to **REITs**, but they invest in infrastructure assets like roads, power transmission lines, etc.
- **Relaxed Initial Public Offering (IPO) norms** for large issuers and extended timelines to meet the **Minimum Public Shareholding for issuers (25%)**.
 - **IPO** refers to when a company first sells its shares to the public and is prerequisite for listing on stock exchange.
 - > IPO transforms a **privately-held company** into a **public company** and is the largest source of funds with **long or indefinite maturity** for the company.

3.3. OTHER KEY TERMS RELATED TO SEBI

Alternative Investment Funds (AIFs)	<ul style="list-style-type: none"> ● Any fund incorporated in India which is a privately pooled investment vehicle which collects funds from sophisticated investors, whether Indian or foreign, for investing it in accordance with a defined investment policy for the benefit of its investors. ● AIFs are regulated by the SEBI, as per the SEBI (Alternative Investment Funds) Regulations, 2012. ● Also, RBI has exempted SWAMIH (Special Window for Affordable and Mid-Income Housing) Fund, a government-backed fund from its tightened rules of AIF. <ul style="list-style-type: none"> ○ The RBI prescribes the regulatory guidelines in respect of investment by the regulated entities in AIF. <p>Categories of AIFs</p> <ul style="list-style-type: none"> ● Category I AIF: Invest in start-ups, early-stage ventures or sectors considered socially or economically beneficial. <ul style="list-style-type: none"> ○ E.g. Venture Capital Funds, Angel funds, SME Funds, Infrastructure Funds ● Category II AIF: They do not use leverage or debts other than to cover their day-to-day operational expenses. <ul style="list-style-type: none"> ○ E.g. Private Equity Funds, Debt Funds, Real Estate Funds. ● Category III AIF: It may use leverage including through investment in listed or unlisted derivatives. <ul style="list-style-type: none"> ○ E.g. Hedge Funds, Private investment in public equity (PIPE).
Equity Derivatives	<ul style="list-style-type: none"> ● A Derivative is a financial instrument whose value is derived from the value of an underlying asset. <ul style="list-style-type: none"> ○ The underlying asset can be equity shares or index, precious metals, commodities, currencies, interest rates etc. ● Equity Derivatives are instruments whose values are partly derived from one or more underlying equity asset class. <ul style="list-style-type: none"> ○ Futures and Options are the most commonly-traded equity derivatives products.
Front Running	<ul style="list-style-type: none"> ● It is an illegal practice of purchasing a security based on advanced non-public information regarding an expected large transaction that will affect the price of a security. ● It is considered a form of market manipulation as it leads to security price movements being manipulated based on non-public information. <ul style="list-style-type: none"> ○ E.g., Broker executes own order based on the client's large stock order. ● It can undermine market integrity and erode investor confidence.

3.4. GIFT CITY IFSC

Why in the news?

Ministry of Finance launched Foreign Currency Settlement System (FCSS) at GIFT International Financial Services Centre (IFSC).

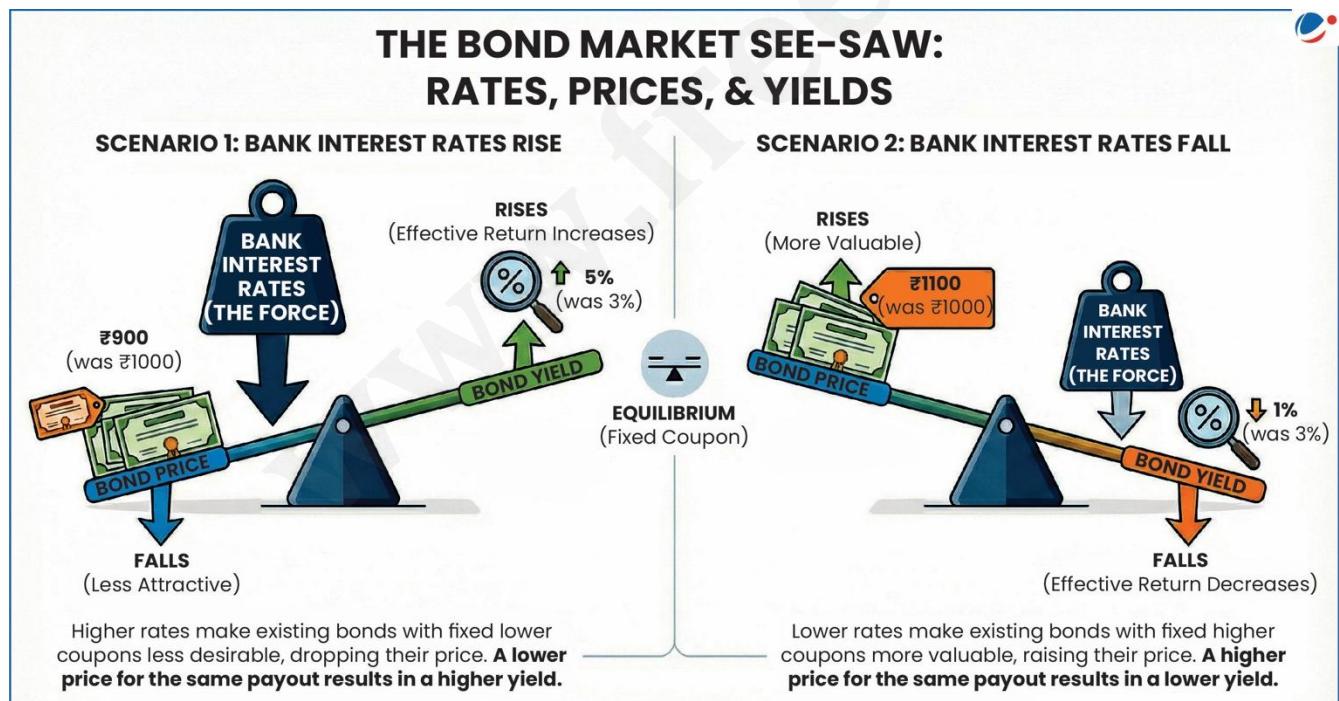
About Foreign Currency Settlement System (FCSS)

- It is a payment system authorised by **International Financial Services Centres Authority (IFSCA)** under the **Payment and Settlement Systems Act, 2007**.
- Objective:** Enables foreign currency transactions between IFSC Banking Units (IBUs) to be settled locally instead of routing through the **traditional correspondent banking route**.
 - The system will initially settle transactions undertaken in US Dollar with scope for adding other foreign currencies over time.
- Operator of the FCSS:** CCIL IFSC Limited (CCIL IFSC), a subsidiary of **Clearing Corporation of India Limited**.

About GIFT City IFSC (Gandhinagar, Gujarat)

- Gujarat International Financial Tec City (GIFT City)** has been established as India's **first** and only **International Financial Services Centre (IFSC)**.
 - IFSC is a jurisdiction that provides onshore and offshore **financial services to non-residents and residents (institutions)**, in a foreign currency.
- It was established as a **Special Economic Zone (SEZ)** in 2015. Designated as a **non-resident zone under Foreign Exchange Management Act (FEMA)**.
- Regulatory body:** International Financial Services Centres Authority (IFSCA) regulates financial products, financial services and financial institutions in IFSCs in India.
 - Established in **2020** under the **IFSCA Act, 2019**.
- Current Status:** GIFT-IFSC ranked **46th** in the **Global Financial Centres Index** (a 5-rank improvement); ranked **45th** in the **FinTech rankings** (a 4-rank improvement).

3.5. BOND YIELD



3.5.1. TERM RELATED TO BONDS

Transition Bonds	<ul style="list-style-type: none"> It is one of the sub categories of the 'green debt security' (as per Securities and Exchange Board of India's (SEBI's) regulation) <ul style="list-style-type: none"> Green Debt Security means a debt security issued for raising funds that are to be utilised for project(s) and/or asset(s) such as clean transportation, Sustainable waste management, etc. Objective: <ul style="list-style-type: none"> To help hard-to-abate sectors (steel, cement,) raise capital for progressive decarbonisation. Mitigating Greenwashing: Enforced through transparency, disclosures, and third-party validation, ensuring investor confidence.
Additional Tier 1 Bonds	<ul style="list-style-type: none"> Additional Tier 1 Bonds are also known as perpetual bonds. AT1 bonds are issued by banks without any maturity date but they have a call option. <ul style="list-style-type: none"> Call options are financial contracts that give the buyer the right, but not the obligation, to buy a stock, bond, commodity, or other asset or instrument at a specified price within a specific period. Banks issue AT1 bonds to meet their capital adequacy requirement.

3.6. DIGITAL PAYMENTS

3.6.1. PAYMENTS REGULATORY BOARD

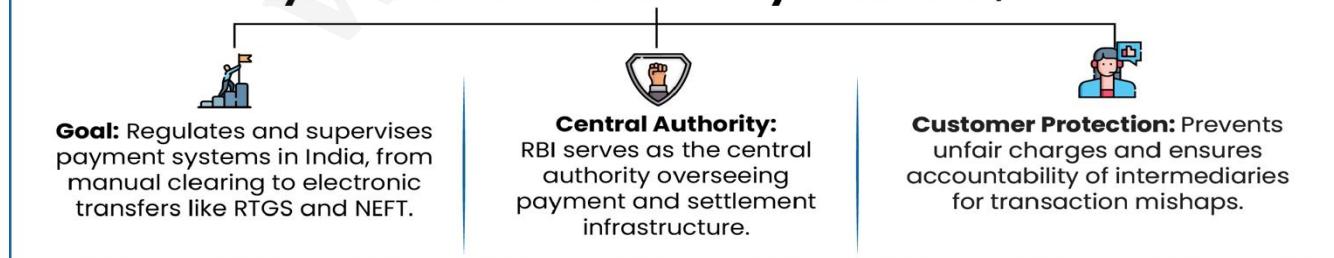
Why in the News?

The Reserve Bank of India (RBI) constituted the **Payments Regulatory Board** under Payment and Settlement Systems Act, 2007.

About the Payments Regulatory Board

- Composition & Structure:**
 - As per **Section 3 of the Payment and Settlement Systems Act**, the Board shall consist of:
 - Governor of the Reserve Bank as ex officio Chairperson;**
 - Deputy Governor of the Reserve Bank** (in-charge of the Payment and Settlement Systems) as **ex officio member**;
 - One officer of the Reserve Bank, nominated by the Central Board of the Reserve Bank as ex officio member;**
 - Three central government nominated persons**, expert in payment systems, IT, cybersecurity, law.
 - Tenure:** 4 years, **not eligible for re-nomination**; resignation allowed with **6 weeks' notice**.
 - Disqualifications:** Age >70; insolvency; criminal conviction ≥180 days; MPs/MLAs, etc.
 - Principal Legal Adviser** of RBI is a **permanent invitee**.
 - RBI may also invite **experts (permanent/ad hoc)** for meetings.
- Meetings:** At least **twice a year** with a **Quorum of 3 members** including **Chairperson (or Deputy Governor in his absence) and a nominated member**.
- Decision-making:** Decisions by **majority of votes of the members present and voting**;
 - Chairperson (or Deputy Governor in his absence)** has a **casting vote in case of tie**.

Payment and Settlement Systems Act, 2007



3.6.2. UNIFIED PAYMENTS INTERFACE (UPI)

Why in the News?

On the recent visit of the Prime Minister of India, **Namibia** decided to sign a **licensing agreement and becoming first African country to adopt the UPI system for real-time digital payments.**

About UPI

- **UPI**, launched by NPCI in **2016**, is a system that empowers users to add **multiple bank accounts into a single mobile application**, merging several banking features, seamless fund routing & merchant payments.
- It is built over **Immediate Payment Service (IMPS) infrastructure**.
- **Uniqueness:**
 - Immediate **money transfer** through mobile device round the clock 24*7 and 365 days.
 - > NPCI was established under **Payment and Settlement Systems Act, 2007**.
 - **Click 2 Factor Authentication**.
- Recently, NPCI raised per-UPI Transaction limit to Rs 5 Lakh and cumulative limit for 24 hrs to Rs 10 Lakh (Person to Merchant).
- NIPL, a wholly owned subsidiary of **National Payments Corporation of India (NPCI)**, incorporated in 2020, is **deploying RuPay and UPI outside of India**.
 - Countries **where UPI-based international merchant payments are accepted** include **Bhutan, France, Mauritius, Nepal, Singapore, Sri Lanka, and the UAE**.

About NPCI

- NPCI (Not-for-Profit company) is an initiative of **RBI and Indian Banks' Association (IBA)** under the provisions of the **Payment and Settlement Systems Act, 2007**.
 - It is the umbrella entity responsible for overseeing **retail payments and settlement systems in India**.
- **Key Initiatives by NPCI: RuPay Payment System, links all ATMs in India, UPI.**
 - It also facilitates National Electronic Toll Collection (NETC) through **FASTag, IMPS, NACH, Aadhaar Payment Bridge System**, etc.

3.7. OTHER KEY DEVELOPMENTS

Bombay Stock Exchange (BSE)	<p>The year 2025 marks the 150 years of the Bombay Stock Exchange (BSE).</p> <p>About BSE</p> <ul style="list-style-type: none">• Established as 'The Native Share & Stock Brokers' Association' in 1875, it is Asia's first & world's fastest Stock Exchange.<ul style="list-style-type: none">○ In 2017, BSE became 1st listed stock exchange of India.• Role: BSE provides an efficient and transparent market for trading in equity, currencies, debt instruments, derivatives, mutual funds.• Regulated by: Securities Exchange Board of India (SEBI).
India's Sovereign Credit Rating	<p>S&P upgraded India's long-term Sovereign Credit Rating to 'BBB' from 'BBB-' and its short-term rating to 'A-2' from 'A-3', with a Stable Outlook.</p> <p>About Sovereign Credit Ratings (SCR)</p> <ul style="list-style-type: none">• It refers to an independent evaluation of a country's creditworthiness, and seek to quantify issuers' ability to meet debt obligations.

- **Major SCR agencies:** S&P, Fitch and Moody's.
- **Rating Grades:** SCR broadly rate countries as either **investment grade or speculative grade**, with the latter projected to have a **higher likelihood of default on borrowings**.
 - The **Investment grade** rating ranges from **BBB-** to **AAA** for S&P and Fitch and **Baa3** to **Aaa** for Moody's.
- **Significance:** When favourable, these can **facilitate countries access to global capital markets and foreign investment, and reduce borrowing cost**.

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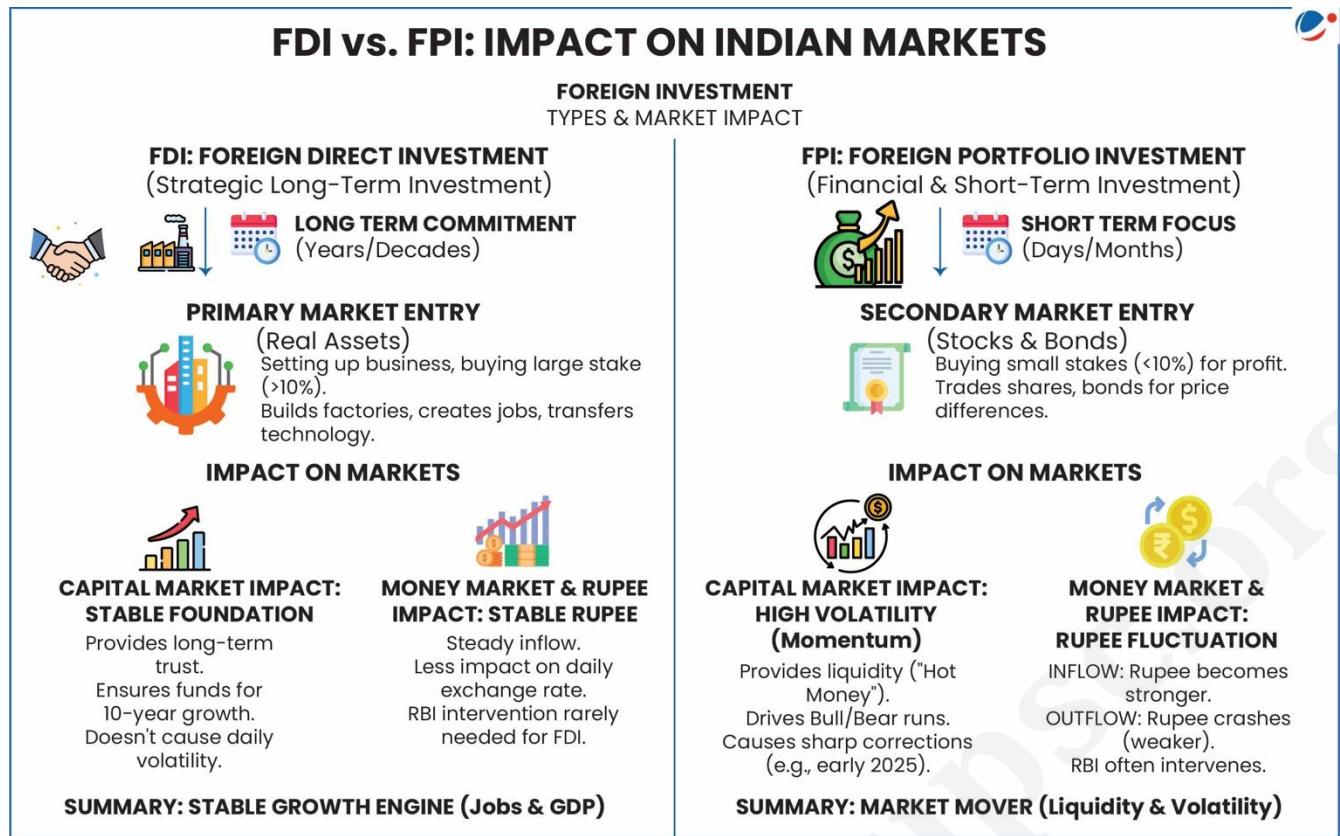
- **General Studies** (हिन्दी माध्यम में भी उपलब्ध)
- **Essay** (हिन्दी माध्यम में भी उपलब्ध)
- **Philosophy** (हिन्दी माध्यम में भी उपलब्ध)
- **Sociology**
- **Political Science & IR**
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4. EXTERNAL SECTOR

4.1. FDI VS FPI: IMPACT ON INDIAN MARKETS



4.2. FOREIGN DIRECT INVESTMENT (FDI)

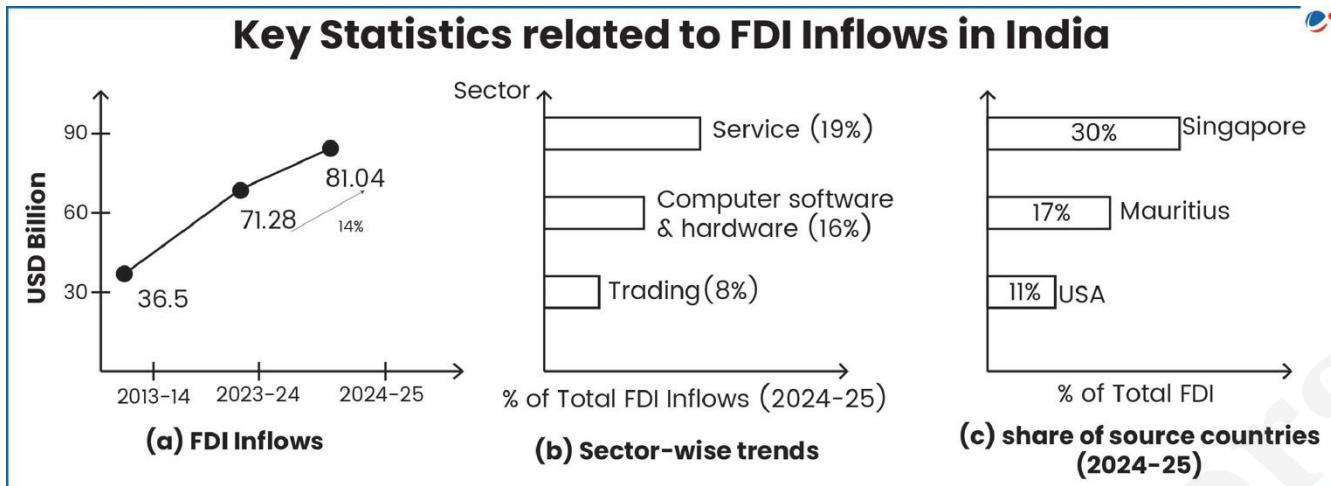
Why in the News?

As per RBI Bulletin (June 2025), India's **net FDI inflows fell by 96%** in FY25 in comparison to FY24 despite rise in its **gross FDI inflows**.

About Foreign Direct Investment (FDI)

- **Governance and Regulation:** FEMA Act(1999), Consolidated Foreign Direct Investment Policy (2020); Foreign Exchange Management (Non-Debt Instruments) Rules, 2019.
- **Gross and Net FDI:**
 - **Gross FDI:** Total investment made by foreign entities directly into the productive assets of India.
 - **Net FDI:** Difference between inward FDI flows and outward FDI flows (Repatriation by foreign firms + Outward FDI by Indian firms).
- **Entry Routes:**
 - **Automatic Route:** Prior approval of the **RBI** or the **Central Government** is not required.
 - > **Example of sectors with 100% FDI Through automatic route:** Agriculture & Animal Husbandry; Coal and Lignite; Exploration of Oil and Natural Gas; Airports (Greenfield and Existing); Industrial Parks; Telecom Services; Trading, Insurance, etc.
 - > Approx. 90% of FDI in India is now under automatic route.

- **Government Route:** Prior Government approval required, and foreign investment shall conform to the conditions stipulated by the Government in its approval.
- **Examples of FDI Prohibited Sectors in India:** Lottery Business including Government/private lottery, online lotteries; Gambling and Betting including casinos etc.; Chit funds; Nidhi company; Activities/sectors do not open to private sector e.g. Atomic Energy, Railway Operations, etc.



4.2.1. FOREIGN PORTFOLIO INVESTORS

Why in the News?

As per National Securities Depository Ltd (NSDL), Foreign Portfolio Investors (FPIs) have sold cash shares worth ₹2.02 trillion in the calendar year through October 01.

About Foreign Portfolio Investors (FPIs)

- FPIs can hold a **maximum of 10% of an Indian company's total paid-up equity capital** (amount of money that a company receives from shareholders in exchange for shares).
- **Exceeding this 10% cap, FPIs can:**
 - Divest (selling off) the surplus shares; or
 - **Reclassify themselves as Foreign Direct Investment (FDI).**
- **RBI and SEBI framework on reclassification of FPI to FDI issued in 2024 made following provisions:**
 - Reclassification shall not be permitted in sectors prohibited for FDI. E.g., Chit funds, gambling, etc.
 - **FPI investment requires government approvals are required**, especially from land-bordering countries, and need Indian Investee Company's concurrence.

4.3. INTERNATIONALIZATION OF THE RUPEE

Why in the News?

RBI removes prior approval requirements for banks to open Special Rupee Vostro Accounts (SRVAs), speeding up rupee-based trade settlements and supporting the internationalization of the Indian Rupee.

More on the News

- SRVA mechanism was **introduced in July 2022** to enable exporters and importers to **invoice and settle trade in Indian Rupees (i.e. Internationalization of Indian Rupee).**
- **Vostro Account:** Refers to a foreign bank's account held in a domestic bank in the local currency.

- **E.g.** if a US bank holds an account in an Indian bank in rupees, **it is SBI's Vostro account.**
- **How it Works?**
 - > **For Importers:** When an Indian importer pays a foreign trader in rupees, the amount is credited to the Vostro account.
 - > **For Exporters:** When an Indian exporter receives payment, money is deducted from the Vostro account and credited to the exporter's regular account.
- **Nostro Account:** It refers to a domestic bank's account held in a foreign bank in the currency of the overseas country.
 - E.g. if an Indian bank (SBI) holds an account in a US bank (Citibank) in USD, it is SBI's nostro account.
 - Nostro accounts simplify the process of exchanging and trading in foreign currencies e.g. US dollar.

What is an International currency?

- An international currency is a currency, like the US dollar or the Euro, used for transactions between countries and beyond the borders of the issuing nation.
- Just like domestic currency, it performs the **three functions of money (As a medium of exchange, a unit of account, and a store of value).**

Currency convertibility

- It means that a **country's currency can be freely exchanged** for foreign currency at an exchange rate determined by market forces.
- It has **two components:** Current Account Convertibility and the Capital Account Convertibility.
 - **Current Account Convertibility:** Freedom to convert rupees to other currencies for payments without restrictions. It is **fully convertible in India.**
 - **Capital Account Convertibility:** Freedom to conduct investment transactions without constraints. It is **partially convertible in India.**

Steps taken for Internationalization of Rupee

- **RBI's Strategic Action Plan for 2024-25:** Including:
 - **Permitting INR accounts outside India** and extending INR-denominated loans to persons resident outside India (PROI).
 - **SPECTRA Project:** Software Platform for External Commercial Borrowings (ECBs) and Trade Credits Reporting and Approval to streamline External Commercial Borrowings and Trade Credits processes.
- **Indian Payment Infrastructure:** India linked UPI with various countries.
- **Asian Clearing Union (ACU):** RBI proposed including INR as a settlement currency under ACU.
- **Liberalized FEMA regulations, 1999 by RBI:** To encourage use of Indian Rupee (Internationalization of Rupee) for settlement of cross border transactions.
- **Other:** Bilateral Currency Swap agreements, INR as a Designated Foreign Currency in Sri Lanka, Issuance of rupee-denominated bonds i.e. Masala bonds.

Related News: Real Effective Exchange Rate (REER)

Rupee weakens to a record low, with the **Real Effective Exchange Rate (REER)** indicating continued undervaluation.

About REER

- **Definition:** REER measures a country's **currency value against a basket of major trading partners' currencies**, adjusted for **relative inflation**.

- It is derived by adjusting the **Nominal Effective Exchange Rate (NEER)** for **relative consumer prices**.
- $\text{REER} = \text{NEER} \times (\text{Domestic Price Index} / \text{Foreign Price Index})$
- **Trade Competitiveness:**
 - A **higher REER** makes exports **more expensive** and imports **cheaper**, reducing trade competitiveness.
 - A **lower REER** indicates the currency is **undervalued**, potentially boosting exports.

4.4. REMITTANCE TAX

Why in the news?

US House Approves 'One, Big, Beautiful Bill' with 3.5% outward remittance tax provision, called the '**Excise tax on remittance transfers**', the newly proposed provision will be effective from January 1, 2026.

Remittances

- **Definition:** The movement of funds from the country of work back to a home country is known as remittances.
- **Remittances inflow:** Doubled to USD 118.7 billion in 2023-24 (compared to 2011).
 - **Top 5 source countries for India (2023-24):** US (27.7%) followed by the UAE, the UK, Saudi Arabia, and Singapore
 - **Top 3 recipient states in India (2023-24):** Maharashtra (20.5%), followed by Kerala and Tamil Nadu.
- India **tops the list of recipient countries** for remittances in 2024 and is way ahead of second-placed Mexico with 68 billion dollars.

Significance of Remittances for India

- **Contribution to Economy:** Remittances accounted for **over 10% of India's \$1 trillion gross current account inflows** in FY25.
- **Trade Deficit Support:** Represented 47% of India's \$287 billion merchandise trade deficit.
- **Stable Source of Financing:** Remittances surpass gross inward foreign direct investment (FDI).

Related News

India's outward remittances for overseas education fell to an eight-year low under the Liberalised Remittance Scheme (LRS).

About Liberalised Remittances Scheme

- **Genesis:** Introduced in **2004** by **Reserve Bank of India**.
- **Benefit:** All resident individuals, including minors, are allowed to freely remit up to **USD 250,000 per financial year** for any permissible current or capital account transaction or a combination of both.
- There are **no restrictions** on the frequency of remittances under it.
- The Scheme is **not available to corporates, partnership firms, Hindu Undivided Family (HUF), Trusts etc.**

4.5. FREE TRADE AGREEMENTS (FTAS)

4.5.1. INDIA-UK FREE TRADE AGREEMENT (FTA)

Why in the News?

India and the United Kingdom (UK) announced the conclusion of a **Free Trade Agreement (FTA)** after three years of formal talks.

More on the News

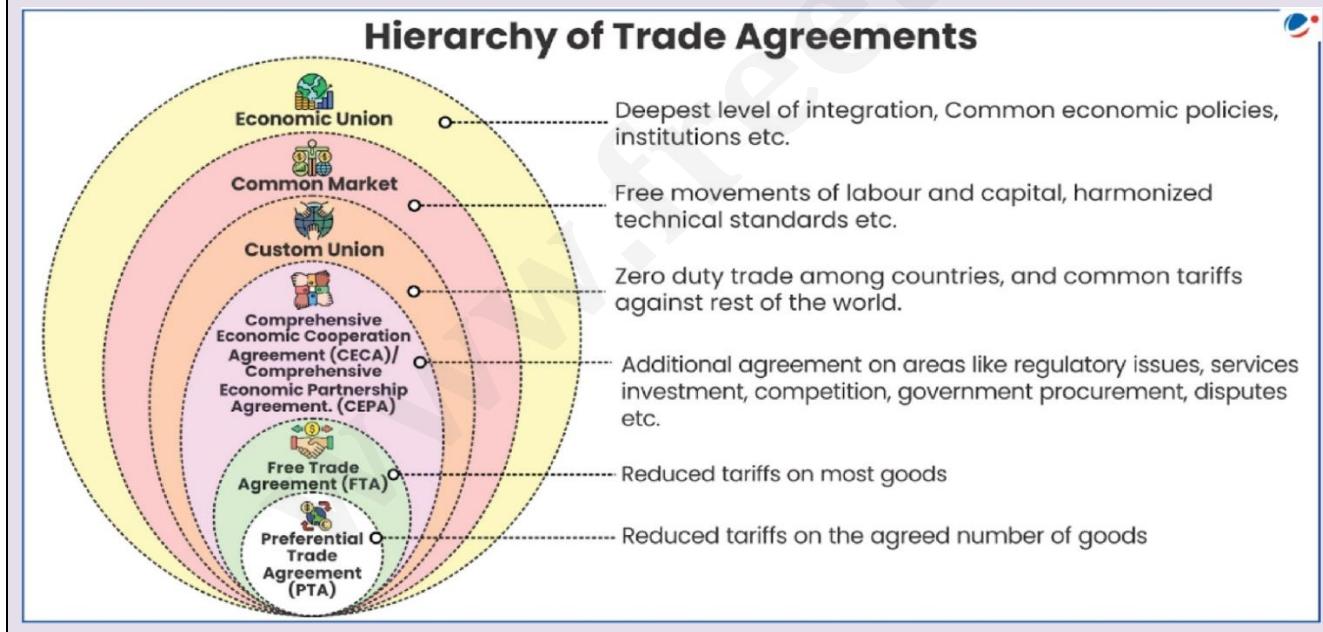
- Both countries also agreed to negotiate a reciprocal **Double Contributions Convention (DCC)**.
 - DCC** is a type of Social Security Agreement.
 - > It will support **business** and **trade** by ensuring that employees moving between both countries and their employers, will only be liable to pay social security contributions in **one country at a time**.
 - > It will include employees temporarily working in the other **country for up to 3 years**.
 - It will not affect **individuals' rights to access benefits** from the country in which they pay social security contributions or the requirement to pay the UK immigration health surcharge.

Key Highlights of the India-UK FTA

- Zero-duty Market Access:** Approximately 99% of Indian exports will enjoy zero-duty access to the UK market, covering almost 100% of the trade value.
 - On the other hand, India will **cut levies on 90% of British products sold** in the country.
- Eases mobility for Indian Professionals:** It includes contractual Service Suppliers; Business Visitors; Investors; Intra-Corporate Transferees, their partners and dependent children with right to work; etc.
- Allowed Participation of UK Businesses in Procurement:** UK businesses will be able to compete for a wide variety of goods, services, and construction procurements, for the majority of central government entities and state-owned enterprises.

About Free Trade Agreement (FTA)

- FTAs are arrangements between **two or more countries or trading blocs** that agree to **reduce or eliminate customs tariff and non-tariff barriers** on substantial trade between them.
- It covers **trade in goods** (like agricultural or industrial products) or **trade in services** (like banking, construction, trading etc.) and also areas like **intellectual property rights (IPs)**, etc.
 - Early Harvest Scheme** is a precursor to an FTA and other trade agreements.
- FTAs act as an exception to the **Most Favoured Nation principle** of the **World Trade Organisation (WTO)**.



4.5.2. INDIA-EFTA TRADE AND ECONOMIC PARTNERSHIP AGREEMENT (TEPA)

Why in the News?

India–European Free Trade Association (EFTA) Trade and Economic Partnership Agreement (TEPA) comes into effect from 1st October 2025.

EFTA nations:

- **Iceland, Liechtenstein, Norway, and Switzerland.**
 - Among these, **Switzerland is India's largest trading partner**, followed by **Norway**.
- It is the **first Free Trade Agreement (FTA)** signed by India to incorporate a binding commitment specifically linked to **investment and job creation**.
 - It offers binding commitment of **\$100 bn investment and 1 million direct jobs** in the next 15 years.

Key Features of the Agreement

- **Market Access (Goods):** EFTA offers substantial access, covering **100% of non-agricultural products**.
- **Services & Mobility:** The pact stimulates exports in **IT, business services, and education**.
 - It enables **Mutual Recognition Agreements (MRAs)** in professional services, such as **nursing, chartered accountancy, and architecture**.
- **Chemicals and Allied Products:** EFTA has offered zero or reduced tariffs on more than 95% of India's exports. India has granted market access to nearly 80% of its tariff lines covering 95% of EFTA's exports.

4.6. EXPORT PROMOTION MISSION

Why in the News?

The Union Cabinet approved the **Export Promotion Mission (EPM)** and also the introduction of the **Credit Guarantee Scheme for Exporters (CGSE)**.

About Export Promotion Mission (EPM)

- **Vision:** Provides a **comprehensive, flexible, and digitally driven framework** for export promotion.
- **Financial Outlay:** Rs. 25,060 crores.
- **Timeline:** Six years (FY 2025–26 to FY 2030–31).
- **Targeted Sectors:** Priority support will be extended to sectors impacted by **recent global tariff escalations**, such as textiles, leather, gems & jewellery, engineering goods, and marine products.
- **Mission Architecture:** It will operate through two distinct but integrated sub-schemes:
 - **Niryat Protsahan (Financial Support):**
 - > Designed to improve access to affordable trade finance for diversification into new markets.
 - **Niryat Disha (Non-Financial Support):**
 - > Designed to enhance the **market readiness** and **competitiveness** of exporters.
- **Implementing Agency:** Directorate General of Foreign Trade.

Key Objective of Export Promotion Mission

- Facilitate access to affordable trade finance for **MSMEs**.
-  Enhance export readiness through **compliance** and **certification** support.
-  Improve **market access** and **visibility** for Indian products.
-  Boost exports from **non-traditional districts** and **sectors**.

India's Export Landscape

- **Overview:** India's exports sector contributes **21% in overall GDP** (FY 2024-25), and 45% of India's total exports are contributed by MSMEs.
 - **India's share in global exports** of goods and services is at around **2.5%**.

- According to the RBI, India's total exports (merchandise and services) reached \$824.9 billion in 2024-25.
 - > **Merchandise Exports:** Increased to US\$437.4 billion.
 - > **Services Exports:** Reached a historic high of US\$387.5 billion in 2024-25.

Credit Guarantee Scheme for Exporters (CGSE)

- **Objective:** To enhance liquidity, support market diversification, boost employment, and improve global competitiveness.
- **Total Credit Support:** Up to additional ₹20,000 crore collateral-free with 100% guarantee coverage by National Credit Guarantee Trustee Company Limited (NCGTC).
- **Beneficiaries:** Both MSME and non-MSME exporters.
- **Implementing Agency:** Department of Financial Services (DFS) through NCGTC.
- **Oversight Body:** A management Committee formed under the chairmanship of Secretary, DFS.

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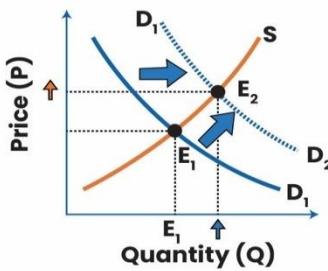
 **Performance and Progress Analysis**

5. GROWTH AND DEVELOPMENT

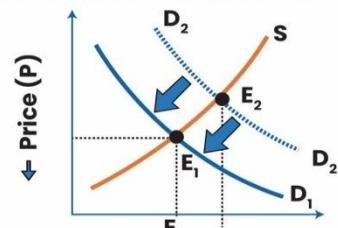
5.1. THE ECONOMICS OF PRICE

THE ECONOMICS OF PRICE: SUPPLY & DEMAND RELATIONSHIPS

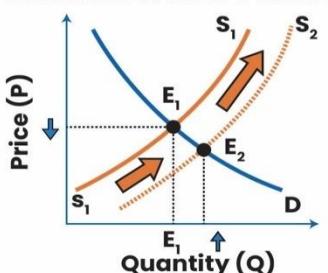
SCENARIO A: DEMAND INCREASES



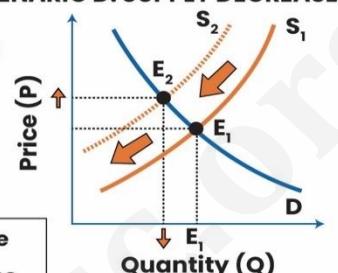
SCENARIO B: DEMAND DECREASES



SCENARIO C: SUPPLY INCREASES



SCENARIO D: SUPPLY DECREASES



Blue Lines & Arrows = Demand Shifts ↑ = Increase
Orange Lines & Arrows = Supply Shifts ↓ = Decrease

5.2. INFLATION & PRICE ELASTICITY

HOW INFLATION & GOOD TYPE AFFECT PRICE ELASTICITY: The "Wallet Squeeze" & Its Impact on Consumer Choices



THE "WALLET SQUEEZE": Consumers become generally **MORE** price sensitive (Elasticity Increases) for non-essentials.

COLUMN 1	COLUMN 2	COLUMN 3	COLUMN 4
A. NECESSITY (Inelastic)	B. LUXURY / DISCRETIONARY (Elastic)	C. DURABLE GOODS (Postponable)	D. INFERIOR GOODS (Trading Down)
Normal Behavior Behavior During Inflation Still Inelastic, but consumers switch to cheaper brands.	Normal Behavior Behavior During Inflation Hyper-Elastic. Sales drop significantly.	Normal Behavior Behavior During Inflation Delayed. Consumers make old goods last.	Normal Behavior Behavior During Inflation Demand Increases. Consumers switch *to* this from expensive options (Trading Down).

LEGEND: Steep Curve = Inelastic | Flat Curve = Elastic | Arrow = Shift in Demand/Behavior

5.3. PRODUCER PRICE INDEX

Why in the News

A new 18-member working group, led by Niti Aayog member Ramesh Chand, to examine the proposed Producers' Price Index (PPI) and suggest a roadmap for switching from the WPI to the PPI.

About PPI

- It measures the **average change in the price a producer receives** for his goods/services sold in the **domestic market/ exports**.
- Two types:**
 - Output PPI:** When goods/ services leave the place of production
 - Input PPI:** When goods/ services enter the production process.

Need to replace WPI

- WPI has inbuilt bias due to **double/ multiple counting of same product**.
- WPI **doesn't include exports and imports**.
- WPI also **excludes the service sector** (about 55% of GDP).

Why is India moving to PPI?

- The Government of India is transitioning from WPI to PPI to **align with global standards**.
- Cleaner Data:** By excluding taxes, PPI **tells the RBI if inflation is due to production costs** (which interest rates can control) **or government taxes** (which interest rates cannot control).
- No Lag:** PPI **signals inflation before it hits the WPI or CPI**, acting as an early warning system.

Comparison Table: WPI vs. CPI vs. PPI

Feature	WPI (Wholesale Price Index)	CPI (Consumer Price Index)	PPI (Producer Price Index)
Point of Measurement	First major point of sale (Wholesale market).	Final point of sale (Retail shops).	Factory Gate (Production stage).
Who Releases it?	Office of Economic Adviser (Min. of Commerce & Industry).	NSO (Min. of Statistics & Prog. Imp - MoSPI).	Proposed: Working Groups under DPIIT/NITI Aayog.
Basket Composition	Goods Only (No Services).	Goods + Services (Education, Health, Rent).	Goods + Services.
Treatment of Taxes	Includes taxes paid by wholesalers.	Includes all consumer taxes (GST, VAT).	Excludes taxes (measures pure production cost).
Primary Use	Estimating GDP deflator; Contracts indexation.	Inflation Targeting (RBI's Anchor); Dearness Allowance (DA).	Identifying inflation at the root before it hits retail.
Current Base Year	2011-12	2012	Proposed index

Related News: Consumer Price Index (CPI) for AL/RL

The Labour Bureau has revised the base year of the Consumer Price Index Numbers for Agricultural Labourers and Rural Labourers (CPI – AL & RL) to 2019=100.

- It replaces the CPI – AL/RL (Base: 1986-87=100) series.
- Compiled by: **Labour Bureau (Ministry of Labour and Employment)**.
 - A person is treated as an **agricultural labourer** if he or she follows one or more of the agricultural occupations in the capacity of a labourer on hire, whether paid in cash or kind or partly in cash and partly in kind.

- A **rural labourer** is defined as one who does manual work in rural areas in agricultural and non-agricultural occupations in return for wages in cash or kind, or partly in cash and partly in kind.

5.4. POVERTY AND INEQUALITY

5.4.1. MULTIDIMENSIONAL POVERTY INDEX

Why in the News?

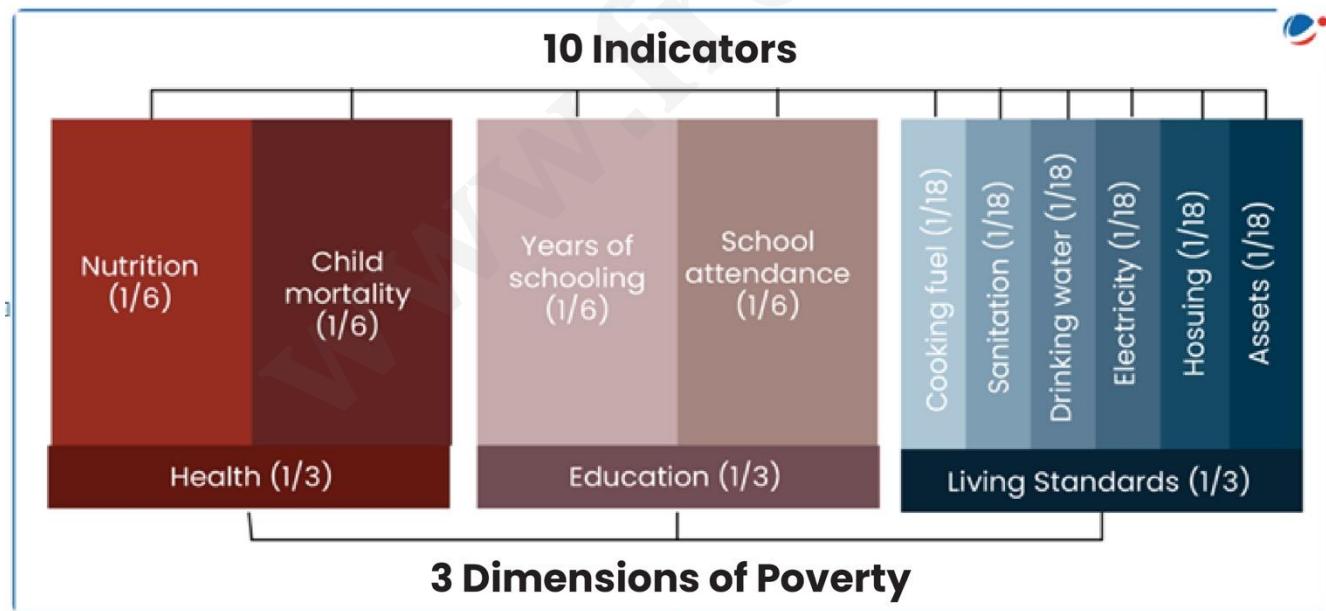
The United Nations Development Programme (UNDP) and the Oxford Poverty and Human Initiative (OPHI) released the **2025 Global Multidimensional Poverty Index (MPI)** report.

Key Highlights of Report

- **Multidimensional Poverty:** 1.1 billion (18.3%) out of 6.3 billion people across 109 countries live in acute multidimensional poverty.
- **Poverty and Climate Hazards:** Poverty and climate shocks create a **double burden**. Poverty drives exposure to climate hazards. These, in turn, reinforce and prolong poverty.
- **Poverty in India:** In 2005–2006, 55.1 % of people in India were poor. The share plummeted to 16.4 % in 2019–2021, and roughly 414 million people left poverty.

Methodology of Global MPI

- **Deprivation Indicators:** Computation of the global MPI begins by constructing a deprivation profile for each household and person in it, **covering 10 indicators of health, education and standard of living (see table)**.
 - A person's deprivation score is the **sum of the weighted deprivations** she or he experiences.
 - The global MPI identifies people as multidimensionally poor if their **deprivation score is one third (33.3%) or higher**.
- **MPI Value:** It is the product of the **incidence** (H, or the proportion of people who live in multidimensional poverty) and **intensity of poverty** (A, or the average deprivation score among multidimensionally poor people).
 - Put simply, $\text{MPI} = H \times A$.
 - The MPI is known as the **adjusted headcount ratio** and it includes both the share of people in multidimensional poverty (Incidence or Headcount) and the extent to which they are deprived (Intensity).
 - MPI values range from **0 to 1**, and **higher values imply higher poverty**.



NITI Aayog National Multidimensional Poverty Index

- **Methodology:** It uses all 10 indicators from Global MPI and **incorporating two additional indicators – Maternal Health and Bank Accounts.**
- **National MPI Value:** Like global MPI, the MPI value is arrived at by multiplying the headcount ratio (H) and the intensity of poverty (A).
- **Indicators:** Like the global MPI, India's national MPI has **three equally weighted dimensions Health, Education, and Standard of living** – which are represented by **12 indicators.**

5.4.2. WORLD INEQUALITY REPORT 2026

Why in the News?

World Inequality Lab released World Inequality Report 2026.

Key Highlights of the Report

Global

- **Global Wealth Share:**
 - Global Top 10% of population **owns ~75% of total wealth** &
 - **Bottom 50% holds a mere 2%.**
- **Income Divide:**
 - **Global top 10%** of income-earners earns more than remaining 90% combined &
 - **Poorest half** of the global population receives **<10%** of total global earnings.

India

- **High Income Inequality:**
 - **Top 10%** of earners capture **58% of the national income** &
 - **Bottom 50%** receives only **15%** of the national income.
- **Extreme Wealth Inequality:**
 - **Richest 10%** hold **~65% of the total national wealth** &
 - **Top 1% alone** holds approximately **40% of the total national wealth.**

Measurement of Inequality

Kuznets Ratio

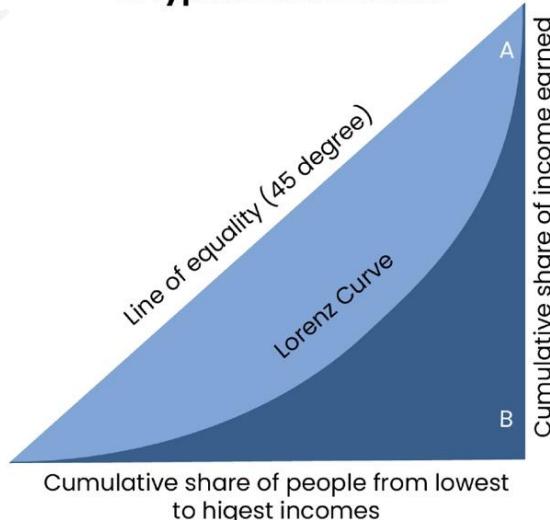
- It measures the share of income going to the top quantiles divided by the income going to the bottom quantiles.
- The greater the ratio, the higher inequality.
- One example of a Kuznets ratio is Palma Ratio.
 - **Palma Ratio** is the share of income going to the top 10% divided by the income share of the bottom 40%.

Gini Index

Gini Index reflects how equally income, wealth or consumption is distributed across households or individuals in a country.

- **Value Range:** It ranges in **value from 0 to 100**. A score of 0 means perfect equality. A score of 100 means one person has all the income, wealth or consumption and others have none, hence absolute inequality.
- **Lorenz Curve:** Graphically, Gini Index can be explained by the Lorenz curve.

A Typical Lorenz Curve



5.4.3. FINANCIAL INCLUSION INDEX

Why in the News?

The RBI Financial Inclusion Index (FI-Index) has risen to **67** in 2025, up by 24.3% since 2021.

Financial Inclusion Index

- **RBI's FI-Index** is designed to provide a comprehensive measure of financial inclusion in India.
- **Score of Index:** It operates on a scale from **0 to 100**.
 - 0 signifies complete financial exclusion and 100 represents full financial inclusion.
- **No base year:** Released annually since 2021 and reflects cumulative progress of all stakeholders over the years towards financial inclusion.
- **Structure of Index:** Comprises **three broad parameters (sub-indices)**, each with assigned weights and numerous indicators:

Sub- index	Indicators	Weight	Components
 Access	26	35%	Reflects supply-side of financial inclusion , focusing on availability of physical and digital infrastructure across banking, digital, pension, and insurance services .
 Usage	52	45%	Representing demand-side of financial inclusion , it measures how frequently individuals engage with financial infrastructure. E.g. UPI transaction volumes.
 Quality	19	20%	Assesses quality of financial inclusion and captures efforts to educate citizens on financial services, their rights, and effective grievance redressal mechanisms.

5.5. PUBLIC DEBT IN INDIA

Why in the News?

Reserve Bank of India (RBI) in its **Biannual Financial Stability Report (FSR) 2025** found rising public debt in the Indian economy.

More on the news

- FSR presents the Sub-Committee of the **Financial Stability and Development Council's (FSDC)** assessment of the strength of India's financial system and risks to its stability.
 - FSDC, established in 2010, is chaired by **Finance Minister** and includes **heads of regulators like RBI, SEBI, PFRDA, and IRDA**.
 - It is responsible for ensuring financial stability and coordination among regulators.

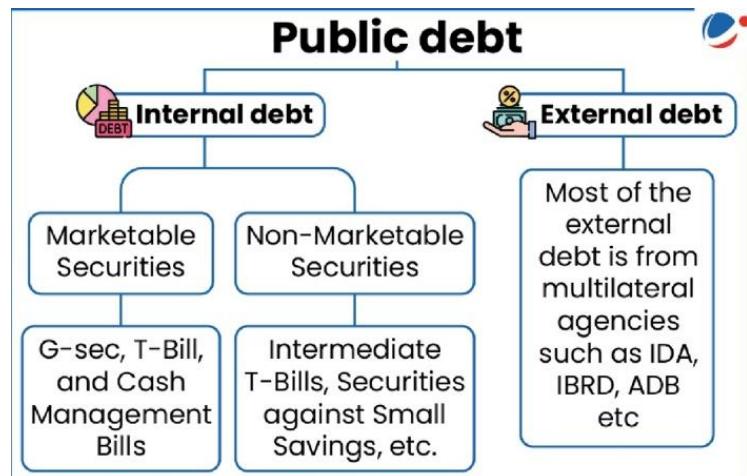
Key highlights of the report

- **India still driver of Global Growth**
 - **Strong Financial Institutions:** E.g., gross non-performing asset ratio (GNPA) ratio and Net NPA (NNPA) of Scheduled Commercial Banks (SCBs) declined to multi-decadal lows of 2.3% and 0.5% respectively.
- **Rising Public debt:** India's Public Debt as a **percentage of GDP in 2024** has remained relatively on higher side (More than 80%) compared to peer **Emerging Market Economies (EMEs)**.

About Public Debt in India

- **Public debt** is the accumulated amount of borrowing that the **government, and other public sector bodies**, owe to the private sector and foreign governments.

- It includes debt of Central Government and State Governments, excluding inter-Governmental liabilities.
- Public debt can be **internal** (borrowed within India) and **external** (borrowed from foreign sources).
 - **Internal debt is 96.59%** and external debt is **3.41%** of total public debt of 18,174,284 crore (Union Budget 2025-2026).
- **About External Debt**
 - **Composition:** US dollar (54.2%) remained the largest component, followed by the Indian rupee (31.1%), Japanese yen, & SDRs respectively.
 - **Borrowers:** Non-financial corporations (except the central bank) held the highest share i.e., 35.5%, followed by deposit-taking corporations (27.5%) & **general government (22.9%).**
 - **Debt Instrument:** Loans (34%) remained the largest component, followed by currency and deposits.
- **Potential impact of High Public debt:** Increased interest costs, limited fiscal space, potential inflationary pressures, crowding out of private investment and impact growth and intergenerational equity.



Legal framework for management of public debt in India

- **Fiscal Responsibility and Budget Management (FRBM) Act, 2003:** It provides a legislative framework for reduction of deficit and thereby debt, of Central Government to a sustainable level over a medium term.
 - It sets a target of containing Central Government Debt to 40% and **General Government debt to 60% of GDP** by 2024-25.
- **RBI Act, 1934:** Under Section 20 of the act, RBI was obliged to manage the Central Government public debt.
- **Government Securities Act, 2006:** It amends the law relating to Government securities and its management by RBI, with this the Public Debt Act, 1944 ceased to apply to the government securities.

Reasons of high Public Debt in India

- **Persistent Fiscal Deficits:** Central Government gross fiscal deficit stood at ₹15.77 lakh crore for FY 2024-25, against revised estimates of ₹ 15.69 lakh crore (Controller General of Accounts)
- **High Revenue Expenditure:** Total expenditure stood at ₹46.56 lakh crore, with revenue expenditure recorded at ₹36.04 lakh crore.
- **External Debt Growth:** India's external debt rose 10% to \$736.3 billion at the end of March 2025. (RBI)
- **Pandemic-Era Spending:** Central government debt rose driven by Covid-related healthcare and welfare spending.

5.6. ATAL MISSION FOR REJUVENATION AND URBAN TRANSFORMATION (AMRUT)

Why in the News?

AMRUT scheme has completed a decade since its launch.

About AMRUT

- **Ministry:** Ministry of Housing and Urban Affairs (MoHUA).
- **Type:** Centrally Sponsored Scheme.

- About:** Launched in selected **500 cities and towns**, focusing on the development of basic infrastructure in the sectors of Water supply, Sewerage and septage management, Storm water drainage, green spaces and parks, and non-motorised urban transport.
- AMRUT was **subsumed in AMRUT 2.0** in 2021, with the urban transport component excluded from its scope.

AMRUT 2.0

- AMRUT 2.0 focuses only on **water and sewerage** and aims to provide **tap water to all households** in statutory towns and **improve sewerage management** in 500 AMRUT cities.
- Major Components:**
 - Pey Jal Survekshan:** It is a challenge-based assessment in cities to evaluate service level benchmarks for water supply, reuse, sewerage, and water body conservation.
 - Behaviour Change Communication:** To promote water conservation and improve water use efficiency.
 - Technology Sub-Mission:** Promotes start-up ideas and private entrepreneurship through expert-screened pilot projects.



- Other Features:**
 - Public Private Partnership (PPP) projects:** Mandatory in **cities with over 1 million people**.
 - Outcome-Based Funding:** Cities must submit **roadmap** to achieve set targets.
 - Community Participation:** with emphasis on **women's self-help groups**
 - Promote circular economy of water:** By focusing on recycle/reuse of treated sewage, rejuvenation of water bodies and water conservation.
- Monitoring:**
 - National Level:** An **Apex Committee (AC)** chaired by the Secretary, MoHUA.
 - State Level:** **State High Powered Steering Committee (SHPSC)** chaired by Chief Secretary of State.
- Other Key Initiatives Under AMRUT**
 - Jal Hi AMRIT:** To treat and reuse water safely.
 - AMRUT Mitra:** To foster skills among SHG women related to water management in their communities.

5.7. OTHER KEY DEVELOPMENTS

5.7.1. INDIA 4TH LARGEST ECONOMY

As per the recent **World Economic Outlook of the IMF**, India has surpassed Japan to become 4th largest economy worldwide.

- Top largest economies:** US (\$ 30.5 Trillion), China (\$ 19.2 Trillion), Germany (\$4.74 Trillion) and India (\$4.18 Trillion)

What is GDP?

Gross Domestic Product (GDP) is defined as the aggregate **market value** of all **final goods and services** produced within the **domestic territory** of a country during a given period of time (usually one year).

Theoretical Frameworks of GDP calculation:

Method	Focus
Product (Value Added)	Production Side: Measures value added at each stage to avoid double counting.
Expenditure	Demand Side: Aggregates final spending in the economy.
Income	Earnings Side: Sums up factor incomes (Wages + Rent + Interest + Profit).

Official Methodology: How India Calculates GDP (MoSPI)

- The Ministry of Statistics and Programme Implementation (MoSPI) follows the **System of National Accounts (SNA 2008) standards**.
 - GDP_{Market Prices} = Σ GVA_{Basic Prices} + Net Product Taxes**
 - GVA (Gross Value Added):** Calculated for **8** broad sectors (Agriculture, Mining, Manufacturing, etc.).
 - GDP = GVA + (Taxes on Products - Subsidies on Products).**
 - Net Product Taxes:** Product Taxes (like GST, Excise) minus Product Subsidies (like food/fertilizer subsidies).

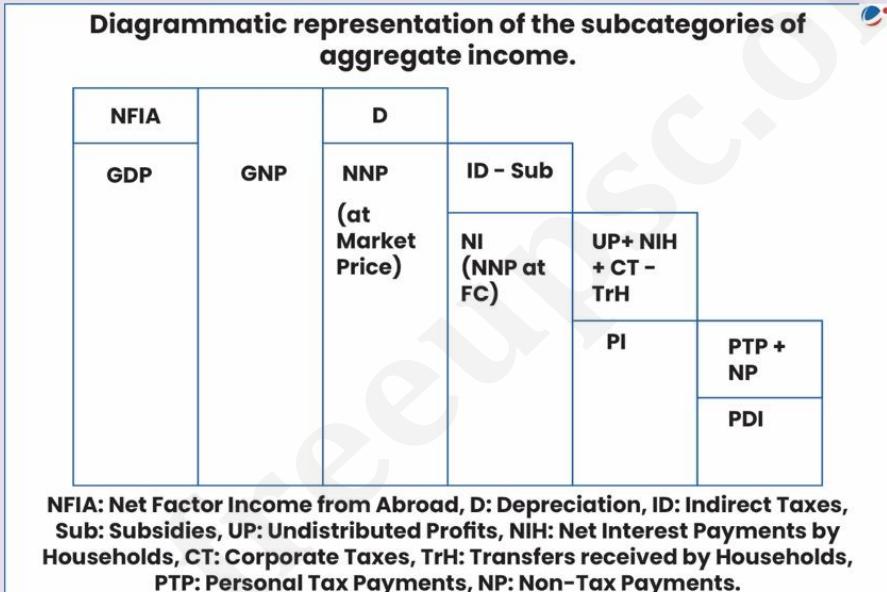
Data Sourcing

- Corporate Sector:** The NSO uses the **MCA-21** database (financial returns filed by companies with the Ministry of Corporate Affairs) rather than traditional factory surveys.
- Unorganized Sector:** Historically estimated using periodic "Labour Force" or "Enterprise" surveys.

Shifting to Base Year 2022-23

A "Base Year" freezes prices to calculate Real GDP, stripping out the effect of inflation.

- The shift from 2011-12 to 2022-23 is guided by the **Advisory Committee on National Accounts Statistics (ACNAS)**, chaired by Prof. B.N. Goldar.



5.7.2. MOSPI RELEASES CAPEX (CAPITAL EXPENDITURE) SURVEY

The Forward-Looking Survey on Private Sector Capex Investment Intentions (**Capex Survey**), the first of its kind by the **National Statistics Office (NSO)** (under **MOSPI**), was conducted under the **Collection of Statistics Act, 2008**.

Key Findings

- Private sector CAPEX** grew **66% from FY22 to FY25**, reaching ~Rs 6.5 lakh crore.
- Manufacturing enterprises** accounted for **48% of total private sector CAPEX** in FY24-25.

About Capital Expenditure

- **Definition:** Capital expenditure is the money spent by the government on the development of machinery, building, health facilities, education, etc.
- **Capital expenditure includes money spent on the following:** Acquiring fixed and intangible assets; Upgrading an existing asset; & Repayment of loan.

Aspect	Capital Expenditure	Revenue Expenditure
Nature	Creates assets for the future	Does not create assets or reduce liabilities
Impact	Results in long-term benefits or returns	Day-to-day operational spending.
Duration	One-time or infrequent spending	Ongoing, recurring spending

5.7.3. INTERNATIONAL STANDARDS OF ACCOUNTING AND REPORTING (ISAR)

India secured an uncontested position in the **United Nations Intergovernmental Working Group of Experts ISAR for 2025–2027 term.**

About ISAR

- **About:** ISAR is a **UN global forum of policy-makers, regulators, standard-setters and lead experts** in the area of enterprise accounting and reporting.
- **Mandate:** To assist member States to improving the quality and international comparability of financial reporting and non-financial disclosure, such as **environmental issues, corporate governance and corporate social responsibility.**
- **Mission:** To facilitate investment, development and economic stability by promoting good practices in corporate transparency and accounting through policy frameworks and guiding tools.
- **Sessions:** It holds its annual sessions in **Geneva** to address emerging issues in enterprise accounting and reporting.
- **Membership:** ISAR allows for 34 formal members to serve three-year terms.
 - These members include **nine African, seven Asian, six Latin American, three Eastern European, and nine Western European and Other States.**

5.7.4. HUMAN DEVELOPMENT REPORT, 2025

United Nations Development Programme Report titled, '**A Matter of Choice: People and Possibilities in the Age of AI**' highlights the critical role of AI in shaping the next chapter of **human development**.

Key Findings of the Report

- **India's Human Development Index (HDI) Rank:** India moved up **3 spots to rank 130** out of 193 countries in the 2025 Human Development Report.
 - **India remains in the medium human development category** (HDI value 0.685),
- **Life Expectancy:** India's **life expectancy** reached **72 years** in **2023**, marking **the highest** since the index began.
- **Schooling & Education:** The average **mean years of schooling** in India is **13 years** (up from 8.2 years in 1990).
- **Challenges Despite Progress**
 - **National Income:** India's GNI per capita rank is seven positions below its HDI rank.

- **Inequality:** Gender disparities remain significant. E.g., India ranks **102nd** on the Gender Inequality Index (GII) reflecting challenges in **reproductive health, political representation, and workforce participation.**
- **Global Trends in Human Development**
 - **Globally**, the human development progress had slowed to its weakest pace since 1990.
 - **The inequality between low and very high HDI countries** has increased for the fourth consecutive year.

Three Key Dimensions & Indicators

The HDI value is the **Geometric Mean** of normalized indices for the following three dimensions (scored 0 to 1):

Dimension	Indicator	Goal
Long & Healthy Life	Life Expectancy at Birth	Measures longevity and access to healthcare.
Access to Knowledge	<ul style="list-style-type: none"> • Mean Years of Schooling (Adults 25+) • Expected Years of Schooling (Children) 	Measures literacy and educational attainment.
Standard of Living	GNI per Capita (PPP USD)	Measures purchasing power and decent living standards.

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6. AGRICULTURE & ALLIED SECTOR

6.1. PRADHAN MANTRI MATSYA SAMPADA YOJANA

Why in the News?

Pradhan Mantri Matsya Sampada Yojana (PMMSY) completed 5 years of its launch.

About PMMSY

- Genesis:** Launched in 2020 by Department of Fisheries, under the Union **Ministry of Fisheries, Animal Husbandry and Dairying**.
- Objective:** To address the **critical gaps** in fish production and productivity, quality, technology, post-harvest infrastructure and marketing.
- Duration:** It is implemented in all States and UTs for a period of **five years from FY 2020-21 to FY 2024-25 (extended up to FY 2025-26)**.
- Nodal Agency:** National Fisheries Development Board (NFDB) for implementing the training, awareness and capacity-building programmes.
- Structure and Components:** It is an **umbrella scheme** with two separate components as below:
 - Central Sector Scheme (CS):** Fully funded and implemented by Central Government.
 - Centrally Sponsored Scheme (CSS):** Partially supported by the Central Government and implemented by the states.
 - > **Enhancement of Production** and Productivity.
 - > **Infrastructure and Post-harvest Management**.
 - > **Fisheries Management** and Regulatory Framework.

Targets and Achievements:

Area	Targets	Achievements
Fish Production and Fish Productivity	<ul style="list-style-type: none">Enhance aquaculture productivity from the national average of 3 to 5 tonne per hectare.Enhancing per capita fish consumption from the current 5-6 kg to 12 kg.	<ul style="list-style-type: none">Aquaculture productivity increased to 4.7 tonne per hectare (as of Feb 2025).Per capita fish consumption increased from 5-6 kg to 12-13 kg (Feb 2025).India emerged as the second-largest fish producer in world, contributing nearly 8% of global fish production.
Economic Value Addition	Reduction of post-harvest losses from the reported 20-25% to about 10% .	Post-harvest losses reduced to 10-15% (As of Dec 2024).
Enhancing Income and Employment Generation	Generating 55 lakh direct and indirect employment opportunities.	58 lakh employment opportunities created in fishing and aquaculture related activities (As of Dec 2024).

Fisheries sector in India

- Fisheries is listed in the **State List**.
 - Inland sector** is by and large, fully in the **domain of State Governments** while **Marine sector** is a shared responsibility **between the Central and Coastal State Governments**.
- Inland fish production** constitutes about **75% of the total fish production**.
- India is **the largest inland capture fish-producing nation in the world**.
- Fisheries constitute about **1.12 percent of the total national GVA** and **7.26 percent of agricultural GVA**.
- The Union Budget 2025-26, proposed the **highest ever total annual budgetary support** for the fisheries sector.

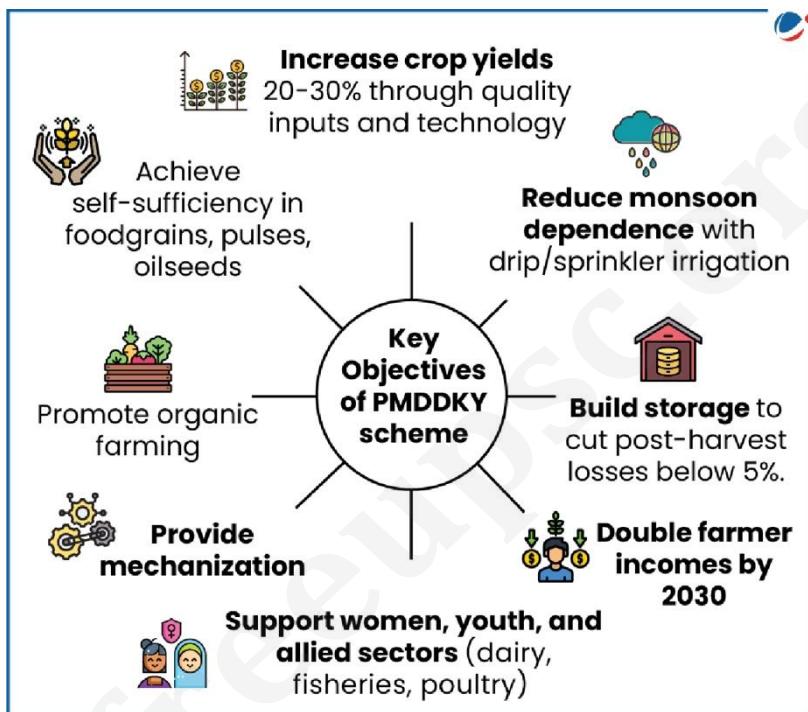
6.2. PM DHAN DHAANYA KRISHI YOJANA

Why in the News?

The Prime Minister launched The **Pradhan Mantri Dhan-Dhaanya Krishi Yojana (PMDDKY)** initiative to revolutionize Indian agriculture by making it more productive, sustainable, and financially rewarding for farmers.

About PM Dhan Dhaanya Krishi Yojana (PMDDKY)

- It was announced during the **Union Budget 2025-26** and draws inspiration from NITI Aayog's Aspirational District Programme.
- It consolidates **36 existing agricultural schemes** across **11 ministries**, including **PM-KISAN** (cash transfers), **PMFBY** (crop insurance), **PMKSY** (irrigation), with multiple benefits (refer table).
 - The convergence will also include state schemes and local partnerships with the private sector.
- Aim:** To support **1.7 crore farmers**, particularly small and marginal farmers owning less than 2 hectares of land, who constitute 86% of India's farming population (Economic Survey 2024-25).
- Ministry:** Ministry of Agriculture and Farmers' Welfare.
- Duration:** 6 Years (2025-26 to 2030-31).
- Financial Outlay:** Annual budget of **₹24,000 crore** for 6 years, totaling **₹1.44 lakh crore**.
 - 40% for subsidies, 30% for infrastructure (storage, irrigation), 20% for loans, and 10% for training and market support.
- Coverage:** **100 underperforming districts** with low crop yields, water scarcity, and limited access to resources. (minimum of 1 district from each state).
 - Uttar Pradesh to have maximum 12 districts in scheme.
- Focus:** On regions with **low crop yields** (e.g., wheat yields below 3.5 tonnes/hectare national average), **moderate cropping intensity** (fewer than 1.55 crop cycles per year), and **limited access to credit**.
- Beneficiaries:** Small and Marginal Farmers, Women Farmers, Young Farmers adopting modern farming techniques/starting agribusinesses/value-added product ventures, Farmers in Low-Productivity Areas, Farmer Producer Organizations (FPOs), Allied Sector Workers.



Structural Design and Institutional Mechanism of the scheme

- National level:** Oversight from a **National Steering Committee**.
 - Two teams to be formed at the central level:** One under **Union Ministers** and another under **Secretaries and department officers**.
- State level:** Nodal committees.
- District level:** **District Dhan Dhaanya Samitis** led by District Collectors.
 - Use of digital dashboard, farmer app, and district ranking system** (117 Key Performance Indicators (KPIs)) to ensure transparency.
 - Central Nodal Officers** appointed for each district to conduct **regular field visits**, monitor progress, and coordinate with local teams.

6.3. MODERNIZATION OF COMMAND AREA DEVELOPMENT AND WATER MANAGEMENT (M-CADWM)

Why in the News?

Union Cabinet approved Modernization Of Command Area Development and Water Management (M-CADWM) as a **sub-scheme of Pradhan Mantri Krishi Sinchayee Yojana (PMKSY)** for the period **2025-2026**.

Key Features of M-CADWM

- **Objective:** Modernization of the irrigation water supply network to supply of irrigation water from existing canals or other sources in a designated cluster.
- **It will make robust backend infrastructure** for micro-irrigation by farmers from established source to the **Farm gate up to 1 hectare** with underground **pressurized piped irrigation**.
- **Technology:** Use of Supervisory Control and Data Acquisition (SCADA), Internet of things technology will be used for **water accounting** and **water management**.
- **Potential benefits:**
 - **Increase the Water Use Efficiency (WUE)** at the farm level, increase agriculture production & productivity.
 - **Sustainable farming** by **Irrigation Management Transfer (IMT)** to Water User Society (WUS) for management of irrigation assets.
 - > **WUS** will receive handholding support for the **next five years**, helping them connect with economic entities like Farmer Producer Organizations (FPOs).

About Command Area Development and Water Management (CAD&WM) Programme

- **Genesis:** It was launched in **1974-75** and was restructured and renamed as Command Area Development and Water Management (CADWM) Programme in **2004**.
- **Objective:** To enhance utilisation of irrigation potential created and improve agriculture productivity and production on a sustainable basis.
- **It is being implemented** under **PMKSY - Har Khet Ko Pani** from **2015-16**.
- **2 Components:**
 - **Structural intervention:** On-Farm Development (OFD) works; Construction of field, intermediate & link drains; etc.
 - **Non-Structural intervention:** One time Functional Grant to the registered Water Users' Associations (WUAs); Trainings, demonstration, and adaptive trials with respect to water use efficiency, etc.

6.4. MISSION FOR AATMANIRBHARTA IN PULSES

Why in the News?

The Prime Minister of India recently launched the **Mission for Aatmanirbharta in Pulses (Dalhan Aatmanirbharta Mission)**.

Key Features of Mission for Aatmanirbharta in Pulses

- **Aim:** Boosting domestic production, reduce import dependence and achieving self-sufficiency (Aatmanirbharta) in pulses by December 2027.
- **Duration:** 6 Years (2025-26 to 2030-31).
- **Financial Outlay:** Rs. 11,440 crore.
- **Ministry:** Ministry of Agriculture & Farmers' Welfare, Government of India
- **Focus Crops:** Tur/Arhar (pigeon pea); Urad (black gram) & Masoor (red lentil).
- **Cluster-based approach:** Tailoring interventions to the specific needs of each cluster.
- **Benefit:** To benefit 2 crore farmers from guaranteed procurement, quality seed distribution, and enhanced value chain support.

- **Other intended benefits:**
 - Promote climate-resilient and soil health-friendly practices.
 - Create substantial employment opportunities.
 - Promoting intercropping and crop diversification.
- **Operational Strategy**
 - **Seed Development and Distribution:** Production and distribution of **126 lakh quintals of certified seeds** and the **free provision of 88 lakh seed kits** to farmers.
 - > Emphasis is placed on developing and disseminating **high-yielding, pest-resistant, and climate-resilient pulses varieties.**
 - **Assured Procurement:** 100% procurement of Tur, Urad, and Masoor at MSP for four years.
 - > National Agricultural Cooperative Marketing Federation of India (NAFED) & National Cooperative Consumers' Federation of India Ltd. (NCCF) will procure from farmers in participating states under Price Support Scheme (PSS) of Pradhan Mantri Annadata Aay SanraksHan Abhiyan (**PM-AASHA**).
 - **Role of states:** To ensure effective implementation, states will prepare **rolling five-year seed production plans**, with breeder seed production monitored by ICAR and quality assurance maintained through the SATHI portal.
 - > SATHI (Seed Authentication, Traceability & Holistic Inventory) is a user-oriented centralized portal by the Ministry of Agriculture and Farmers' Welfare, in partnership with National Informatics Centre (NIC).
 - **Post-harvest value chain:** Establishing **1,000 processing and packaging units**, supported by **subsidies of up to ₹25 lakh per unit.**

Status of Pulses production in India

- India is **world's largest producer, consumer, and importer of pulses.**
- **Top 3 pulses-producing states:** Madhya Pradesh (largest producer, contributing 22.11% of total production), Maharashtra, and Rajasthan accounting nearly 55% of India's pulse production.
- **Season:** Grown in all three seasons (kharif, rabi, and spring).
- **Important pulses:** Chickpea (47.4%), pigeonpea (15.4%), green gram (12%), black gram (10.3%), and lentil (5.4%)
- **Production trend:** Rose from 192.55 lakh tonnes in FY14 to 244.93 FY24 lakh tonnes.
- **Significance:** Pulses contribute nearly **20–25 % of total protein intake** in Indian diets, however the per capita consumption of pulses **falls short of the recommended 85 grams per day.**
 - Pulses enhance soil fertility due to their ability to **fix atmospheric nitrogen**, which helps reduce dependence on synthetic fertilizers.

6.5. NATIONAL TURMERIC BOARD

Why in the News?

Headquarters of National Turmeric Board was inaugurated in Nizamabad, Telangana.

About the National Turmeric Board

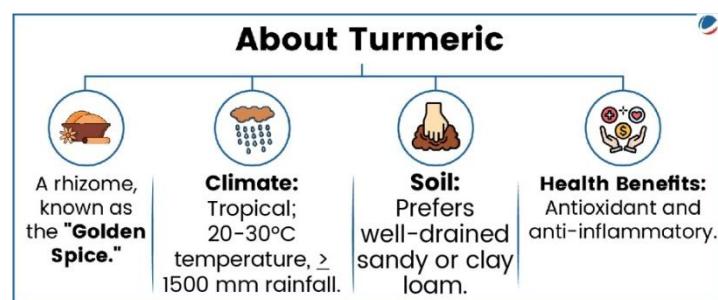
- **Aim:** To provide leadership on turmeric related matters, augment the efforts, and facilitate greater coordination with Spices Board and other Government agencies in development and growth of the turmeric sector.
- **Ministry:** Ministry of Commerce & Industry.
- **Composition:**
 - **Chairperson** to be appointed by the Central Government
 - Members from the Ministry of AYUSH, Departments of Pharmaceuticals, Agriculture & Farmers Welfare etc.
 - Senior State Government representatives from three states (on rotation basis),
 - Select national/state institutions involved in research & representatives of turmeric farmers & exporters

- A Secretary to be appointed by the Department of Commerce.

- **Role:** Promotes **R&D, value addition** for exports, **awareness** of turmeric's benefits, yield improvement, and **supply chain enhancement** to expand markets.

Turmeric production in India

- India is the **largest producer, consumer & exporter** of turmeric.
- About **30 varieties** of Turmeric are grown.
- **Production:** 70% of global turmeric production.
 - Telangana, Maharashtra, Tamil Nadu, & Andhra Pradesh together contribute **63.4%** of domestic production.
- **Export:** More than **62%** share of world trade.
 - The **leading export markets** for India are **Bangladesh, UAE, USA & Malaysia**.
- Turmeric in India with GI Tag: Sangli Turmeric & Waigaon Turmeric (Maharashtra); Erode Manjal Turmeric (Tamil Nadu); Lakadong Turmeric (Meghalaya).



6.6. 100TH BIRTH ANNIVERSARY OF MS SWAMINATHAN

Why in the News?

Prime Minister addressed the M.S. Swaminathan Centenary International Conference in New Delhi.

Key contribution of MS Swaminathan

- **Green Revolution Architect (1960s–70s):** Focused on **increasing food production** through the adoption of advanced breeding & modern techniques.
 - He along with **Norman Borlaug** initiated a breeding program that incorporated dwarfing genes into wheat, producing shorter, stronger plants that boosted yields.
 - Introduced semi-dwarf Mexican wheat (**Sonora, Lerma Rojo 64**) and high-yielding **Indica** rice varieties.
 - Played a key role in the development of **Pusa Basmati** (1989), which was the world's first semi-dwarf and high-yielding basmati variety.
- **Championing the Evergreen Revolution:** Swaminathan proposed the "**Evergreen Revolution**" for lasting productivity without ecological harm.
 - Evergreen revolution is **pro-nature and pro-poor**, linking livelihood security with ecological security and its key components include **Ecoagriculture, Biovillages, Village Knowledge Centres, and Ethics and Equities in economic, social, and gender divides**.
- **Ecological Foundations and Practices:** By advocating for **Integrated Pest Management (IPM)** and **Integrated Nutrient Management (INM)**.
- **Leading National Agricultural Initiatives**
 - Chaired **National Commission on Farmers (NCF)** from 2004-2006, producing five reports on farmer distress.
 - He founded the **National Academy of Agricultural Sciences (NAAS)** in 1990 for unbiased agricultural policy guidance.

Key Achievements and Prizes

- **Bharat Ratna (2024, posthumously).**
- **Padma Shri (1967), Padma Bhushan (1972), Padma Vibhushan (1987), Shanti Swarup Bhatnagar Award (1961), Indira Gandhi Prize (2001).**
- **World Food Prize (1987):** Inaugural recipient.
- **Ramon Magsaysay Award (1971).**

6.7. CROPS AND ANIMAL FIBRE

6.7.1. MAKHANA

Why in the News?

The report titled “Strategies to Boost India’s Makhana Exports” was released at the **First-ever International Buyer-Seller Meet (IBSM)** concluded in Patna, Bihar.

About Makhana

- **Foxnut**, commonly known as Makhana, is an important aquatic flowering crop with botanical name **Euryale ferox (prickly water lily)**.
- It is also known as **Black Diamond**.
- It grows well in **tropical and sub-tropical climates** and is mainly distributed in South-East and East Asian countries.
 - Makhana plant is considered as native of South-East Asia and China.
 - Mithila Makhana received a Geographical Indication (GI) tag in 2022.
- **Status:** India dominates global production, accounting for **90 % of the supply**, with Bihar (Mithila region) alone contributing 85–90 %.
 - Roughly 1–2% of India’s makhana harvest was exported
- Union Budget 2025-26 announced the constitution of the **Makhana Board in Bihar**.
- Despite high volume of production, only a small fraction approximately **1-2 % of total output is exported**.
- **Nutritional profile:** Rich in essential amino acids, vitamins, and minerals. It is a low fat food.
- **Benefits:** low glycemic load food, anti-aging properties, etc.

6.7.2. SILK

Why in the News?

India's raw silk production increased from 31.9 thousands mt in 2017-18 to 38.9 thousands mt in 2023- 24.

About Silk and Sericulture

- Silk is a **natural protein fibre** produced by **silkworms**, primarily from the **Bombyx mori species**.
- **Sericulture** is the **cultivation of silkworms** for the production of silk.
- Silkworms feed on **mulberry, oak, castor, arjun leaves**, and spin **cocoons**, which are processed into silk yarn & fabric.
- India is the **only country** that produces **all 4 major varieties** of natural silk. (Refer to table).
- According to the Ministry of Textiles, India has cemented its position as the **world's second-largest silk producer & largest consumer**, with silk product exports reaching Rs. 2,027.56 crore.

Types of Silk in India

- **Mulberry Silk** (about **90% of India's silk production**): Produced mainly in **Karnataka, Tamil Nadu, Andhra Pradesh, West Bengal** etc.
- **Tussar Silk (Kosa):** Produced by **wild silkworms** on trees like **Arjun and Asan**.
 - **Major Producers:** Jharkhand, Chhattisgarh, and Odisha.
- **Eri Silk:** Also called **Ahimsa Silk (non-violent)**, as **worms are not killed** during reeling.
 - Mainly produced in the **Northeast (Assam, Meghalaya)**.
- **Muga Silk:** **Exclusive to Assam**, made by **Antheraea assamensis**.
 - Naturally has a **golden-yellow shine**, highly durable.

6.7.3. COTTON

Why in the News?

In view of the persistent demand-supply gap, the Government has **extended** the **import duty exemption on cotton** until 31st December 2025.

Cotton

- It is also termed as “**White-Gold**”.
- **Climatic Conditions:**
 - Cotton is a **natural fiber** and a **semi-xerophyte tropical crop** grown in the **kharif season** in **semi-arid regions** of India.
 - > Cotton is grown on a variety of soils ranging from **well drained deep alluvial soils (North)** to **black clayey soils (Central)** and in black red soils (South) region in India.
 - It is **semi-tolerant to salinity and sensitive to water logging**.
 - Requires high temperature, light rainfall and **~210 frost-free days** and bright sunshine for its growth.
- **Production in India**
 - India is the second **largest** producer of cotton after China.
 - India is the **only country which grows all four species** of cotton.
 - **Major States:** Maharashtra, Gujarat, Telangana, Karnataka, Rajasthan, Madhya Pradesh.

6.7.4. OPIUM CULTIVATION

Why in the News?

Union Government has announced Annual Licensing Policy for Opium Cultivation for 2025-26 under the Narcotic Drugs and Psychotropic Substances (NDPS) Rules, 1985, framed under the **NDPS Act, 1985**.

About Opium

- Opium poppy plant is the **source of opium gum** which contains **several indispensable alkaloids** (naturally occurring organic nitrogen-containing compounds) such as morphine, codeine and thebaine.
 - **Morphine is commonly used analgesic** (pain relieving medicine) while **codeine is used in manufacture of cough syrups**.
- It is also grown as a **source of edible seed and seed oil**.
- India is the **only country authorised by the United Nations Single Convention on Narcotic Drugs (1961)** to produce **gum opium**.
 - 11 other countries cultivate opium poppy, but **do not extract gum**.

Opium Cultivation in India

 **NDPS Act** allows the Central Government to regulate opium poppy cultivation for **medical** and **scientific** use.

 Government annually notifies **licensed tracts**, currently in Madhya Pradesh, Rajasthan, and Uttar Pradesh.

 **Central Bureau of Narcotics** issues licenses; cultivators must sell all opium to CBN at government-set prices.

6.8. OTHER KEY DEVELOPMENTS

6.8.1. BHARATI INITIATIVE

APEDA has launched BHARATI to support Agri Food Startups and boost India's agri Food Export.

About BHARATI

- It stands for **Bharat's Hub for Agritech, Resilience, Advancement and Incubation for Export Enablement.**
- **Key Objectives:**
 - It aims to support **100 agri-food startups**, and achieve **\$50 billion in exports by 2030**.
 - > Selected startups will undergo a 3-month acceleration programme on product development, export readiness, regulatory compliance, market access etc.
 - **Attract startups working on advanced technologies:** E.g. AI-based quality control, blockchain-enabled traceability, IoT-enabled cold chains and agri-fintech.
 - **Drive Innovation in high-value categories:** E.g. GI-tagged agri-products, Organic foods, Superfoods, Novel processed Indian agri-foods, Livestock products, AYUSH products
 - **Resolve export challenges:** E.g. related to product development, value addition, quality assurance, perishability, wastage and logistics.

6.8.2. MODERNISATION OF WAREHOUSING AND BOOSTING PDS TRANSPARENCY

The Centre Government launched **major digital initiatives** to modernize warehousing operations, improve supply chain efficiency and enhance transparency across the Public Distribution System (PDS).

Initiative	Details
Bhandaran 360	<ul style="list-style-type: none">• Introduced by Central Warehousing Corporation (CWC), it is a cloud-based ERP platform which integrates HR, finance, warehouse management, contract monitoring etc.• Benefits: real-time monitoring of warehouse operations, Standardization across all CWC warehouses.
Smart EXIM Warehouse System	<ul style="list-style-type: none">• CWC has introduced the Smart EXIM Warehouse System for container freight stations (CFS/ICD) and general warehouses.• It uses technologies like AI, IoT, FASTag, OCR/ANPR, and GNSS to automate key processes.• Benefits: Gate Automation and Yard Management, cargo tracking., Smart Inventory Management.
ANNA DARPA	<ul style="list-style-type: none">• Introduced by FCI, it is a new microservices-based (mobile-first) platform that replaces the existing Depot Online System.• It integrates procurement, storage, movement, sales, labour & contract management enabling real-time dashboards and faster decision-making across the food supply chain.
ASHA Platform	<ul style="list-style-type: none">• The Department of Food and Public Distribution has launched ASHA (Anna Sahayata Holistic AI Solution).• It is an AI-based platform that allows beneficiaries to share their feedback on ration distribution through AI enabled calls in their preferred language.

6.8.3. INTERNATIONAL POTATO CENTRE (CIP)

Cabinet approves establishment of International Potato Centre (CIP)'s South Asia Regional Centre at **Agra, Uttar Pradesh**.

About CIP

- **Genesis:** Founded in 1971 and focuses on potato, sweetpotato and Andean roots and tubers.
 - It has a research presence in more than 20 countries in Africa, Asia and Latin America.
- **Objective:** To improve root and tuber crop systems through partnerships and innovations to tackle climate, nutrition, and poverty challenges.
- **Headquartered:** Lima, Peru.

- This is the **second** major international agricultural research institute to set up a regional wing in India, following the **International Rice Research Institute (IRRI)** in **Varanasi** (established 2017).

6.8.4. KISAN CREDIT CARD

- Objective:** To provide farmers with **credit** for agriculture inputs and production needs.
 - KCC scheme, introduced in 1998, was expanded in **2019** to include **animal husbandry, dairying, and fisheries**.
- Eligibility:** Owner cultivators, tenant farmers, oral lessees, sharecroppers, and Self-Help Groups/Joint Lending Groups.
- Activities Supported:** Cultivation and post-harvest activities; Marketing loans; Household consumption needs; Working capital for farm assets; Investment credit for allied activities (Agriculture Husbandry, dairying, fisheries and other agricultural extensions).
- Calculation of Credit Limits:** Based on **cropping patterns** and **purpose**.
- Issued by:** Public Sector Banks, Private Sector Scheduled commercial Banks, Small Finance Banks, PACS ceded with SCBs, RRBs, and Rural Cooperative Banks.
- Duration of KCC:** 5 years and undergoes periodic review.
- Kisan Rin Portal (KRP)** digital platform to support KCC.

6.8.5. INTERNATIONAL YEAR AND DECADE

Designation for the Year 2026	Body
International Year of the Woman Farmer	UN (FAO)
International Year of Rangelands and Pastoralists	UN (FAO)
International Year of Volunteers for Sustainable Development	UN
Decade of Sustainable Transport (2026-2035)	UN
Decade on Ecosystem Restoration (2021-2030)	UN (UNEP & FAO)
Decade of Ocean Science for Sustainable development (2021-2030)	UN (UNESCO)

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28 JAN, 5 PM

7. LABOUR AND EMPLOYMENT

7.1. IMPLEMENTATION OF LABOUR CODES

Why in the news?

Recently **Ministry of Labour and Employment** brought into force the **4 Labour Codes**.

More on the News

- These codes are the **Code on Wages, Industrial Relations Code, Code on Social Security, and Occupational Safety, Health and Working Conditions Code**.
- These codes consolidate **29 existing central labour laws**.

India's Labour Law Framework

- **Constitutional Provisions**
 - **Concurrent Jurisdiction:** Labour is in the **Concurrent List** under the 7th schedule.
- **Labour Force:** Overall, Labour Force Participation Rate (LFPR) for 2024 was **59.6%**, with 90% of workers engaged in the unorganized sector.
 - **In 2023-24**, 64.33 crore people were employed in India, with 41.7% female LFPR.
- **Institutional mechanism**
 - **Ministry of Labour and Employment:** To protect and safeguard the interests of workers
 - **Labour Bureau:** Publishes information on industrial disputes, closures, retrenchments, lay-offs, wages, earnings, working and living conditions and evaluates the working of various labour Acts
 - **Chief Labour Commission:** Prevents and settles industrial disputes, enforces labour laws and promotes the welfare of workers under the Central Government.
 - **Employees' State Insurance (ESI) Scheme:** Under the Employees' State Insurance Act of 1948.
 - > It insures employees against sickness, maternity, disablement and death due to employment injury and provides medical care to insured persons
 - > It covers employees in non-seasonal units and earning up to 21000 Rs/month.
 - **Employees' Provident Fund Organisation (EPFO):** Under Employee's provident fund act, 1952.
 - > It manages the **Employees Provident Funds Scheme 1952**, a retirement saving scheme in which both the employee and employer contribute a fixed percentage of the employee's salary every month.

Key terms

- **Fixed-Term Employees (FTE):** Refers to workers employed for a fixed duration based on a contract signed directly between the worker and the employer.
 - Employment lapses upon completion of that term, unless contract is renewed. No notice is required for retrenchment upon the completion of the term.
- **Layoff, Retrenchment and closure**
 - **Lay-off** occurs when an employer temporarily cannot provide work to a worker for reasons such as a shortage raw materials, natural calamity, etc.
 - **Retrenchment** refers to the termination of the service of a worker for any reason other than disciplinary action.
 - **Closure** refers to the permanent shutting down of an establishment or undertaking

- **Contract Labour** is when a worker is engaged in an establishment through a contractor or intermediary rather than being directly on the payroll of the principal employer.
- **Floor wage:** A central government benchmark set to ensure a minimum subsistence level across the country, below which state minimum wages cannot fall.

7.1.1. THE CODE ON WAGES, 2019

It consolidates **four laws relating to wages and remuneration**.

- **Aim:** To strengthen workers' rights while promoting simplicity and uniformity in wage-related compliance for employers.
- **Key Provisions**
 - **Universal Minimum Wages:** The Code establishes a statutory right to minimum wages for all employees across both organized and unorganized sectors.
 - > **Criteria for Wage Fixation:** skill levels, geographic areas, and job conditions such as temperature, humidity, or hazardous environments.
 - **Introduction of Floor Wage:** A statutory floor wage shall be set by the Government based on minimum living standards, with scope for regional variation.
 - > No state can fix minimum wages below this level, ensuring uniformity and adequacy nationwide.
 - **Compensation:** Mandates timely payment and provides for overtime compensation at least 2x the normal rate.
 - **Simplification:** Standardises key definition e.g. 'wages', 'employee', across the entire legislative framework, reducing compliance confusion.

7.1.2. THE INDUSTRIAL RELATIONS CODE, 2020

It incorporates **three laws relating to dispute resolution, industrial relations, etc.**

- **Aim:** To simplify laws related to trade unions, conditions of employment in industrial establishment or undertaking, investigation and settlement of industrial disputes.
- **Key provisions**
 - **Trade Unions:** Now requires **51% membership** to be recognised as the sole negotiating union, streamlining the negotiation process.
 - > In case of more than 1 trade union, negotiating council will be formed with representatives of unions having 20 % of workers as members.
 - **Fixed-Term Employment (FTE):** Explicitly institutionalises FTE, intended to reduce excessive contractualisation and offers cost efficiency to employers.
 - **Expanded Worker Definition:** Covers sales promotion staff, journalists, and supervisory employees earning up to ₹18,000/month.
 - **Higher Threshold for Lay-off/Retrenchment/Closure:** Approval limit raised from 100 to 300 workers; States may enhance the limit further.
 - **Broader Definition of Industry:** Includes all systematic employer-employee activities, regardless of profit or capital.
 - **Re-skilling Fund:** In it, employers pay 15 days' wages for every worker retrenched for retraining them.
 - **Dispute Resolution: Establishing Internal Grievance Redressal Committees (IGRCs)** for establishments employing 20 or more workers.

7.1.3. THE CODE ON SOCIAL SECURITY, 2020

It incorporates nine existing social security laws.

- **Aim:** To extend social security to all workers, including unorganized, gig, and platform workers.
- **Key Provisions**
 - **Gig and Platform Workers and aggregator:** Legally defined for the 1st time.
 - > Aggregators to contribute 1-2% of annual turnover (max 5% of payments to workers) to the social security fund.
 - **Expanded ESIC (Employees' State Insurance) Coverage:** ESIC now applies pan-India, eliminating the criteria of “notified areas.”
 - > Establishments with fewer than 10 employees may voluntarily opt in with mutual consent of employers and employees.
 - > Coverage would be mandated for hazardous occupation and extended to plantation workers.
 - **Uniform Definition of Wages:** “Wages” now include basic pay, dearness allowance, and retaining allowance.
 - > 50% of the total remuneration (or such percentage as may be notified) shall be added back to compute wages, ensuring consistency in calculating gratuity, pension, and social security benefits.
 - **Gratuity for Fixed-Term Employees:** Fixed-term employees become eligible for gratuity after one year of continuous service (earlier five years).
 - **National Database for Unorganized Workers:** Provides for creating a national digital platform (NDUW) with registration and skill details of unorganized workers.

7.1.4. THE OCCUPATIONAL SAFETY, HEALTH, AND WORKING CONDITIONS CODE, 2020 (OSHWC)

It incorporates 13 central laws, focusing on improving workplace safety, health, and working conditions.

- **Aim:** To balance the twin objectives of safeguarding worker rights and safe working conditions, and creating a business-friendly regulatory environment.
- **Key Provisions**
 - **Unified Registration:** A uniform threshold of 10 employees is set for electronic registration.
 - **Extension to Hazardous Work:** The Government can extend the Code's provisions to any establishment, even with one employee, engaged in hazardous or life-threatening occupations.
 - **Wider Definition of Migrant Workers:** The definition of inter-state migrant workers (ISMW) now covers workers employed directly, through contractors, or migrate on their own.
 - **Women's Employment:** Women can work in all types of establishments and during night hours (before 6AM, beyond 7PM) with consent and safety measures.
 - **National Occupational Safety & Health Advisory Board:** A single tripartite advisory board replaces six earlier boards to set national safety and health standards across sectors, ensuring uniformity and quality.
 - **Institutional oversight**
 - > **Safety committee** to be constituted by factories with 500+ workers, construction units (250+ workers), and mines (100+) workers with employer and worker representatives.
 - > **Welfare officer** to be appointed in units where 250 or more workers are ordinarily employed.
 - > **National occupational safety and health advisory board (tripartite body)** to be constituted by central government to set national safety and health standards

- **Contract Labour:** Norms apply to contractors with 50+ workers (earlier 20), and employers are allowed to engage contract labour even in defined core activities such as sanitation, subject to conditions.
- **Working Hours:** Working hours capped at 8 hrs in a day & 48 hrs a week.
 - > Permits women to work in all types of units, including **night shifts** subject to their consent and mandatory safety protocols.

7.2. REVAMPED PERIODIC LABOUR FORCE SURVEY (PLFS)

Why in the News?

National Statistics Office released key employment and unemployment indicators for January–December 2024 under Periodic Labour Force Survey (PLFS).

About Periodic Labour Force Survey (PLFS)

- **Conducting agency:** National Statistics Office (NSO).
- **Ministry: Introduced in 2017 by** the Ministry of Statistics and Programme Implementation.
- **Objectives:**
 - To estimate the **key employment and unemployment indicators in the short time interval of three months** for the urban areas only (Now rural area also included) in the '**Current Weekly Status**' (CWS).
 - To estimate employment and unemployment indicators in both '**Usual Status**' (ps+ss) and CWS in **both rural and urban areas annually**.
- **Key Terminologies used in PLFS**
 - **Labor Force Participation Rate (LFPR):** It is defined as percentage of persons in labor 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 population.
 - **Unemployment Rate (UR):** UR is defined as percentage of persons unemployed among the persons in the labour force.
 - **Activity Status-** The activity status of a person is determined on the basis of the activities pursued by the person during the specified reference period.
 - **Usual Status:** When the activity status is determined on the basis of the reference period of last 365 days preceding the date of survey, it is known as the usual activity status of the person.
 - > **Usual principal activity and usual subsidiary economic activity of a person taken together**, is considered as the usual activity status of the person and is written as usual status (ps+ss).
 - ✓ **Principal Activity Status (PS):** The activity status on which a person spent relatively long time (major time criterion) during 365 days.
 - ✓ **Subsidiary economic Activity Status (SS):** The activity status in which a person in addition to his/her usual principal status, performs some economic activity for 30 days or more during 365 days.
 - **Current Weekly Status (CWS):** The activity status determined on basis of a reference period of last 7 days preceding date of survey is known as the current weekly status (CWS) of person.
 - **Current daily activity status (CDS):** If on a day, a person '**had actually worked for 1 hour or more**' accordingly he/she is given work status.

7.3. OTHER DEVELOPMENT RELATED TO EMPLOYMENT AND SKILLING

7.3.1. SKILL INDIA MISSION (SIM)

Why in the News?

Skill India Mission (SIM) completed its 10 year milestone.

About Skill India Mission

- **Genesis:** 2015.

- **Ministry:** Ministry of Skill Development and Entrepreneurship (MSDE).
- **Strategic implementation and knowledge partner:** National Skill Development Corporation (NSDC)
 - **About NSDC**
 - > **Established:** In 2008, as a **not-for-profit public limited company** under **section 25** of the **Companies Act, 1956** (now corresponding to section 8 of the **Companies Act, 2013**).
 - > It operates as a unique **Public Private Partnership (PPP) model** under the **MSDE**.
- **Key Components:** **Pradhan Mantri Kaushal Vikas Yojana 4.0 (PMKVY 4.0), Pradhan Mantri National Apprenticeship Promotion Scheme (PM-NAPS), Jan Shikshan Sansthan (JSS) Scheme** are combined under the composite **Central Sector Scheme** of “Skill India Programme”.

Key programmes and their Achievements

Initiatives	Detail
Pradhan Mantri Kaushal Vikas Yojana (2015)	<ul style="list-style-type: none"> • Free short-duration skill training and skill certification to youth. • 4.0 version is currently being implemented from FY 2022 to 2026.
Jan Shikshan Sansthan (JSS)	<ul style="list-style-type: none"> • Provides vocational training to non-literates, neo-literates and school drop-outs in rural regions.
PM National Apprenticeship Promotion Scheme (PM-NAPS)	<ul style="list-style-type: none"> • Aims to provide financial incentives to the establishments engaging apprentices under the Apprentices Act, 1961. • Provides 25% of the stipend, up to Rs.1,500 per month per apprentice through Direct Benefit Transfer to both apprentice and establishments. • Age group: 14 to 35 years.
Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY) (2014)	<ul style="list-style-type: none"> • Part of the National Rural Livelihood Mission (NRLM) • Adds diversity to income of rural poor families and cater to career aspirations of rural youth.

7.3.2. INDIA SKILLS ACCELERATOR INITIATIVE

Why in the News?

The Ministry of Skill Development and Entrepreneurship (**MSDE**), in collaboration with the **World Economic Forum (WEF)**, launched “**India Skills Accelerator**”.

About the Skills Accelerator initiative

- **Key Objectives:** Enable **agile career transitions**, promote **scalable training**, and align **education with industry needs**, particularly in sectors such as **AI, robotics, advanced manufacturing, and clean energy**.
- **Platform Structure:** A public-private collaboration platform for cross-sector innovation.
- **Part of the WEF’s Reskilling Revolution:** It **incentivises governments** to provide upskilling and **reskilling to all workers**, regardless of education levels or employment status.

7.3.3. PM-SETU (PRADHAN MANTRI SKILLING AND EMPLOYABILITY TRANSFORMATION THROUGH UPGRADED ITIS)

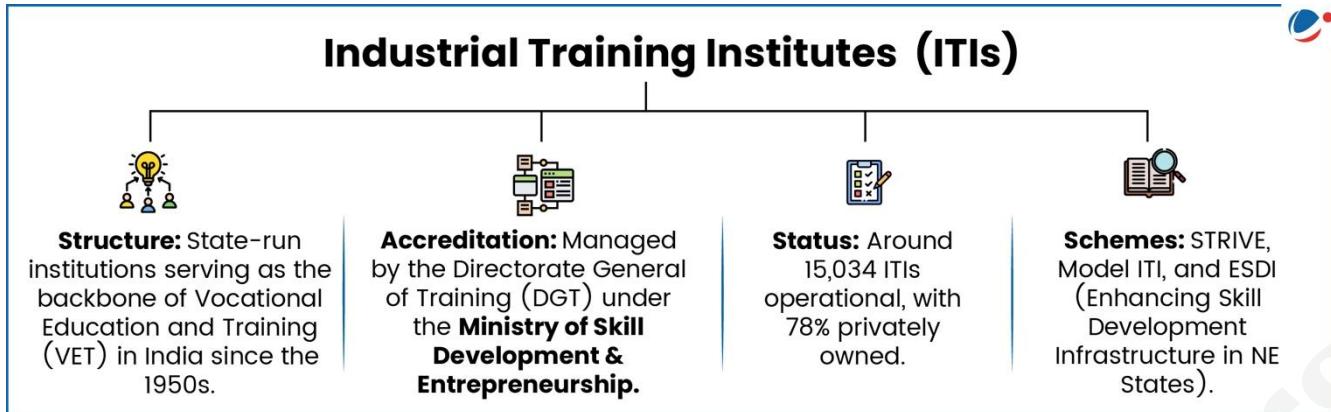
Why in the News?

Announced under Budget 2024-25 and launched recently, the scheme will be implemented as a Centrally Sponsored Scheme under the **Ministry of Skill Development and Entrepreneurship**.

About the Scheme

- **Aim:** Position existing ITIs as government-owned, industry-managed **aspirational institutes of skills**, in collaboration with State Governments and industry.
- **Total Outlay: ₹60,000 crore** (Central Share: Rs.30,000 crore, State Share: Rs.20,000 crore and Industry Share: Rs.10,000 crore) over five years.
 - It will be **co-financed to the extent of 50%** of Central share by the **Asian Development Bank and the World Bank**, equally.

- Implementation:** PM-SETU will follow a **hub-and-spoke model**, with **200 hub ITIs** linked to 800 spoke ITIs.
- Main Components:**
 - Introduce **new, demand-driven courses** and revamp existing ones in collaboration with industry;
 - Set up **Special Purpose Vehicles (SPVs)** with credible Anchor Industry Partners to manage clusters and ensure outcome-based training;
 - Create pathways for **long-term diplomas, short-term courses, and executive programs**;



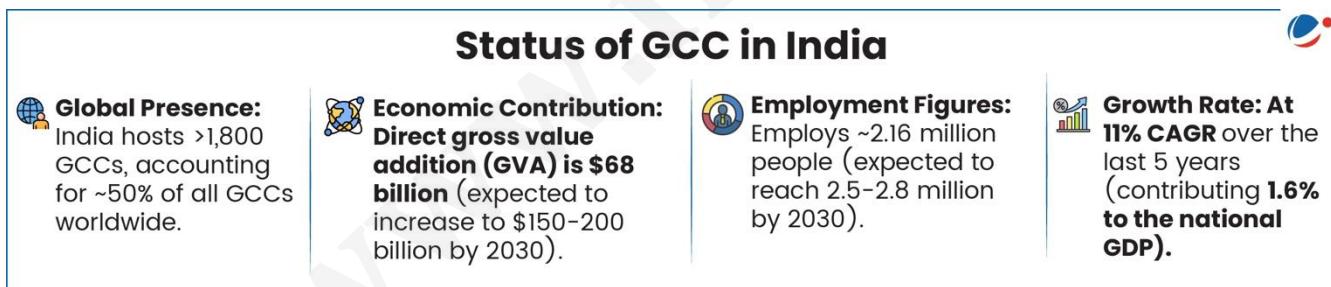
7.4. OTHER KEY DEVELOPMENTS

7.4.1. GLOBAL CAPABILITY CENTRE (GCC)

The Finance-Minister urged industry & government to work together to boost the setup of GCC and attract more Fortune 500 companies which are yet to establish their presence in India.

About GCCs

- It is also known as **global in-house centres or captives (GICs)**.
- GCCs are **offshore centres** established by **global firms** to provide various services to their parent organisations.
 - E.g. IT services, Research and Development (R&D), customer support
- They operate **within the internal organization structure** of the global corporate organization.
- Major Drivers in India:** **Cost efficiency, Digital and Policy Readiness** (e.g. Smart Cities, Digital India), **Talent availability** (Highly skilled & cost-effective workforce with english proficiency), **Large Consumer Market etc.**



7.4.2. LIVING WAGE

Ministry of Labour and Employment (MoLE) is discussing **living wage** to improve worker welfare and boost participation, especially among women.

- Currently statutes mandate **minimum wage for employees**.

About Major Forms of Wages in India

Minimum Wage	Living Wage
<ul style="list-style-type: none"> The wage must provide not only for the bare sustenance of life, but also for the preservation of the workers' efficiency. Payment of Minimum wages is legally mandated under Minimum Wages Act, 1948 Both Centre and States governments can fix, review, and revise minimum wages. Under the Code on Wages, 2019, minimum wages are applicable across all employments in public and private sectors, and organized and unorganized sectors. 	<ul style="list-style-type: none"> A living wage is a level of pay that gives workers and their families a decent standard of living. <ul style="list-style-type: none"> This includes being able to afford basic needs such as food, housing, healthcare, education, transport and clothing (ILO) Living wages are generally higher than minimum wages and should reflect regional differences. Article 43 (DPSP): The State shall endeavour to secure living wages to all workers by suitable legislation etc.

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- Development of Advanced answer writing skills
- Special emphasis to Essay & Ethics

8. BUSINESS, INNOVATION AND ENTREPRENEURSHIP

8.1. COMPETITION COMMISSION OF INDIA

Why in the News?

Recently, the Standing Committee on Finance tabled a report titled **Evolving Role of Competition Commission of India in the Economy, particularly the Digital Landscape**, before parliament.



Competition Commission of India



Establishment: In 2003, under the Competition Act, 2002, but became operational from 2009.

Ministry: Minister of Corporate Affairs (MCA).

Composition: Chairperson and 6 Members appointed by the Central Government.

Appellate Authority: National Company Law Appellate Tribunal (NCLAT) under the Companies Act, 2013, for the Competition Act 2002.

Role of CCI

- Eliminate practices having adverse effects on competition.
 - Protect the interests of consumers.
 - Advise the government on competition issues
- Inquire, investigate, pass orders and impose penalty on anti-competitive practices
- Regulate Mergers
- Adapting to evolving challenges:

Recent Initiatives to streamline competition

- **Competition (Amendment) Act, 2023**
 - **Deal value threshold (DVT):** To regulate Merger & Acquisition (M&As) particularly in the digital markets
 - > All M&A transactions with deal value exceeding Rs. 2000 crore are to be notified to the CCI.
 - **Settlement and Commitment Mechanisms:** Empowers CCI to accept voluntary commitments from parties in certain anti-competitive cases.
 - **Proportional Penalties:** To file an appeal against a CCI order, a mandatory deposit of 25% of the imposed penalty is now required.
- Notified the **Cost Regulations, 2025** providing new definitions to curb predatory pricing.
 - Section 4(2) of the **Competition Act, 2002** identifies predatory pricing by a dominant enterprise as an abuse of dominance.

8.2. PRADHAN MANTRI MUDRA YOJANA (PMMY)

Why in the News?

India marked 10 years of the Pradhan Mantri MUDRA Yojana (PMMY).

About PMMY

- **Ministry:** Ministry of Finance.
- **Launch year:** 2015.

Objective of PMMY



To provide **collateral free access to credit** in a seamless manner **to micro enterprises** in the country.



To **fund the unfunded** by bringing MSMEs to the formal financial system and extending **affordable credit** to them.



To provide financial inclusiveness and support to the marginalized and hitherto socio-economically neglected classes.

- Mudra loans under PMMY can be availed of from nearby branch office of a **Bank, Micro Finance Institutions and NBFCs, Regional rural banks etc.** or by online application on **UdyamiMitra portal**.
- **MUDRA (Micro Units Development and Refinance Agency Ltd.)** provides refinance support to its intermediaries viz. Banks, Micro Finance Institutions and NBFCs.
 - MUDRA is a **refinance agency** and not a direct lending institution.
- **Categories of the loan**
 - **Shishu:** covering loans upto ₹ 50,000.
 - **Kishor:** covering loans above ₹ 50,000 and upto 5 lakh.
 - **Tarun:** covering loans above ₹ 5 lakh and upto ₹ 10 lakh.
 - **Tarun Plus:** covering loans above ₹ 10 lakh and upto ₹ 20 lakh for those entrepreneurs who have availed and successfully repaid previous loans under the 'Tarun' category.
- **Nature of Assistance:** Term Loan, Overdraft Limit, Working Capital and Composite Loan for Acquiring Capital.
 - The overdraft amount of ₹ 10,000 sanctioned under Pradhan Mantri Jan Dhan Yojana (PMJDY) has been also classified as MUDRA loans under PMMY.

Key features of PMMY

- **Collateral free loan:** No collateral security or any guarantor is required for availing loan under Mudra scheme.
 - Loans are guaranteed by **Credit Guarantee Fund for Micro Units (CGFMU)** which is the Trust Fund set up by Government of India, managed by the National Credit Guarantee Trustee Company Ltd as a Trustee.
- **Interest rate:** The interest rates are deregulated.
 - MUDRA extends a reduction of 25bps in its interest rates to MFIs / NBFCs, who are providing loans to women entrepreneurs.
- **Progressive Lending (From Shishu to Tarun):** The share of **Kishor loans** has grown from **5.9 percent in FY16 to 44.7 percent in FY25**, indicating a shift from micro to small enterprises.

8.3. GLOBAL INNOVATION INDEX (GII) 2025

Why in the News?

World Intellectual Property Organisation released the Global Innovation Index (GII) 2025.

More about the News

- GII measures **innovation performance of 139 economies** through investment patterns, technological progress, adoption rates, and socioeconomic impacts.
- **Launched in 2007**, GII is recognized by the UN General Assembly as an authoritative reference for Science, Technology and Innovation (STI) policies.

Key Highlights of GII 2025

- **India's Rise:** India's rank rises to 38th position, a big leap from 81st in 2015.
 - **India along with Vietnam** is the longest-standing overperformer, performing above expectation for their level of development for 15th year.
- **Most Innovative Economies:** Switzerland has been ranked first, followed by Sweden, USA, South Korea and Singapore.
- **Top Innovation Clusters:** Shenzhen–Hong Kong–Guangzhou (China and Hong Kong), followed by Tokyo-Yokohama (Japan), and San Jose-San Francisco (USA).
 - **India has four clusters in top 100:** Bengaluru (21st), Delhi (26th), Mumbai (46th) and Chennai (84th).

India's Innovation Landscape



Knowledge and Technology Outputs

⦿ International patent filings: ↑22.2% (2023-2024)



Creative Outputs

⦿ Improved from 49th (2023) → 43rd (2024) → 42nd (2025)



India's Innovation Edge

⦿ ICT Services Exports: 1st globally
⦿ Domestic Market Scale: 3rd globally

8.4. NOBEL PRIZE IN ECONOMIC SCIENCES 2025

Why in the news?

The Sveriges Riksbank Prize in Economic Sciences 2025 (Nobel Prize in Economic Sciences) was awarded to Joel Mokyr, Philippe Aghion and Peter Howitt for **explaining innovation-driven economic growth**.

About The Sveriges Riksbank Prize in Economic Sciences (Nobel Prize of economics)

- **Establishment:** In 1968 by Sveriges Riksbank (Sweden's central bank).
 - It is **not one of the five Nobel Prizes** established by Alfred Nobel's will in 1895.
- **Awarded by:** The Royal Swedish Academy of Sciences.
- **First recipients:** To Ragnar Frisch and Jan Tinbergen in 1969.
 - **Amartya Sen** was the first Indian to receive Nobel Prize for Economics in 1998 for his contributions to **welfare economics and social choice theory**.

Specific Contributions of the Laureates

Joel Mokyr: Prerequisites for Sustained Growth

- He was awarded for "having identified the prerequisites for sustained growth through technological progress".
- For technological advances to drive sustained growth, **three key elements must be present:**
 - **A joint evolution of science and technology**
 - **Mechanical competence**
 - **A society open to change**

Philippe Aghion and Peter Howitt: For the theory of sustained growth through creative destruction

- They were recognized for their **mathematical model** (framework) of creative destruction, developed in 1992.
- **Creative destruction** describes the process where a new and better product enters the market, making older products obsolete and causing companies selling them to lose out.
 - This process is creative because it introduces something new and destructive because it outcompetes existing products.
- **One of the key elements of their model stated that** companies are incentivized to invest in R&D by **temporary monopoly** through patents. However, patents do not protect firms from a competitor making a new patentable innovation.

8.5. INTELLECTUAL PROPERTY RIGHTS IN INDIA

Why in the news?

India's Intellectual Property (IP) filings rose by **44% in last 5 years**, led by a **380% surge in Geographical Indications**.

Intellectual Property Rights (IPR)

- **Definition:** IPR are the rights given to persons over the **creations of their minds**. They usually give the creator an exclusive right over the use of his/her creation for a certain period of time.
 - 8 types of IPR are covered under **IPR Policy Management (IPRPM) framework**: (See Box)
- **Administered by:** **Controller General of Patents, Designs and Trademarks** which is under the control of the Department for Promotion of Industry and Internal Trade (DPIIT), **Ministry of Commerce and Industry**.
 - **Act on Layout-Design of Integrated Circuits** is administered by Ministry of Electronics and Information Technology (MeitY).
 - Ministry of Agriculture administers the **Act on Plant Variety under the Protection of Plant Varieties and Farmers' Rights (PPV&FR) Act, 2001**.
- **India's Global Position:** India granted the highest number of patents in FY24 (1,03,057 patents).
 - India ranked 4th globally in trademark filings in 2023, with 6.1% increase over previous year.
 - India rose from 9th (2020) to 6th (2023) position in global patent filings (WIPO).
 - In 2023, for the first time, Indian residents filed the majority (55.2%) of patent applications in India

Details of legal and regulatory considerations for different IP areas:

IPR Area	Subject	Term of Protection
Geographical Indication (GI)	Goods bearing unique characteristics due to geographical linkage - agricultural goods, natural goods, manufactured goods, handicrafts and foodstuff.	10 years, Renewed for 10 years on payment of additional fees
Design	New or original designs (Ornamental / visual appearance discernible to the human eye) which can be replicated industrially.	10 + 5 years
Patents	Must qualify requirements of being novel, Inventive and having industrial utility.	20 years
Copyright	Creative, artistic, literary, Musical and audio-visual works	Author- Lifetime+ 60 years; Producers - 60 years Performers- 50 years;
Trademarks	Protects brand name, logo, and design for a business or commercial enterprise.	10 years; renewed for 10 years on payment of additional fees
Semiconductor Integrated Circuits Layout-Designs (SICLD)	A layout of transistors and other circuitry elements including lead wires connecting such elements and expressed in any manner in semiconductor integrated circuits.	10 years

Trade Secret	Confidential information having commercial value.	Till the time confidentiality is safeguarded.
Plant Varieties	Traditional varieties and landraces, all developed varieties (non-traditional and non-landrace) in trade/use for older than 1 year and not older than 15 years or 18 years (in case of trees and vines), and new plant varieties.	6-10 years.

8.6. OTHER KEY CONCEPTS/INITIATIVE

Merger of Companies	<p>Merger process in respect of two or more unlisted companies, holding and subsidiary companies have been amended.</p> <p>About Merger of Companies</p> <ul style="list-style-type: none"> A merger is an agreement where two existing, independent companies combine to form a new, singular legal entity. Mergers can take several forms, such as horizontal (companies in the same industry), vertical (companies in the same supply chain), and conglomerate (companies from different sectors). <ul style="list-style-type: none"> Companies Act, 2013 allows mergers/demergers. National Company Law Tribunal (NCLT): NCLT is the primary authority responsible for approving mergers and demergers. 						
Reverse Flipping	<ul style="list-style-type: none"> It describes the practice where startups that had earlier established organizational structure in offshore jurisdictions shift their domicile back to their home country. Reverse flipping is gaining traction in India for potential listing in Indian stock exchanges, robust economic policies, expanding local market, favorable tax regime, growing investor landscape etc. 						
Corporate Social Responsibility (CSR)	<ul style="list-style-type: none"> CSR integrates social and environmental considerations into business operations. Framework of CSR in India: <ul style="list-style-type: none"> The CSR framework is established by Section 135 of the Companies Act, 2013. India is the first nation to enact the legislation mandating the implementation of CSR activities. Criteria for CSR Eligibility (refer to infographic). Fund Allocation: The companies are obligated to allocate at least 2% of their average net profit from the previous three years to CSR activities such as Protection of national heritage, etc. Penalty for Non-Compliance: If the company fails to spend the amount and does not transfer it to a specified fund, penalties are imposed. <div style="border: 1px solid #ccc; padding: 10px; margin-top: 10px;"> <p style="text-align: center;">Criteria for CSR Eligibility</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center; width: 30px;"></td> <td>Net worth of the company to be Rs 500 crore or more.</td> </tr> <tr> <td style="text-align: center;"></td> <td>The company turnover is Rs. 1000 crore or more.</td> </tr> <tr> <td style="text-align: center;"></td> <td>Net profit of the company to be Rs. 5 crore or more.</td> </tr> </table> </div>		Net worth of the company to be Rs 500 crore or more .		The company turnover is Rs. 1000 crore or more .		Net profit of the company to be Rs. 5 crore or more .
	Net worth of the company to be Rs 500 crore or more .						
	The company turnover is Rs. 1000 crore or more .						
	Net profit of the company to be Rs. 5 crore or more .						

	<ul style="list-style-type: none"> It is mandatory for a company intending to undertake a CSR activity to register themselves with the Registrar of Companies.
Fugitive Economic Offenders Act, 2018	<ul style="list-style-type: none"> It defines a Fugitive Economic Offender (FEO). <ul style="list-style-type: none"> He/she is an individual with an arrest warrant for a scheduled offence who has left India to avoid prosecution or refuses to return from abroad. Scheduled Offence: Offences specified in the Schedule with total value of ₹100 crore or more. To be declared a FEO, the concerned authority must submit an application with a Special Court. <ul style="list-style-type: none"> A Court of Session designated as a Special Court under the Prevention of Money-laundering Act, 2002.
'We Rise' (Women Entrepreneurs Reimagining Inclusive and Sustainable Enterprises) Initiative	<ul style="list-style-type: none"> Launched by: NITI Aayog's Women Entrepreneurship Platform (WEP) under its Award to Reward (ATR) initiative along with DP World. Objective: To help women entrepreneurs, including women-led MSMEs, to scale their businesses globally through trade facilitation, mentorship, and strategic partnerships.

VISION IAS
INSPIRING INNOVATION

CSAT

CRASH COURSE PRELIMS 2026

Start
English Medium
5 January, 11 AM
(Offline/Online)

(Approach is to revise and strengthen fundamental concepts, enhance problem-solving abilities, hone analytical skills, foster critical thinking, and improve comprehension skills for Prelims 2026.)

PROGRAM OUTCOMES

 Efficient Time Management and Exam-taking Strategies	 Problem-Solving Techniques Including Tips and Tricks	 Proficiency in Interpreting and Analyzing Data Presented in Various Formats	 Firm command on Mathematical Concepts and Development of Quantitative aptitude
 Reading Comprehension and Language Proficiency	 Logical and Analytical Thinking Skills	 Reinforced Learning Through Regular Practice and Tutorials	 Development of Confidence to Tackle the Exam

9. INFRASTRUCTURE

9.1. MARITIME SECTOR

9.1.1. PORTS IN INDIA

Ports in India

- Presently, India has **12 major ports** (13th major port is under construction at **Vadhavan, Palghar District, Maharashtra**) and approximately **200 non-major ports**.
- **Major Ports:** Wholly-owned by **Central Government**.
- **Non-Major Ports:** Managed by and under the control of the **respective State Maritime Board / State Government**.
- **95% of India's trading by volume** and **70% by value** is done through maritime trade.
 - Major ports handled **53% of maritime cargo traffic**.
- Over the past decade (**FY 2014-15 to FY 2024-25**), key productivity indicators also showed substantial progress.
 - **Average Turnaround Time (TRT)** improved by **48%**, reducing from **96 hours** to **49.5 hours**.
 - **Idle Time (%)** dropped by approximately **29%**, from **23.1%** to **16.3%**.
- From 2014-15 to 2023-24, major ports **boosted their cargo-handling capacity by 87%**, with Paradip port becoming **India's largest major port**.



India's Maritime Sector

- India has 11,098-kilometre coastline, which anchors **12 major ports and over 200 minor ports**, positioning it as the **16th largest maritime nation**.
- India is **third-largest in world in terms of ship recycling by tonnage**.
- India's ranking in **World Bank's International Shipment Logistics Performance Index (LPI)** **improved** from 44 in 2018 to 22 in 2023.

9.1.2. SAGARMALA PROGRAMME

Why in the News?

Sagarmala Programme has achieved 118% growth in coastal shipping over the last decade, reducing logistics costs and emissions.

About Sagarmala Programme

- **Ministry:** Launched in 2015 by Ministry of Ports, Shipping, and Waterways (MoPSW).
- **Aim:** To accelerate economic development in the country by harnessing the potential of India's **11,098 km long coastline and 14,500 km of potentially navigable waterways**.
- **Funding Structure:** **Public-Private Partnership, Internal & Extra Budgetary Resources** by MoPSW, **Grant-in-Aid** for projects with **high social impact and Equity** through Special Purpose Vehicles (SPVs).
- **Sagarmala 2.0:** Launched in 2025 with Focus Areas including Shipbuilding, repair, breaking, and recycling and port modernization.

5 Components of SAGARMALA Programme



Port Modernization & New Port Development: Upgrade existing ports and build new Green-field ports.



Port Connectivity Enhancement: Strengthen road, rail, waterways, and pipeline links for smooth cargo flow.



Port-Linked Industrialization: Develop Coastal Economic Zones and industrial clusters near ports.



Coastal Community Development: Boost skills, jobs, tourism, fisheries, and local livelihoods.



Coastal Shipping & Inland Waterways Promotion: Promote cargo/passenger movement via coastal shipping and inland waterways.



- **Institutional Framework for Implementing Sagarmala Programme:**

- **Apex body:** National Sagarmala Apex Committee (NSAC) Chaired by Minister of Shipping for policy direction and oversight of the Programme.
- **Sagarmala Coordination and Steering Committee (SCSC):** Under chairmanship of Cabinet Secretary to provide coordination between ministries, state governments and agencies to implement the projects.
- **State Sagarmala Committee:** Chaired by Chief Minister / Minister in Charge of Ports for Coordinating and facilitating Sagarmala related projects and take up matters on priority as decided in NSAC.
- **State Maritime Boards/State Port Departments:** They shall service the State Sagarmala Committee and also be, inter alia, responsible for coordination and implementation.
- **Sagarmala Development Company Limited:** It is set up under Companies Act, 2013 to **assist the State level/zone level Special Purpose Vehicles.**
 - > It is now **renamed as Sagarmala Finance Corporation Limited (SMFCL)**, India's first Non-Banking Financial Company (NBFC) in the maritime sector.
 - ✓ It is a **Mini Ratna, Category-I, Central Public Sector Enterprise (under Ministry of Ports, Shipping and Waterways).**

9.1.3. INDIAN PORTS ACT, 2025

Why in the News?

The President of India has given her assent to the Indian Ports Act, 2025 which replaces the Indian Ports Act, 1908.

Indian Ports Act 2025

It seeks to **consolidate the law relating to ports, promote integrated port development**, facilitate ease of doing business and ensure optimum utilisation of India's coastline.

Key features of the Act

- **Statutory recognition to Maritime State Development Council (MSDC):** It is established by the Central Government to make recommendations on the legal framework, port sector growth, competition, efficiency, and port connectivity.
 - Union Minister of Ports, Shipping and Waterways shall be the *ex-officio* Chairman.
- **Statutory recognition to State Maritime Boards (SMB):** SMB administer non-major ports within their respective states.
- **Adjudicatory Mechanisms:** Each State Government must constitute a **Dispute Resolution Committee** to adjudicate disputes between ports (other than major ports)
 - **Civil courts are barred from having jurisdiction** over matters.
 - Appeals from the Committee's orders can be made to the **High Court** within sixty days.
- **Port Tariff and Charges:** For **major ports**, tariffs are fixed by the **Board of Major Port Authority or board of directors (if a company).**
 - For ports other than **major ports**, the respective **SMB or authorized concessionaires** fix the tariffs.

- **Environmental and Pollution Control:** Mandates compliance with **International Convention for the Prevention of Pollution from Ships (MARPOL) Convention** and **Ballast Water Management (BWM) Convention** adopted by International Maritime Organisation (IMO).
 - **MARPOL** is the main international convention covering **prevention of pollution of the marine environment by ships** from operational or accidental causes.
 - > **India is a signatory to this Convention.**
 - **BWM convention** is a treaty to help prevent the **spread of potentially harmful aquatic organisms** and pathogens **in ships' ballast water.**
 - > India is not a party to the Convention
 - **Exclusions:** Act does not apply to specified ports, navigable rivers, aircrafts exclusively servicing military, non-commercial government, Indian Navy, Coast Guard, foreign vessels of war etc.

9.1.4. MODERNIZATION OF SHIPPING SECTOR

Why in the News?

Recently, the President has assented to other four key bills to **modernize shipping sector and boost Blue Economy.**

More on the News

- These Acts include Bills of Lading Act 2025, the Carriage of Goods by Sea Act 2025, the Coastal Shipping Act 2025, the Merchant Shipping Act 2025.

How these Acts modernize the shipping Sector and boost the Blue Economy?

- **Merchant Shipping Act, 2025**
 - **Mandatory Registration for all Vessels:** Regardless of type of **propulsion or weight.**
 - > Introduces **temporary registration** of vessels **for recycling.**
 - **Expands Definition of Vessels:** To include types like **mobile offshore drilling units, submersibles, and non-displacement crafts.**
 - **Ownership Criteria:** Relaxed to include vessels **partly owned** by Indian Citizens, company/body established as per Indian laws, registered cooperative societies, Overseas Citizens of India (OCIs), etc.
- **The Carriage of Goods by Sea Act, 2025**
 - **Follows international convention:** E.g. replaces the 1925 Indian Carriage of Goods by Sea Act with a **modern liability regime aligned to Hague-Visby Rules 1924.**
 - > The **Hague-Visby Rules** are an **international convention** that set out **carrier liability for loss, damage, or delay of goods** in sea transport to ensure **fair risk-sharing** between ship-owners and cargo owners.
 - It establishes the **responsibilities, liabilities, rights, and immunities** in case of goods carried from a port.
 - It **empowers the Central Government** to specify procedural rules for bills of lading.
- **The Coastal Shipping Act, 2025**
 - It aims to consolidate and amend the law relating to regulation of **coastal shipping, promote coastal trade and encourage domestic participation.**
 - > Under the act, “**coastal waters**” mean any part of the territorial waters of India, along with any part of the adjoining maritime zones of India within the meaning of territorial waters, continental shelf, exclusive economic zone, and other maritime zones act, 1976, for undertaking coasting trade.
- **Bills of Lading Act, 2025**
 - It will replace the **Indian Bills of Lading Act, 1856** and aims to update and simplify the legal framework for shipping documents.
 - **A bill of lading refers to a document issued by a freight carrier to a shipper.**
 - > It contains details including the type, quantity, condition, and destination of goods being carried.

Related News: Infrastructure Status to Large Ships

Large ships are now included in 'Transport and Logistics' category of the Infrastructure **Harmonized Master List (HML) of Infrastructure Sector**, aimed to strengthen domestic shipbuilding and maritime industry.

- **A large ship** is defined as Commercial Vessel:
 - Having a gross tonnage (GT) of 10,000 or more, under the Indian ownership and flag; or
 - Having a GT of 1,500 or more which are **built in India** and are under Indian ownership and flag.

9.1.5. VIZHINJAM INTERNATIONAL SEAPORT

Why in the News?

Recently, Prime Minister of India inaugurated the Vizhinjam International Transhipment Deepwater Multipurpose Seaport in Kerala.

About Vizhinjam International Seaport

- It is India's **First Deep-Water Container Transshipment Port**. This ambitious project is taken up by **Government of Kerala**.
- **Developmental model:** The port is being currently developed in **landlord model** with a **Public Private Partnership (PPP)**.
- **Key advantages of Vizhinjam Port**
 - **Strategic Location:** Located just **10 nautical miles** from the busy international shipping route connecting Europe, Persian Gulf and Far East.
 - **Naturally Advantaged:** Vizhinjam can leverage **its natural depth** to host even ultra-large next-gen container ships requiring **20m+ drafts**.

9.2. ROADWAYS

9.2.1. NATIONAL ROAD SAFETY BOARD

Why in the News?

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

More on the News

- Section 215B of the Motor Vehicles (Amendment) Act, 2019, provides for the **constitution of the National Road Safety Board**.
- **Notification for the constitution** of the National Road Safety Board was issued by the **Ministry of Road Transport & Highways (MORTH) in 2021**.

About National Road Safety Board (NRSB)

- **Composition:** A Chairman and not less than three, but not exceeding seven Members, to be appointed by the Central Government.
 - **Head Office:** Shall be in the National Capital Region and the Board may establish offices at other places in India.
 - **Functions of NRB:** The Board shall be responsible for **promoting road safety, innovation and adoption of new technology and for regulating traffic and motor vehicles**.

Initiatives taken for Road safety

Global

- **Global Plan for the Decade of Action for Road Safety 2021–2030**
 - **Developed by:** WHO and UN Regional Commissions to guide global road safety.

- **Objective:** A target of a **50% reduction in road deaths and injuries by 2030.**
- **Brasilia Declaration on Road Safety:** Signed by India in 2015, where countries aimed to achieve Sustainable Development Goal (SDG) 3.6.
- **SDG 3.6:** By 2030, halve the number of global deaths and injuries from road traffic accidents.

In India

- **'National Road Safety Policy' 2010:** Focus on awareness about road safety, setting up a road safety database, ensuring safe road infrastructure, etc.
- **The Motor Vehicles Act of 1988 (MVA 1988), as modified by the Motor Vehicles (Amendment) Act 2019 (MVA 2019) includes:**
 - **Good Samaritan:** Inserted a new **section 134A**, named "Protection of good Samaritans" which provides that a Good Samaritan shall not be liable for any civil or criminal action for any injury to or death of the victim of an accident.
- **Cashless Treatment of Road Accident Victims Scheme, 2025**
 - The scheme was launched by the **Ministry of Road Transport and Highways (MoRTH)** based on the powers given by the Motor Vehicles Act, 1988.
 - **Key Provisions of the Scheme**
 - > **Eligibility:** Any person being a victim of road accident arising out of use of motor vehicle.
 - > **Coverage:** Victims are eligible for cashless treatment up to Rs 1.5 Lakhs at designated hospitals for a maximum period of 7 days from the date of the accident.
 - > **Nodal Agency:** The State Road Safety Council.
 - > **Designated hospitals:** States must onboard all capable hospitals, (including those empanelled under the Ayushman Bharat Pradhan Mantri Jan Arogya Yojana), for trauma and poly-trauma care.
 - > **Payments to Hospitals:** Hospitals can raise claims which are verified by the State Health Agency with payment made from Motor Vehicle Accident Fund within 10 days.
- **Bharat NCAP:** The Ministry of Road Transport and Highways (MoRTH) has released a revised draft of Bharat NCAP 2.0
 - Under revised framework, a vehicle's rating will be based on five assessment areas — Crash Protection, Vulnerable Road User Protection, Safe Driving, Accident Avoidance and Post-Crash Safety.
 - The programme is voluntary in nature.
 - **Designated Agency for Issuing Rating:** Central Institute of Road Transport (CIRT) in Pune

9.3. AVIATION SECTOR

9.3.1. AVIATION SAFETY

Why in the News?

Recently, **the Aircraft Accident Investigation Bureau (AAIB)** released a preliminary report of the investigation into the fatal plane crash in Ahmedabad.

More on News

- It provided details on the timing of the **MAYDAY call made by the pilot.**
 - Mayday call signals a life-threatening emergency requiring immediate assistance.
 - **The frequencies 121.5 MHz and 243 MHz** are designated as emergency frequencies in aviation.
- Also, **Black Boxes** were retrieved and their data downloaded from **the Aircraft Accident Investigation Bureau (AAIB) Lab.**
 - A Black Box comprises of two critical flight recording devices: Flight data recorder (parameters like speed, altitude, engine performance, etc.) and Cockpit Voice recorder.
 - **It is bright orange in colour** to ensure high visibility and made up of strong substances (**steel or titanium**).

Institutional Frameworks for Aviation Security in India

- **Directorate General of Civil Aviation (DGCA)**

- **Regulatory body in the field of Civil Aviation**, primarily dealing with safety issues.
- **Responsibility**: Regulation of air transport services to/from/within India and for the enforcement of civil air regulations, air safety, and airworthiness standards.
 - > Also coordinates all regulatory functions with the **International Civil Aviation Organisation (ICAO)**.
- **Airports Economic Regulatory Authority of India (AERA)**
 - **Established** in 2009 under the **Airports Economic Regulatory Authority of India Act, 2008**.
 - **Objective**: To regulate tariffs for aeronautical services, determine other airport charges for services rendered at major airports and monitor the performance standards of such airports.
- **Bureau of Civil Aviation Security (BCAS)**
 - Initially set up as a cell in the **DGCA in 1978** and later reorganised into an independent department under the Ministry of Civil Aviation in 1987.
 - **Major Responsibility**: It lays down **Aviation Security Standards** per **Annexe 17 to the Chicago Convention** of ICAO.
 - > **Annexe 17 is for** Safeguarding International Civil Aviation Against Acts of Unlawful Interference.
- **Aircraft Accident Investigation Bureau**
 - It was established in 2012 as an attached office under the Union Ministry of Civil Aviation.
 - It facilitates investigation and administrative work of the Court or Assessors appointed by the Central Government under the **Aircraft (Investigation of Accidents and Incidents) Rules, 2017**.
 - **Authority**: Mandated for **immediate and unrestricted access to all relevant evidence from any agency/organisation without seeking prior consent from judicial bodies** or other Government authorities.
 - All Accidents and Serious Incidents involving aircraft with an **All-up Weight (AUW) of more than 2250 kg or Turbojet aircraft are investigated by AAIB**.
 - > Investigations into occurrences involving an aircraft of **maximum mass of 2250 Kg or less**, which are classified as **Serious Incidents**, are carried out by DGCA.

About International Civil Aviation Organization (ICAO)

- **Genesis**: In **1944** by **Convention on International Civil Aviation (Chicago Convention)**.
- **About**: **United Nations agency** which helps countries to cooperate together and share their skies to their mutual benefit.
- **Members**: 193 (India is a member).
- **Mandate**: Assist governments with the development of mutually recognized technical standards and global plans.

9.3.2. CAPE TOWN CONVENTION AND PROTOCOL

Why in the News?

Parliament passed '**The Protection of Interests in Aircraft Objects ACT, 2025**' aiming to align it as per **Cape Town Convention** (Convention on International Interests in Mobile Equipment) and **Protocol on Matters Specific to Aircraft Equipment**.

About Cape Town Convention and Protocol

- **Aim**: Standardize transactions involving **movable property**, particularly **high-value assets** like aircraft, engines, and helicopters, to ensure **creditors** can enforce their rights in case of default.
- **Adoption**: Jointly by **International Civil Aviation Organisation (ICAO)** and **UNIDROIT (International Institute for the Unification of Private Law)** in **2001**.
- **Parties**: 65 Parties (2016) [India signed in 2008].

9.3.3. ACCIDENT-RELATED GOVERNANCE

Feature	Roadways	Railways	Airways
Primary Act	Motor Vehicles Act, 1988 (Amended 2019)	The Railways Act, 1989	Carriage by Air Act, 1972 (giving effect to Montreal Convention, 1999)
Investigation Agency	Local Police (Files FIR)	Commission of Railway Safety (CRS)	Aircraft Accident Investigation Bureau (AAIB)
Compensation Agency	Motor Accident Claims Tribunal (MACT)	Railway Claims Tribunal (RCT)	Airline Operator (Adjudicated by Courts if disputed)
Ministry	Ministry of Road Transport & Highways (MoRTH)	Ministry of Railways (Ops) / Civil Aviation (Safety)	Ministry of Civil Aviation (MoCA)

9.4. LOGISTICS SECTOR

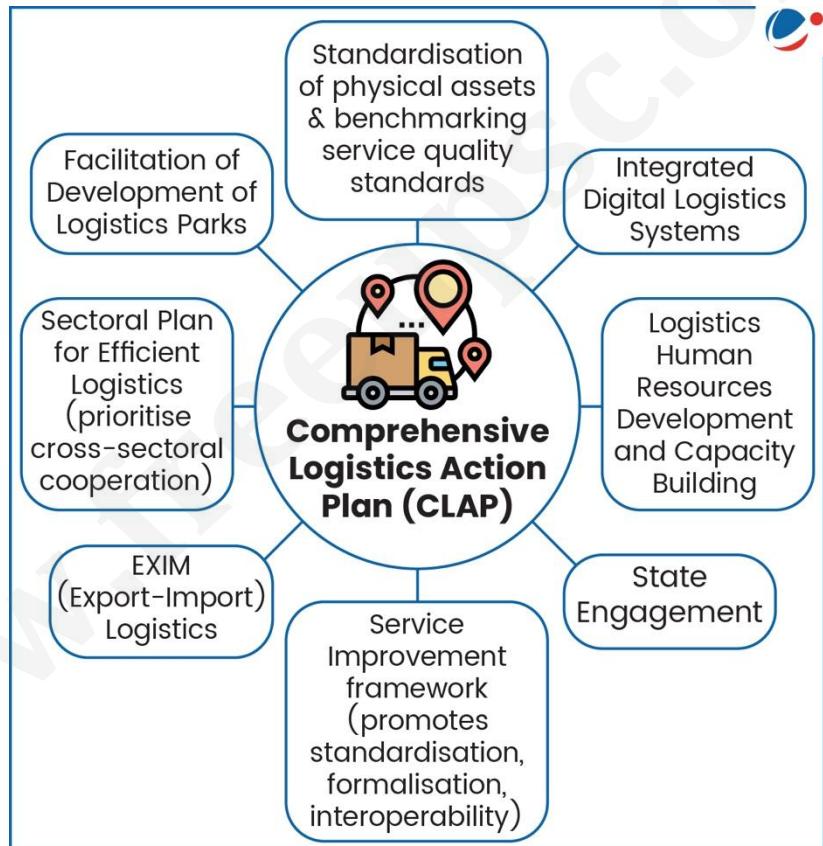
9.4.1. NATIONAL LOGISTICS POLICY, 2022

Why in the News?

Union Ministry of Commerce and Industry commemorated third anniversary of the National Logistics Policy (NLP), 2022.

About National Logistics Policy (NLP), 2022

- **Genesis:** It was launched to complement the PM Gati Shakti National Master Plan (PMGS-NMP).
 - **About PM GatiShakti NMP, 2021**
 - > It has revolutionized infrastructure planning and implementation in India by **integrating geospatial data** from more than 57 Central Ministries, Departments, and States/UTs.
 - > **Seven Engines of NMP:** Railways, Roads, Ports, Waterways, Airports, Mass Transport and Logistics Infrastructure.
- **Targets:**
 - **Reduce cost of logistics in India** to be comparable to global benchmarks by 2030.
 - **Improve the Logistics Performance Index (LPI) ranking:** Endeavour is to be among top 25 countries by 2030.
 - > India ranked 38th in World Bank's LPI 2023 (improving from 44th in 2018).
 - **Create data driven decision support mechanism** for an efficient logistics ecosystem.
- **Implementation through Comprehensive Logistics Action Plan (CLAP):** It divided into 8 key action areas (See Infographic).



Key achievements under the National Logistics Policy (2022–2025)

- **Logistics Ease Across Different States (LEADS) Index:** To promote competitive federalism among states and supporting India's rise in the World Bank's **Logistics Performance Index 2023**.
 - LEADS Index assesses logistics performance across States and UTs.
 - > **LEADS 2025** introduces performance assessment of **5–7 key corridors** (journey time, truck speed, waiting periods) and **API-based evaluation of section-wise speeds** on major road corridors.
- **Unified Logistics Interface Platform (ULIP):** It has facilitated secure API integration across more than 30 digital systems, enabling over **160 crore digital transactions** as of August 2025.
 - **ULIP** is a digital platform that brings together data from various logistics-related ministries and departments on a single interface.
- **Logistics at regional level:** 27 States and Union Territories have **formulated State Logistics Policies**, 19 States have granted industry status to logistics, enabling **tax benefits and incentives**.

Other initiatives to improve the logistics sector in India

- **Grant of Infrastructure status to logistic sector**
- **Integrated State and City Logistics Plans:** Under the **SMILE programme** in collaboration with the Asian Development Bank (ADB).
 - **Strengthening Multimodal and Integrated Logistics Ecosystem (SMILE) Program** aims to improve India's logistics infrastructure, reducing logistics costs, and increasing efficiency.
- **Logistics Data Bank (LDB) 2.0:** It enables enhanced **real-time tracking** of container movements, introducing export container tracking on high seas along with multi-modal shipment visibility.

9.5. ASSET MONETIZATION

Why in the News?

National Highway Authority of India has outlined its **strategy to monetize assets** to unlock value and increase public-private participation for developing road infrastructure in India.

What is meant by Asset Monetization?

- It is the process of **creating new/alternative sources of revenue** by unlocking the economic value of underutilised public assets. It is also known as asset or capital recycling. **It does not necessarily mean disinvestment of the asset.**

Models of Asset Monetization in India

- **Toll, Operate & Transfer (TOT):** It aims to attract private capital for management of completed assets in exchange for toll collection rights. The concessionaire pays a lump sum amount in the beginning and undertakes Operations and Maintenance obligations.
- **Design-Build-Finance-Operate-Transfer (DBFOT):** Concessionaire has responsibility of designing, building, financing and operating the facility before transferring the project to government after expiry of specified period.
- **Infrastructure Investment Trusts (InvITs):** It is a pooled investment vehicle that raises funds from investors by issuing units. It offers stable and predictable cash flows, and diversification and tax benefits. It is regulated by SEBI.
- **Real Estate Investment Trusts (REITs):** They are pooled investment vehicles like mutual funds. However, they invest in real estate.

- **Project-based Financing:** It allows sectors to raise long-term finance from banks by securitizing user fee receipts. E.g. Toll Plazas
- **Long Term Lease:** Lessor confers to the lessee the right to use an asset for an agreed period in return for a payment or series of payments.
- **Asset Concession:** It consists of mining assets, real estate transactions and other monetisation projects such as station redevelopment and airport concessions.

Initiatives for Asset Monetization in India

- **National Monetization Pipeline:** It aims to generate (~Rs. 6 lakh crore) by leasing out public infrastructure assets over the course of four years, from 2022 to 2025.
- **National Land Monetization Corporation (NLMC):** It is a 100% government owned company under administrative control of the Department of Public Enterprises to carry out monetization of non-core assets of CPSEs.

9.6. DIGITALIZATION

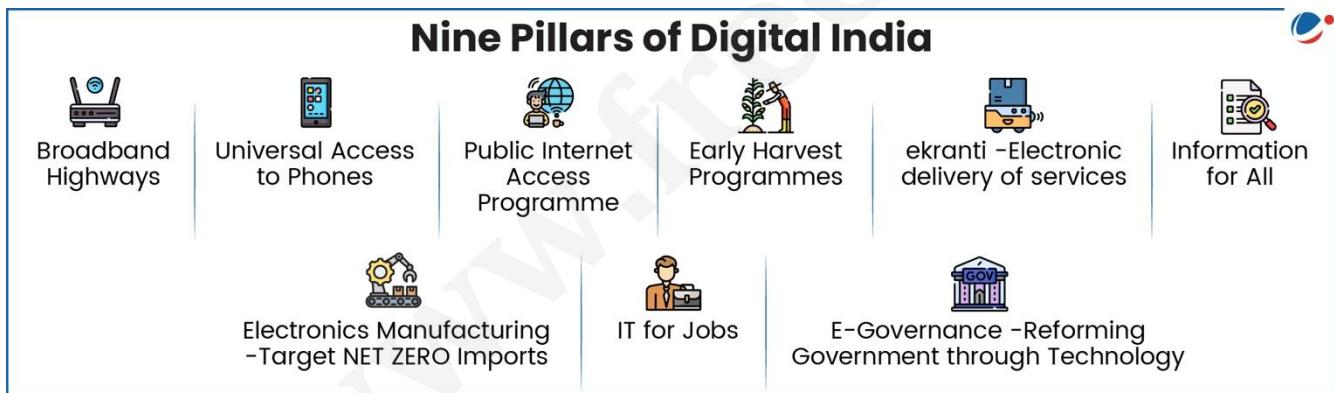
9.6.1. DIGITAL INDIA MISSION

Why in the News?

India celebrated **10th years of the Digital India Mission**, which was launched in 2015.

About Digital India Mission

- **Nodal Implementing Ministry:** Ministry of Electronics and Information Technology (MeITY).
- **Purpose:** To transform India into a **digitally empowered society and knowledge economy**.
- **Nature:** Umbrella programme that **clubs together various e-governance initiatives** across **Ministries and Departments**.
- **Leveraging private sector:** **Public Private Partnerships (PPP)** are preferred wherever feasible to implement e-Governance projects.



Key Achievements of Digital India Mission

- **Digital Economy:** India now ranks **third globally** in terms of digital economy size.
- **Financial Inclusion:** India leads globally in real-time payments (49% of global transactions in 2023).
- **Inclusivity & Language Access:** Initiatives like **BHASHINI** are breaking language barriers by supporting over 30 Indian languages with different AI models.
 - It is integrated into platforms like IRCTC ticketing, NPCI payment systems, and police documentation.

9.7. INFRASTRUCTURE PROJECTS

Project Name	Strategic Significance & Key Features
Udhampur-Srinagar-Baramulla Rail Link (USBRL) (Kashmir Link)	<ul style="list-style-type: none">Integration: Definitive rail link for Kashmir Valley to rest of India.Engineering: Features World's highest rail bridge (Chenab).
Chenab Bridge	<ul style="list-style-type: none">Engineering Marvel: World's highest railway arch bridge (359m above river bed, 35m higher than Eiffel Tower).Strategic Link: Critical component of the USBRL, enabling all-weather troop and logistics mobility to the Kashmir Valley.
Bairabi-Sairang Rail Link	<ul style="list-style-type: none">Capital Connectivity: Connects Aizawl (Mizoram) to the national railway grid.Act East Policy: Facilitates trade with Southeast Asia via the upcoming Kaladan Multi-Modal Transit Transport Project.
Sonamargh (Z-Morh) Tunnel	<ul style="list-style-type: none">Strategic: All-weather access to Sonamarg.Defense: Crucial for troop mobility to Ladakh region.

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10. SERVICES

10.1. INDIA'S SERVICES SECTOR

India's Services Sector



NITI Aayog released two reports titled as **Insights from GVA trends and State-level dynamics** and **Insights from Employment trends and State-level dynamics**.

Key Highlights of the Reports



» Services at the Core of India's Employment Transition

- It employed **188 million workers** in 2023–24, and is the second-largest employer.
- In 2024–25, the services sector contributed nearly **55% of Gross Value Added (GVA)**, while the primary and secondary sectors accounted for 16% and 29%, respectively.
- Despite a high **contribution to GVA**, it provided less than one-third of total jobs (mostly informal and low-paying).



» Employment Landscape

- Added ~**40 million jobs** in six years, second only to construction.
- Acts as a **labour shock absorber**, but is divided between:
 - **High-value services** (IT, finance, healthcare, professional services), productive but limited employment.
 - **Traditional services** (trade, transport), major employers, yet highly informal.



» Employment Profile

- **Spatial:** **60% of urban workers**, as compared to less than **20% of rural workers** in services.
- **Gender:** Only **10.5% of rural women** are in services as compared to **60% of urban women**.
- **Informality:** 87% lack social security; rural women earn less than 50% of men's wages.



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11. MINING, ENERGY & INDUSTRY

11.1. SURVEY AND INDICES

11.1.1. ANNUAL SURVEY OF INDUSTRIES (ASI) RESULTS FOR 2023-24 RELEASED

Why in the News?

It is released by the **Ministry of Statistics and Programme Implementation (MoSPI)**.

More about the news

- It aims to provide meaningful insights into changes in the **composition, growth, and structure of manufacturing industries**, including **output, value added, employment, and capital formation**.
- The ASI is conducted annually by the National Statistical Office (NSO), under the **Collection of Statistics (Amendment) Act, 2017**.
- **Industries Covered:** ASI covers factories registered under the **Factories Act, 1948**, Bidi and cigar units under the **Bidi and Cigar Workers (Conditions of Employment) Act, 1966**, and electricity undertakings not registered with the Central Electricity Authority (CEA).
- **Industries Excluded:** Defence establishments, oil storage and distribution depots, departmental units such as railway workshops, gas storage, etc., are **not covered** under ASI.
- The results are prepared at the **state and major industry level**.

Key Highlights of the Survey

- **Gross Value Added (GVA):** Increased by 11.89% at current prices from the previous year.
 - **Top 5 Industries:** Basic metal, motor vehicles, chemical and chemical products, food products, and pharmaceutical products were the largest contributors.
 - **Top States:** Maharashtra (16%), Gujarat, Tamil Nadu, Karnataka, and Uttar Pradesh were the top five states by GVA.
- **Industrial Output:** Grew by 5.80% over the previous year.
- **Employment Growth:** The industrial sector added over 5.7 million jobs during the last decade.
 - **Top 5 States:** Tamil Nadu, Gujarat, Maharashtra, Uttar Pradesh, and Karnataka had the highest employment share.

Concepts and Definitions in Survey



Gross Value Added (GVA):

Additional Value created in production = total output - total input.



Net Value Added (NVA):

total output - total input - depreciation.



Fixed Capital:

Depreciated value of long-term assets (buildings, machines, land) used in production.

11.1.2. INDEX OF INDUSTRIAL PRODUCTION

Why in the news?

From April 2025 onwards, the All India Index of Industrial Production (IIP) is released on 28th of every month, within 28 days (from the previous 42 days) from the reference month.

About the IIP

- **About:** Composite indicator measuring the **short-term changes** in the volume of **production of a basket of industrial products** during a given period with respect to a **chosen base period**.
- **Compiled by:** Central Statistical Organisation (CSO) **to measure real industrial growth.**
- **Frequency:** Monthly.
- **Base year:** 2011-12.
- **Scope:** Confined to **mining, manufacturing (highest weight), and electricity (lowest weight) sectors.**
 - It **excludes construction, gas, and water supply** due to data constraints.

11.2. NATIONAL INDUSTRIAL CLASSIFICATION (NIC)

Why in the news?

Released by MoSPI, the NIC is a fundamental tool for statistical surveys, censuses, economic research, and policy formulation.

National Industrial Classification (NIC) – 2025

- NIC 2025 updates the previous NIC 2008. (It was first introduced in 1962).
- It was prepared by MoSPI in alignment with the **International Standard Industrial Classification of All Economic Activities (ISIC) Revision 5** developed by the **United Nations Statistics Division (UNSD)**.

Major Changes

- **Structural Change:** It moves from the **5-digit coding structure of NIC 2008 to a new 6-digit coding structure.**
- **Recognition of indigenous sectors** such as **Ayush-based healthcare** and the **handloom industry**.
- It also includes sectors like **renewable energy, fintech, e-commerce, and digital intermediation**.

Salient Features of NIC 2025

- **Enhanced Classification of Intermediation Services:** New classes have been created to reflect the growing role of intermediaries in sectors such as power, retail, logistics, healthcare, and education.
- **Representation of Digital Economy:** Cloud infrastructure, blockchain, platform-based services, and web search portals are distinctly classified.
- **Integration of Environmental and Green Economy:** Expanded coverage includes activities related to carbon capture, waste management, and environmental remediation, better aligning with SDGs.
- **Classification is technology agnostic:** It means distinctions of activities are not made based on whether an activity is carried out by means of traditional or modern production techniques.

About NIC

- NIC code is a numerical classification scheme used to **categorize economic activities into different sectors**.
- It **utilized across multiple domains**, including statistical surveys, censuses, economic research, registration processes, and for policy formulation by central and state government agencies.
- India brought out its **first Standard Industrial Classification in 1962**.
 - It was revised multiple times thereafter in consonance with the revisions in the International Standard Industrial Classification (ISIC).

11.3. MANUFACTURING IN INDIA

Why in the news?

- Recently, **NITI Aayog's Frontier Technology Hub**, in collaboration with the Confederation of Indian Industry (CII) and Deloitte, unveiled a 10-year roadmap titled "**Reimagining Manufacturing: India's Roadmap to Global Leadership in Advanced Manufacturing**".

Status of manufacturing in India



Contribution to GDP: 17% to India's GDP.



Global Standing: India's share in global manufacturing is around 3%.



Employment: 11.4% of the workforce in 2023–24 (Niti Aayog).



Foreign Direct Investment (FDI): Out of the total FDI (USD 81.04 billion), manufacturing accounted for 23.5% (19.04 billion) in 2024–25.



Sectoral performance



Electronics: India is now the **world's second-largest mobile manufacturer** with dependence on imports for mobile phones reduced to 0.02% in 2024–25



Pharma: India is 3rd in the world by volume and 14th in terms of value.



Automobiles: India is the 4th largest automobile producer.

11.4. INDIA'S SEMICONDUCTOR ECOSYSTEM

Why in the News?

A 2 nm chip is being designed in India for the first time after inauguration of ARM's new semiconductor design office in Bengaluru.

Semiconductor Chips

- The semiconductor materials are used to **create microchips** that store, process, and transfer information and thus are fundamental components of modern electronics devices.
- Each chip contains millions of micro-scale switches called **transistors**, which control electrical signals much like brain cells pass messages.
- The global semiconductor industry is projected to reach USD 1 trillion by 2030 and is dominated by Taiwan, South Korea, Japan, China and the United States.
 - Taiwan produces over 60 per cent of the world's semiconductors and nearly 90% of the most advanced chips.

Major ongoing Initiatives for Semiconductor Industry in India

- India Semiconductor Mission (ISM):** Launched in 2021 with following schemes-
 - Semiconductor Fabs Scheme:** Targets advanced nodes such as 28nm or below, as well as mature technologies and provides up to **50% fiscal support** for setting up semiconductor wafer fabrication (fab) units in India.
 - Display Fabs Scheme:** Offers financial assistance of up to **50% of project cost** to set up display fabrication units in India and covers technologies such as AMOLED and LCD displays.
 - Compound Semiconductors & ATMP/OSAT Scheme:** Supports compound **semiconductors, silicon photonics, MEMS/sensors, discrete semiconductors**.
 - Design Linked Incentive (DLI) Scheme:** Promotes design startups & MSMEs through incentives up to ₹15 crore per company.
- Semicon India:** It is one of eight annual **SEMICON expositions worldwide** that bring together **executives and leading experts** in the global semiconductor **design and manufacturing ecosystem**.

- **Semicon India, 2025** (4th edition) was co-hosted by India Semiconductor Mission (ISM) in partnership with SEMI (Semiconductor Equipment and Materials International), with the **theme** ‘Building the Next Semiconductor Powerhouse’.
- **Skilling & Talent Development Programs:**
 - **AICTE VLSI curriculum:** Courses updated to match industry requirements.
 - **Skilled Manpower Advanced Research and Training (SMART) Lab (NIELIT Calicut):** To train 1 lakh engineers.
 - **Chips to Startup(C2S) program:** For developing Specialized Manpower in Very Large-Scale Integration (VLSI)/Embedded System Design domain
- **Promotion of Design & R&D:**
 - **Vikram 32-bit processor,** India's first fully indigenous 32-bit microprocessor, **qualified for use in harsh launch vehicle conditions.**

11.5. ELECTRONICS COMPONENT MANUFACTURING SCHEME

Why in the News?

Ministry of Electronics and Information Technology notified the Electronics component manufacturing scheme.

About Electronics Component Manufacturing Scheme (ECMS)

- **Ministry:** Ministry of Electronics and Information Technology (MeITY).
- **Objective:** To develop **robust component manufacturing ecosystem** by **attracting investments** (global/domestic) across the value chain by integrating its domestic electronic industry with the **Global Value Chains (GVCs)**.
- **Targeted Segments:**
 - **Subassemblies** (e.g. for display module and camera module)
 - **Bare Components** (e.g. Multi-layer Printed Circuit Board, etc.)
 - **Selected bare components** (e.g. Flexible printed circuit board, etc.),
 - **Supply chain ecosystem and capital equipment** (e.g. Capital goods used in electronics manufacturing etc.)
- **Types of Fiscal incentives offered for different segments:**
 - **Turnover-linked** (on incremental turnover/sales) for Sub-assemblies and Bare components
 - **Capex-linked** (on eligible capital investment) for the supply chain ecosystem and capital equipment for electronics manufacturing
 - **Hybrid Incentive** of both, based on industry needs for Selected bare components.
- **Tenure:**
 - **Turnover Linked Incentive:** 6 years with one year of gestation period
 - **Capex Incentive:** 5 years
- **Eligibility:** **Greenfield** as well as **brownfield investment** for the target segment shall be eligible under the scheme.
- **Implementation agency:** MeITY through a **nodal agency**, which shall act as a **Project Management Agency (PMA)**.

11.6. MINERALS

11.6.1. MINES AND MINERALS (DEVELOPMENT AND REGULATION) AMENDMENT ACT, 2025

Why in the News?

Recently, the **Mines and Minerals (Development and Regulation) Amendment Act, 2025** was passed by Parliament.

More on the News

- The act amends **Mines and Minerals (Development and Regulation) Act, 1957**.
- The Act was last amended in 2023 with key provisions like-
 - Introduction of a new list of 24 critical and strategic minerals for increasing exploration and production.
 - Empowering central government to auction mineral concessions in respect of such minerals &
 - Introduction of exploration licence for critical and deep-seated minerals.
- The Act will enhance availability of critical and strategic minerals in India.

Key amendments

Amendment	Details
National Mineral Exploration and Development Trust (NMEDT)	<ul style="list-style-type: none">• Replaces earlier National Mineral Exploration Trust (NMET) with widened scope and territorial domain.• NMEDT can use funds accrued to it within India, including the offshore areas and outside India, for the purposes of exploration and development of mines and minerals.• Increased amount of payment to Trust by lessees (to 3% of royalty from 2%).
Inclusion of other minerals in a mining lease	<ul style="list-style-type: none">• Lease holders can apply to state government for adding other minerals to an existing lease.• No additional amount needs to be paid for inclusion of critical and strategic minerals, and other specified minerals.
Inclusion of contiguous area	<ul style="list-style-type: none">• Allows for one-time extension of area under a mining lease (up to 10%) or composite lease (up to 30%) for deep-seated minerals.
Establishment of Mineral Exchanges	<ul style="list-style-type: none">• Establishes authority to register and regulate mineral exchanges (a registered electronic trading platform or marketplace for trading minerals and metals).• Empowers Central government to frame rules regarding mineral exchanges on matters such as registration, levy of fees, prevention of insider trading etc.
Removal of limit on sale for captive mines	<ul style="list-style-type: none">• No limit on sale of minerals by captive mines.<ul style="list-style-type: none">○ Earlier captive mines were allowed to sell only up to 50% of minerals produced in a year, after meeting end-use requirements.• Captive mines allowed to sell dumps of stacked minerals which cannot be captively utilised to reduce environment hazards and increase safety in mine workings.

11.6.2. DISTRICT MINERAL FOUNDATION (DMF)

Why in the News?

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

About District Mineral Foundation (DMF)

- **Enactment:** Created in 2015, via an amendment to the Mines and Minerals (Development & Regulation) Act, 1957
- **Concept:** The DMF is a non-profit statutory 'Fund' for every Indian district affected by mining related operations. It is set up as a non-profit trust.
- **Objective:** To work for the interest and benefit of persons, and areas affected by mining related operations in such manner as may be prescribed by the State Government.
- **Structure of DMF: Two-tier administrative setup:-**
 - As per MMDR Act, 1957, the State Governments are empowered to make rules prescribing the composition and functions of the District Mineral Foundation.

- DMFs function through a 2-tier administrative set-up comprising of:
 - > **Governing Council (GC)** – Policy-making body.
 - > **Managing Committee (MC)** – Executes projects and schemes.
- **Funding of DMF**
 - **Funded by mining leaseholders** as a percentage of royalty as prescribed by the central government:
 - > **10% of royalty** for leases granted **on or after 2015**.
 - > **30% of royalty** for leases granted **before 2015**.
 - The contribution of mine lease holders to DMF differ **from mineral to mineral as it is charged as percentage of royalty and royalty** differ from mineral to mineral but not mine to mine.
 - **Utilization of Funds:** Funds must be spent at the district level under **the PMKKY guidelines**.

Mining Jurisdiction in India

Constitutional Framework and Regulatory Authority



 **Constitutional Framework**

Entry 54 of the Union List
Regulation of mines and mineral development as declared by Parliament by law in the public interest.

Entry 23 of the State List
Regulation of mines and mineral development subject to the provisions of the Union List.

 **Minor Mineral Authority**

<p>Central Government Has the authority to notify any mineral as "minor mineral" via official notification</p>	<p>State Government is empowered to make rules for grant of concessions related to minor minerals within their territories.</p>
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 **DMF Jurisdiction**

<p>Central Government The MMDR (Amendment) Act, 2021 empowers the Central Government to give directions regarding composition and utilisation of funds by DMFs</p>	<p>State Government Handles implementation and day-to-day management.</p>
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Pradhan Mantri Khanij Kshetra Kalyan Yojana (PMKKY)

- **Launch: 2015** by the Central Government under Section 20A of the MMDR Act, 1957.
- **Implementation Mechanism:** State Governments must integrate PMKKY into DMF rules.
- **Objective:**
 - Ensure **sustainable development** in mining-affected areas.
 - Fund **healthcare, education, infrastructure, water, livelihoods, etc.**
- **Key Revisions (2024 Guidelines)**
 - **Fund Allocation Priorities:**
 - > 70% of DMF funds must go to high-priority sectors (drinking water, healthcare, education, etc).
 - > 30% cap on other sectors (infrastructure, irrigation, energy, watershed development).
 - **Livelihood Focus:**
 - > Skill development expanded to "skill development & livelihood generation."
 - > Agriculture & animal husbandry added as high-priority sectors.
 - **Directly Affected Areas:** 70% of funds must be spent in directly mining-affected areas.
 - **Endowment Fund:** 10% of annual DMF receipts to be set aside for sustaining livelihoods in post-mining areas.
 - **Strengthened Planning:** 5-year perspective plans required, based on needs assessment.

11.6.3. OFFSHORE AREAS ATOMIC MINERALS OPERATING RIGHT RULES, 2025

Why in the News?

These rules are notified in accordance with the provision of the **Offshore Areas Mineral (Development and Regulation) Act, 2002**.

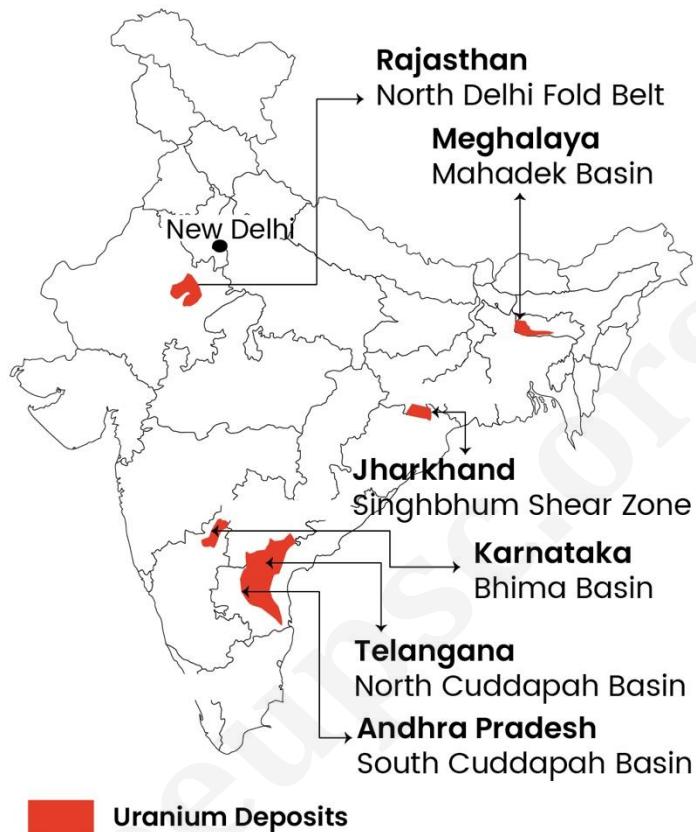
About the Rules

- **Objective** - To regulate the exploration and mining of atomic minerals like uranium and thorium in offshore areas
- Rules will only apply if concentration of atomic minerals above a **certain minimum level**.
- Under the rules **entities nominated** by Govt can be granted exploration licences or production leases.
 - In case of **foreign entities**, undertaking exploration operations, prior approval shall be obtained from the Government authorities.

Key Atomic Minerals in India

- **Uranium**
 - **Jaduguda (Jharkhand)** is the **first mine** in the country to produce uranium ore on a commercial scale.
 - **Other Important Mines:** Lambapur-Peddagattu (AP), Bagjata mine (**Jharkhand**), etc.
 - Most of uranium deposits in India small and of far lower grade compared to those in the leading uranium-producing countries in the world.
- **Thorium**
 - India has a limited resource of uranium but a large resource of thorium.
 - Monazite contains about **8 – 10% thorium**.
 - The beach sands of **Kerala** and **Orissa** have rich reserves of monazite.

Uranium Deposits in India



11.6.4. ALUMINIUM AND COPPER

Why in the News?

Central Government recently unveiled Aluminium and Copper Vision Documents.

Distribution of Copper and Aluminium

Aluminium/Bauxite

- Bauxite is the primary ore of **Aluminium**.
- Aluminium is the **most abundant metal in earth crust**, and is known for its low density, excellent electrical/thermal conductivity, and natural corrosion resistance due to a self-healing oxide layer.
- **India**
 - **Reserve:** Odisha (41%) followed by Chhattisgarh and Andhra Pradesh for bauxite.
 - > Odisha is leading producing State (73%).

- **World**
 - **China is the leading producer of aluminium (58%)** which is followed by Australia, Brazil and India.

Copper

- Copper is a soft, malleable, and ductile metal with very high thermal and electrical conductivity.
- **India:**
 - **Reserves:** Rajasthan (52.25%) followed by Madhya Pradesh and Jharkhand.
 - **Production:** Madhya Pradesh was the leading producer (57% of the production during 2022-23), followed by Rajasthan (43%).
 - **Major mines in India:** Singhbhum Copper Belt (Bihar), Khetri Copper Belt (Rajasthan), Balaghat District (MP), etc.
- **World:**
 - **Chile has the largest share (19% of world reserves)** followed by Peru and Australia (10%) while Chile is the largest producer followed by Democratic Republic of Congo, **Peru and China**.

11.6.5. POTASH & HALITE MINING BLOCKS

Why in the News?

India successfully auctioned **10 out of 15 critical mineral blocks** in its fifth tranche.

More about the news

- Auction achieved a historic first step by successfully auctioning **potash and halite blocks** aimed at **reducing fertilizer imports and boosting agriculture self-reliance**.
 - Mining will begin in **Rajasthan at Jhandawali-Satipura & Jorkian-Satipura- Khunja** Amalgamated Potash & Halite Blocks.
- Halite, commonly known as table salt or rock salt, is composed of sodium chloride (NaCl).

About Potash

- **Definition:** Potash is the general name given to various inorganic compounds that contain **potassium in a water-soluble form**.
 - It is an impure **combination of potassium carbonate & potassium (K) salts**.
- **Principal ore:** Sylvinite (A mixture of sylvite (KCl) and halite (NaCl)).
- **Occurrence:** Major part (91%) is located in Nagaur district of Rajasthan, followed by Panna district, Madhya Pradesh (5%) and in Sonbhadra & Chitrakoot districts, Uttar Pradesh (4%)
- **Import:** India meets 100% of its Potash requirement through imports (**Indian Mineral yearbook 2022**).
- **Usage**
 - **Agriculture:** Potash as fertilizer improves **crop yield, disease resistance, texture, color, nutrient value, and taste**.
 - **Purification of water:** Potash alum removes **hardness of water** & has anti-bacterial properties.
 - **Others:** Manufacturing of glass, ceramics, soap & detergent, dye, synthetic rubber and chemicals.
 - > **Potassium nitrate** is used in **explosive manufacture**.

11.7. OIL AND NATURAL GAS

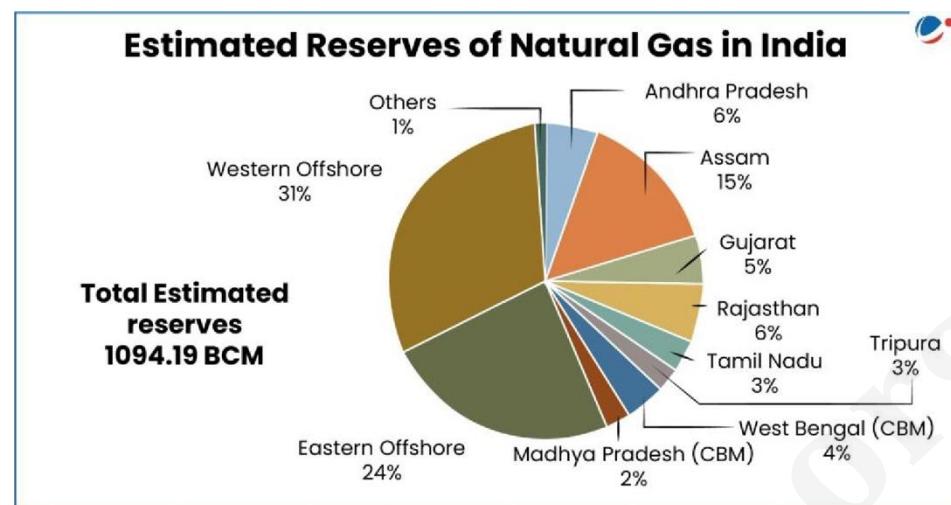
11.7.1. DISCOVERY OF NATURAL GAS IN ANDAMAN BASIN

Why in the News?

Ministry of Petroleum and Natural Gas informed about the occurrence of natural gas in the Sri Vijayapuram 2 well at 17 km from the shoreline on the east coast of the Andaman Islands.

More about the news

- India's Hydrocarbon Resource Assessment Study (HRAS) estimates hydrocarbon resources of 371 million Metric Tons of Oil Equivalent (MMTOE) in the **Andaman-Nicobar (AN) Basin**.
 - Geologically, the AN basin lies at the intersection of the Andaman and Nicobar Basins, part of the **Bengal-Arakan sedimentary system**.
 - Earlier, gas has been discovered in adjacent basins along North Sumatra (Indonesia) and Irrawaddy-Margui (Myanmar).
- The discovery aligns with India's vision of establishing a **Gas Based Economy by 2030** and increasing share of natural gas in its primary energy basket to 15 percent by 2030.
 - Currently, India's natural gas production meets only around 50% of its demand with rest demand being fulfilled through imports.
 - > **Qatar, US and UAE are major sources** of India's Liquified Natural Gas (LNG) imports.
- Russia holds the world's largest proven natural gas reserves, followed by Iran and Qatar.



11.7.2. NATURAL GAS PIPELINE TARIFF REGULATIONS, 2025

Why in the News?

Petroleum and Natural Gas Regulatory Board (PNGRB) approves second amendment to Natural Gas Pipeline Tariff Regulations, 2025.

Key Reforms

- Streamlined Tariff Zones:** It reduces the number of **Unified Tariff Zones from three to two**, simplifying the transportation system.
- Pipeline Development Reserve – A Sustainable Infra Model:** It creates a **Pipeline Development Reserve**, using earnings from pipeline entities that exceed 75% utilization benchmark.

Role of PNGRB (Petroleum and Natural Gas Regulatory Board)

- Genesis:** It is a **statutory body** formed under **Petroleum and Natural Gas Regulatory Board Act, of 2006**.
- Functions:**
 - Regulation of refining, transportation, distribution, storage, marketing, supply and sale of petroleum products and natural gas **excluding production of crude oil and natural gas**.
 - It registers entities to market notified petroleum and petroleum products
 - Protect the interest of consumers** by fostering fair trade and competition and ensure competitive market for gas
 - Maintain a data bank of information** on activities relating to petroleum, petroleum products and natural gas.
- Appeals** against the decisions of PNGRB go before the **Appellate Tribunals for Electricity established under Electricity Act, 2003**.

11.8. COAL SECTOR

Why in the News?

Government outlined key strategies to ensure sustainability, competitiveness of coal sector.

About Coal

- India has the **world's 5th largest coal reserves**, and coal accounts for **55% of the country's energy needs**.
- The highest coal reserves are in **Jharkhand (Measured)**.
- India lacks sufficient coal reserves of **high quality, low ash and low-sulfur coal**.

Sustainability Initiatives in the Coal Sector

- **Greening and Bio-Reclamation:** Afforestation of mined-out areas.
 - Coal and Lignite PSU's participation in MoEF&CC's **Green Credit Programme**.
- **Treated Mine Water Utilization:** For **community supply** like irrigation, **industrial uses** (dust suppression, firefighting) and **environmental services** (recharge, fish farming).
- **Blast-Free Mining Technology:** Use of **Surface Miners, Continuous Miners, Rippers** to avoid drilling/blasting.

Other Key Reforms in the Coal Sector

- Revised SHAKTI Policy: The Cabinet Committee on Economic Affairs approved Revised **SHAKTI (Scheme for Harnessing and Allocating Koyala Transparently in India) Policy** for Coal Allocation to Power Sector.
 - Introduced in **2017** by Ministry of Coal, SHAKTI Policy is a **transparent way of allocating coal to Power Sector**.
- **Coal Mines (Special Provisions) Act, 2015:** Introduced a **transparent auction process**, enabling **private sector participation**, enhancing **government revenue** etc.
- **Mines and Minerals (Development and Regulation) Amendment Act, 2021:** Introduced **composite Prospecting Licence-cum-Mining Lease (PL-cum-ML)**.
- **Commercial Coal Mining (2020):** Allowed private players to mine coal for commercial use without end-use restrictions.
- **Coal Mines Surveillance and Management System & Khanan Prahari App:** To Strengthen monitoring of **illegal mining**.
- **Reclaim Framework:** Coal Ministry has launched the RECLAIM **framework** - A Community Engagement and Development Framework for Mine Closure and Repurposing.

11.9. NEW STEEL POLICY

Why in the news?

The Ministry of Steel has notified the revised **DMI&SP Policy 2025** (Domestically Manufactured Iron & Steel Products).

About Steel

- India is the **world's second-largest producer of crude steel (China is the largest)**.
 - India is the **largest producer of sponge iron or Direct reduced iron**.
- India has **low-grade coal and iron ore**, whose usage increases overall energy consumption and emissions.
- Odisha is the **largest producer of steel** in India.

Key Highlights of the Revised Policy

- **Nodal Ministry:** The Ministry of Steel.
- **Applicability:** All government ministries, departments, and affiliated agencies—including public sector undertakings (PSUs), societies, trusts, and statutory bodies.

- Covers all **procurement above ₹5 lakh**.
- **Materials covered:** Steel in the “**Melt & Pour**” condition. E.g. flat-rolled steel, bars, etc.
- **Melt & Pour** refers to the steel that has been **produced in a steel-making furnace** and **poured** into its first solid shape.
- **Restrictions on Global Tenders:** No Global Tender Enquiries (GTE) for most iron and steel products **barring some exception**.
- **Emphasis on Domestic value addition (DVA):** **Capital goods** used in production of the alloy, such as furnaces and rolling mills, must achieve **at least 50% DVA**.
- **Reciprocal clause:** Bans suppliers from countries that bar Indian firms in their government steel procurement **unless the Ministry allows it**.

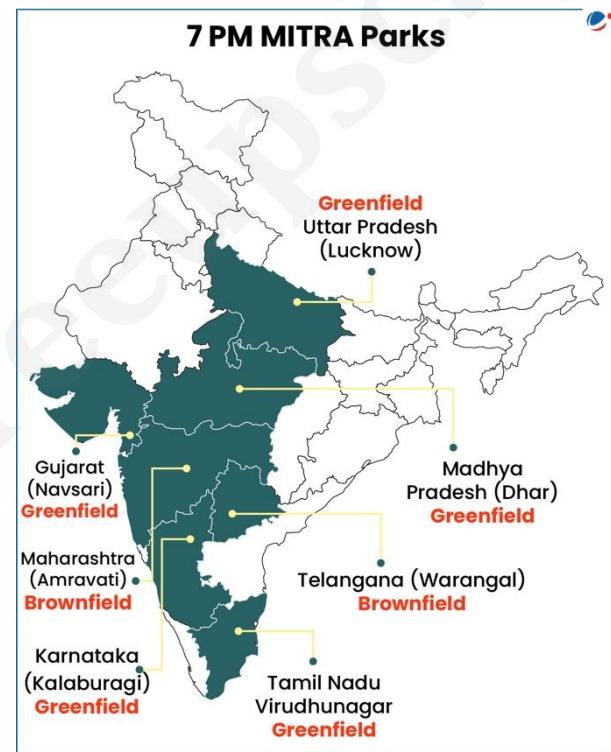
11.10. PRIME MINISTER MEGA INTEGRATED TEXTILE REGION AND APPAREL (PM MITRA) SCHEME

Why in the News?

Recently, the Prime Minister laid the foundation stone of **PM MITRA Park** in **Dhar District in Madhya Pradesh**.

About PM MITRA Scheme

- **Launched:** By the **Ministry of Textile** with an outlay of ₹ 4,445 crore from **2021-22 to 2027-28**.
- **Objective:** To establish **large-scale textile manufacturing hubs** with world-class infrastructure and facilities. In 2023, **7 sites were identified across India (refer map)**.
 - These parks will facilitate **total value-chain of the textile industry** including spinning, weaving, processing, garmenting, textile manufacturing, and processing & printing machinery industry at one place.
- **Vision:** “**5F**” vision (**Farm → Fibre → Factory → Fashion → Foreign**) to integrate and scale up the textile ecosystem.
- **Goals**
 - Attract investment of about ₹70,000 crore
 - Generate nearly 20 lakh direct and indirect jobs.
- **Eligibility and Selection Criteria for States:** Contiguous and encumbrance-free land parcel (**at least 1000 acres**), a conducive **textile and industrial policy** and **traditional strengths** in the textile sector.
- **Structure & Implementation:**
 - Each MITRA Park is to be developed under a **Special Purpose Vehicle (SPV)** jointly owned by the **Centre (49% equity)** and the respective **State Government (51% equity)**.
 - The mode is largely **public-private partnership (PPP)**, with a master developer selected to build and maintain infrastructure.
- **Financial Incentives & Support:** Ministry of Textiles will provide **financial assistance up to ₹800 crore per park for Greenfield projects** and **up to ₹500 crore per park for Brownfield projects**.
 - A small portion (**up to ~10% in area**) is allowed as **commercial development** (real estate, services) to help generate revenue for maintenance and sustainability of common assets.



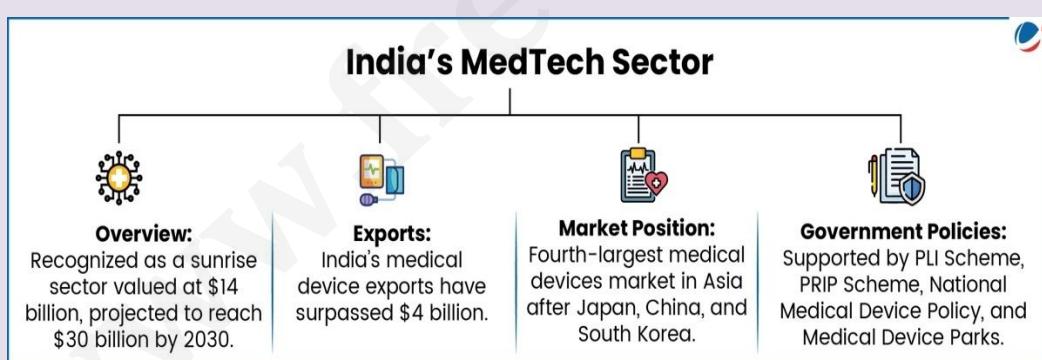
Overview of India's Textile and Apparel Sector

- Status:** India has the **2nd largest manufacturing capacity** (after China) in textiles and is **6th largest exporter** with **share of 3.91%** of the global trade.
- Economy:** It contributes ~ **2.3% of GDP**, **13% to industrial production**, and **12% to exports (US\$ 34.4 billion in 2023-24)**.
- Employment:** It is **2nd largest employment generators**, after agriculture, with **over 45 million people** employed directly, including **women** and the **rural** population.
- Inclusive:** Nearly **80%** of its capacity is spread across **MSME clusters**.

11.11. OTHER KEY DEVELOPMENTS

Sunrise Sectors	<p>Union Finance Minister stated that India aims to double the share of manufacturing in GDP with the help of sunrise sectors.</p> <p>About Sunrise Industry</p> <ul style="list-style-type: none"> Sunrise industry is an inherent concept that shows hope of a rapid boom for a developing sector or market in its infancy stage. They are characterized by high growth rates, numerous start-ups, and a wealth of venture capital funding. Government has identified 14 sunrise sectors - Semiconductors, Renewable energy components, Medical devices, Hydrogen mission, Batteries, etc.
SEZ Reforms	<p>The Ministry of Commerce and Industry published Special Economic Zones (Amendment) Rules, 2025.</p> <p>What is SEZ?</p> <ul style="list-style-type: none"> Definition: SEZ is a geographically delineated duty-free enclave and shall be deemed to be a foreign territory for the purposes of trade operations and duties and tariffs. SEZs Policy was announced in 2000, and the SEZ Act was passed in 2005. Objectives of the SEZ Scheme: Generation of additional economic activity, promotion of exports of goods and services, employment generation, etc.
Hallmarking	<p>The Indian government has introduced voluntary Hallmarking Unique Identification (HUID)-based hallmarking for silver jewellery.</p> <p>Hallmarking</p> <ul style="list-style-type: none"> Hallmarking is the accurate determination and official recording of the proportionate content of precious metal in precious metal articles. It ensures authenticity, consumer protection, quality and traceability of jewellery and articles. In India it is regulated by the Bureau of Indian Standards (BIS). <p>Bureau of Indian Standards (BIS) [HQ: New Delhi]</p> <ul style="list-style-type: none"> National standards body under the Ministry of Consumer Affairs. Established under the Bureau of Indian Standards Act, 1986, now operates under BIS Act 2016. Formulates standards, certifies products (ISI mark, Hallmarking), provide ECO mark and operates testing labs.
Quality Council of India (QCI)	<p>The National Accreditation Board for Testing and Calibration Laboratories (NABL), under the QCI, has launched a new Medical Application Portal.</p>

	<p>About QCI</p> <ul style="list-style-type: none"> • Genesis: Established in 1996 as an autonomous non-profit organization under the Societies Registration Act. <ul style="list-style-type: none"> ○ Jointly set up by the Government of India and industry bodies—ASSOCHAM, FICCI, and CII. • Headquarters: Delhi • Nodal Department: DPIIT. • Governance: Its Governing Council has 39 members led by a Chairperson nominated by the Prime Minister. • Role: QCI promotes quality through national campaigns, ensures third-party assessment, and works to improve citizens' quality of life in line with global standards.
Mission for Advancement in High-Impact Areas (MAHA) - MedTech Mission	<p>MAHA-MedTech Mission has been launched by the Anusandhan National Research Foundation (ANRF), in collaboration with the Indian Council of Medical Research (ICMR) and the Gates Foundation.</p> <ul style="list-style-type: none"> • ANRF has been established, through ANRF Act, 2023, as an apex body to provide high-level strategic direction of scientific research as per recommendations of the National Education Policy. <p>About MAHA-MedTech Mission</p> <ul style="list-style-type: none"> • Aim: To accelerate innovation in India's medical technology sector, reduce reliance on high-cost imports, and promote equitable access to affordable and high-quality medical technologies. • Funding: Provide funding support to a wide range of entities including Academic and R&D institutions, Hospitals, Startups, MSMEs, MedTech industry and collaborations between entities. <ul style="list-style-type: none"> ○ Milestone-linked funding of ₹5–25 crore per project (and up to ₹50 crore in exceptional cases). • Enabling Support: Through national initiatives such as Patent Mitra (IP protection and technology transfer), MedTech Mitra (regulatory guidance and clearances), a Clinical Trial Network (for clinical validation and evidence generation) etc.



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