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Institute for IAS Examination

The Analyst

CURRENT AFFAIRS Handout

3rd October 2025

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3rd October 2025

The Curious case of GDP data

CONTEXT: Why policymakers in India continue to act as if economy is actually weaker even when the official data shows that India's real GDP growth is better than expected (grow by 7.8% in Q1 of FY 2025-26 over the growth rate of 6.5% during Q1 of FY 2024-25)

Methods to calculate GDP:

Product Method or Value added Method:

- Calculate the aggregate annual value of goods and services produced (if a year is the unit of time).
- **Net contribution made by a firm:** value of production of the firm – value of intermediate goods used by the firm.
- **GDP** ≡ Sum total of gross value added of all the firms in the economy.

Table 2.1: **Production, Intermediate Goods and Value Added**

	Farmer	*Baker*
Total production	100	200
Intermediate goods used	0	50
Value added	100	200 – 50 =150

Income Method:

- Adding ***income earned by all factors of production*** for their factor services during a year.
- **Factor payments:**
  - **Compensation of employees:** Wage, bonus, other benefits
  - **Operating Surplus:** Rent, interest & Profits
  - **Mixed Income of Self employed:** When elements of factor incomes cannot be separated from each other.

Expenditure Method:

- looks at the demand side of the products.
- GDP ≡ C+I+G+NX
- **Private Final Consumption Expenditure:** biggest engine of GDP growth in India, accounting for 55% to 60% of the GDP.
- **Gross Fixed Capital Formation:** 25%-30% of India's GDP.
- **Expenditures made by the government** to run its daily affairs (**excluding** the investments such as roads). This accounts for the remaining **10% of GDP**.
- **Main benchmark for almost all the key economic variables:**
  - For instance, tax collections are benchmarked to nominal GDP, as is the country's overall debt, the government's gross fiscal deficit or even the total market capitalisation of listed companies.
- **State of the economy:** the process of the next Union Budget will start, and the nominal GDP and its growth rate will be the starting point for all calculations.
- **Capture the demand story of the economy better:** than the real GDP, which maps the supply story better.

Concept of GDP Deflator:

- Nominal GDP/ Real GDP * 100

New Methodology in Estimation of GDP

- National statistical commission has recommended base year for computing national income be revised every 5 years.
- **Change in base year:** 2004-05 to 2011-12
- **Change in data used to measure manufacturing sector growth:**
  - **Pre-2015:** IIP & ASI - 2 lakh factories
  - **Post - 2015:** MCA21 - 5 lakh companies
- **Factor Cost v/s Market Price:**
  - **Pre-2015:** GDP at factor cost
  - **Post - 2015:** GDP at market Price

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GVA at factor costs + Net production taxes = GVA at basic prices
GVA at basic prices + Net product taxes = GVA at market prices

- **Sector-Wise estimates:** GVA at Basic Prices (get an idea of taxes)
- **Agriculture Sector:**
  - **Pre-2015:** value added in agriculture confined to value addition in ***farm produce***.
  - **Post - 2015:** now includes livestock data as well.
- **Wide Coverage of Financial sector:**
  - **Pre 2015:** banking, insurance, mutual funds etc.
  - **Post 2015:** Stockbrokers, stock exchanges, asset management companies, pension funds and regulatory bodies.

<u>Mains Practise Question :</u>
"Explain the different methods used for calculating Gross Domestic Product (GDP)."

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The Panchayati Raj Movement in Distress

CONTEXT: Odisha announced the new Odisha Panchayat Samiti Accounting Procedure (Amendment) Rules, 2025, which undermines people's representatives of the Panchayati Raj Institutions

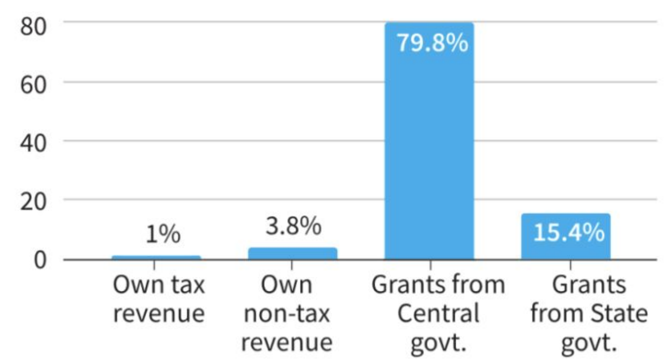
Relevance of panchayati Raj Institutions :

- **Strengthen grassroots-level democracy:**
  - **Panchayat of Hiwara, Uttarakhand:** access to clean water, road infrastructure, promoted solar energy etc
  - **Pedda Amberpet Gram Panchayat, Telangana:** village council set up a waste segregation unit where organic and inorganic waste is separated and processed.
- **Decentralization of power:** Gram Panchayat Development Plan
- **Ensures Good Governance:** 'Consensus oriented' and 'Participation' are two important pillars of Good Governance
- **Inclusive governance and empowerment of women:**
  - **Odisha –** 50% reservation for women in 2012
  - nearly 14 lakh elected women representatives
  - **For ex: Chhavi Rajawat-** An MBA turned Sarpanch.
- **Localisation of SDG Goals:** Local 2030 Platform, **4 pillars:**
  - Institutional ownership
  - Robust review & Monitoring system
  - Integrating SDGs in Planning
  - "Whole of Society" Approach

Challenges faced by Panchayats

- **Lack of Devolution of 3 F's:**
  - **Ministry of Panchayati Raj report, 2022:** less than 20% of States have devolved all 29 subjects listed in the Eleventh Schedule of the Constitution.
  - Karnataka have assigned functions in maximum numbers
- **Limited Financial Autonomy:**
  - significant **reduction in untied grants**, from **85%** in the Thirteenth Finance Commission to **60%** in the Fifteenth Finance Commission.
- **Proxy representation:** Sarpanch pati
- **Parastatal Bodies:** e.g. National Rural Infrastructure Development Agency - PMGSY
- **Diminishing role of PRI due to Technology:**
  - **JAM –** (PM-KISAN) scheme, which disburses ₹6,000 annually to farmers, operates through direct transfers without the active involvement of panchayati raj institutions.

Chart 3 | *The chart shows the revenue per panchayat in percentage terms in 2022-23.*



- **Urban Policy Bias:**
  - **1990** - nearly **three-quarters of India lived in rural areas,** now decreased to around 60%.
  - Municipal reforms, both of governance and financing, is the main priority of today.

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Changes Introduced in Odisha Panchayat Samiti Accounting Procedure (Amendment) Rules, 2025:

- **Reduced financial authority:**
    - **Earlier, BDOs** could approve bills **only up to ₹2 lakh**, with higher amounts requiring Panchayat Samiti chairman's approval.
    - **Now, BDOs** can independently sanction bills **up to ₹10 lakh**, reducing the role of elected representatives.
- **Authority to approve Panchayat Samiti plans and estimates:**
    - been given to the Chief Development Officer-cum-Executive Officer of the Zilla Parishad, a senior bureaucrat, bypassing the elected Zilla Parishad chairpersons.
- **Implementation powers:** Under **MGNREGA**, financial authority for scheme implementation has been **transferred to engineers**, reducing the role of elected representatives.

Way Forward

- **Publish a supplement to the budget documents for Panchayats:**
    - **13th Finance Commission** has made this recommendation
    - Indicating details of transfers separately for all rungs of Panchayat.
    - Include details of funds transferred to the Panchayats outside the State government budget
- **Financial Empowerment:** untied grants, easier access to performance based grants creating independent revenue streams.
- **Clear Activity mapping**
- **Independent Panchayati raj Administrative Services:** Karnataka
- **Institutional strengthening:** Adoption of Kerala model best practices appointment of **Panchayat Ombudsman**.
- **Capacity enhancement** through regular training programs for elected representatives under Rashtriya Gram Swaraj Abhiyan 2018.
- **e-governance solutions:**
    - e-Gram Swaraj portal for digital documentation, record-keeping.
    - SVAMITVA Scheme: drone technology for mapping

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Will China capture electrolyser market?

SYLLABUS : GS 3 Paper : *Renewable energy*
Newspaper: *The Hindu* **Page Number: 10**

The story so far:

In the clean energy market, the limelight has recently shifted from solar and wind towards green hydrogen. Hydrogen is widely used in industries for oil refining and ammonia and methanol production, but most of it is currently produced using fossil fuels, which add to carbon emissions. Green hydrogen technologies used in production, storage, transportation and application are rapidly advancing, with electrolysers at the core of this transformation. Electrolysers are central to its production, much like photovoltaic (PV) modules are to solar power. And just as no discussion on solar PVs is complete without examining China's dominance in its supply chain, a similar story seems to be unfolding with electrolysers.

WHY HYDROGEN?

- India's electricity is heavily coal-dependent. Hydrogen will replace fossil fuels, address pollution and oil-price rise
- It's the most abundant element in the universe, is lighter, energy dense, and two-three times more efficient than burning petrol
- It will benefit transportation (contributes 1/3rd of India's greenhouse-gas emissions), iron and steel and chemicals sectors

#QUIXPLAINED 2

GREEN
Hydrogen produced by electrolysis of water, using electricity from renewable sources like hydropower, wind, and solar. Zero carbon emissions are produced.

PINK/PURPLE/RED
Hydrogen produced by electrolysis using nuclear power.

TURQUOISE
Hydrogen produced by the thermal splitting of methane (methane pyrolysis). Instead of CO_2, solid carbon is produced.

BLACK/GRAY
Hydrogen extracted from natural gas using steam-methane reforming.

BLUE
Grey or brown hydrogen with its CO_2 sequestered or repurposed.

BROWN
Hydrogen extracted from fossil fuels, usually coal, using gasification.

Will China capture electrolyser market?

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About White Hydrogen

- White hydrogen is also referred to as "natural," "gold" or "geologic" hydrogen.
- It is naturally produced in the Earth's crust and is considered a potential clean energy.
- It generally exists combined with other molecules.
- White hydrogen has several advantages over other types of hydrogen
  - It causes no CO2 emissions when used as a fuel.
  - It is compatible with existing infrastructure and technologies for hydrogen production and utilization.
  - It is cheaper and more efficient than steam reforming or electrolysis.
  - It is abundant and renewable in nature.
- Its deposits have been found across the world, including in the US, eastern Europe, Russia, Australia, France and other countries.
- It is estimated that globally there could be tens of billions of tons of white hydrogen.

Is China a dominant player?
By 2024, China had become the world's leading hydrogen producer, reaching an annual production of 36.5 million tonnes. China produced a total of 1,20,000 tonnes of green hydrogen, which represents almost half of the world's green hydrogen output. With respect to electrolysers, China has come to dominate nearly 85% of the global manufacturing capacity of Alkaline electrolysers. Currently, Alkaline (ALK) and Proton Exchange Membrane (PEM) electrolysers are used in commercial plants, with ALK

technology. While the costs of ALK electrolysers are low, they are less efficient than PEM electrolysers in producing hydrogen using renewable energy, given problems of fluctuating loads. PEM electrolysers, on the other hand, offer higher efficiency even at fluctuating loads as well as higher purity hydrogen as output. For now, China's dominance rests on its manufacturing capacity of ALK electrolysers, both for

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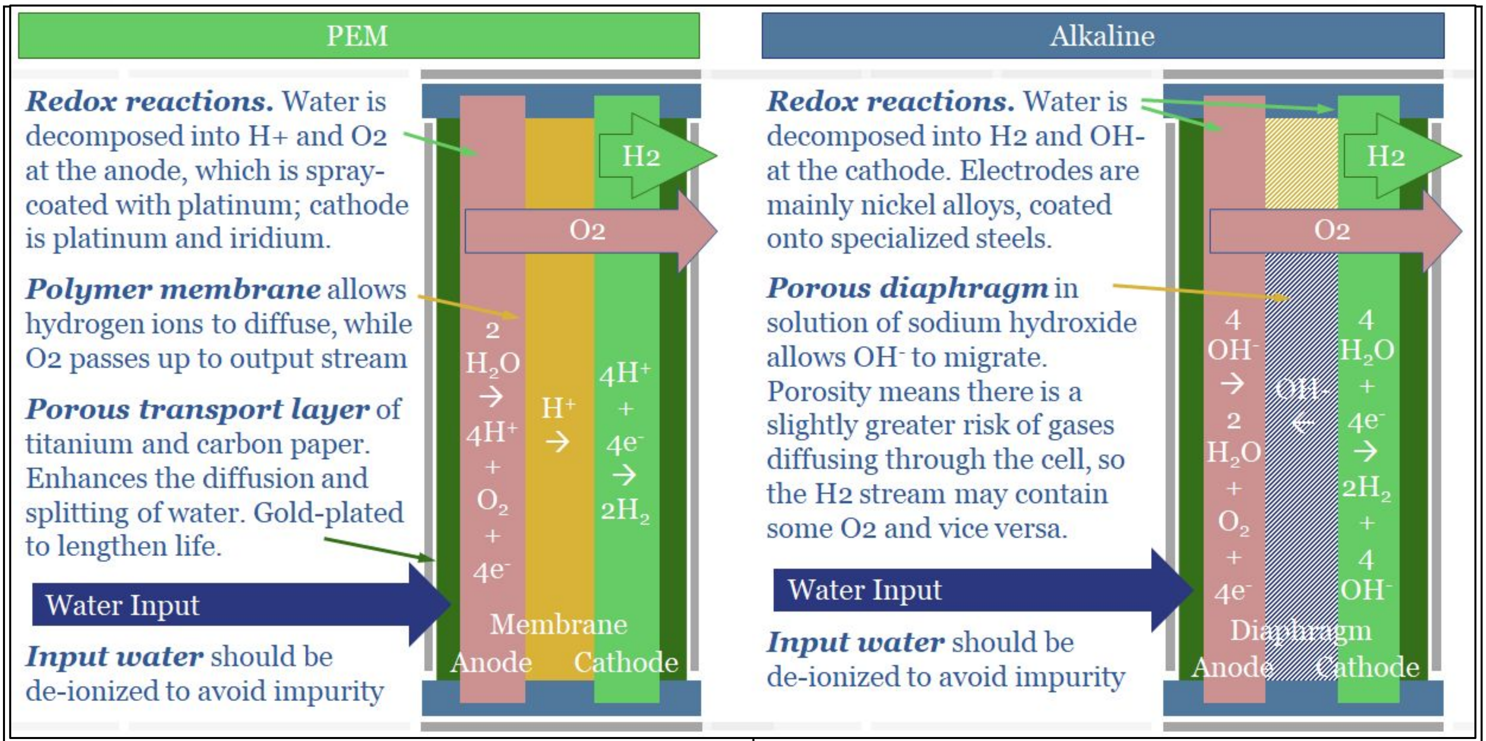

How did China establish dominance?

China was able to capture the global market of solar PV modules by offering cheaper rates due to state subsidies; integrated supply chains; control over raw materials; and quicker rollout of production facilities. In the case of electrolysers, the average price of ALK electrolysers supplied by China has been significantly lower than the average overseas price. Utilising Chinese ALK electrolysers can offer up to 45% of cost advantages in setting up hydrogen production plants in Europe. Electrolyser prices in China are decreasing further due to supply chain maturity and increasing entrants in the market. In 2024, a 1,000 Nm3/h (5MW) ALK electrolyser system was priced at six million yuan (approx. 1,200 yuan/kW or $167/KW), a 20% drop from 2023 whereas, a 200 Nm3/h (1MW) PEM electrolyser system was also priced at about six million yuan (~ 6,000 yuan/kW or $838/KW) which is a reduction of 32% from 2023.

Further, ALK electrolysers are made with nickel and steel both of which are abundantly available in China. PEM electrolysers, however, rely on precious metals such as iridium, platinum, and titanium, making significant cost reductions challenging – even for China. Despite its manufacturing prowess, China remains one of the world's largest importers of these critical materials. Moreover, hydrogen production requires

Have other competitors emerged?

China is poised to become a dominant force in the global green hydrogen equipment market, as its firms proactively scale up production facilities and expand their international presence. However, this dominance is subject to significant advancements in technology and greater integration of their supply chains.

Despite their aggressive expansion, Chinese firms will face considerable hurdles in replicating their past success. Unlike solar, the green hydrogen sector is highly prioritised by many countries that have rolled out national plans and wish to maintain their local competitiveness. As a result, Chinese imports are likely to face significant scrutiny, restrictions, and stringent regulations, making it more challenging for them to compete on the same terms as they did in previous industries. Concerns over supply chain security are likely to play a larger role in shaping the market for green hydrogen technologies, potentially limiting the

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RBI Funding boost

SYLLABUS : GS 3 Paper : Economy
Newspaper: *Indian Express* **Page Number:** 11

LOOKING TO revitalise India's financial markets, the Reserve Bank of India (RBI) on Wednesday rolled out a set of measures designed to make capital more accessible for investors and companies. The central bank announced the withdrawal of the ceiling on lending against listed debt securities, giving banks greater flexibility to extend credit backed by these instruments. It also raised the individual loan limit against shares to ₹1 crore, five times the current limit of ₹20 lakh, while enhancing the IPO financing limit for retail investors from ₹10 lakh to ₹25 lakh.

Why these measures now?

The timing of the RBI's measures is significant as equity markets have been struggling to find momentum amid global and domestic headwinds. Trade tariff tensions with the US and curbs on H-1B visa have injected uncertainty into export prospects, while geopolitical flashpoints in West Asia and Europe have kept investors on edge. Adding to the strain has been the sustained withdrawal by foreign portfolio investors, who have pulled out $21 billion from Indian equities over the past year in search of safer or higher-yielding assets.

This exodus has pressured the rupee and dampened market sentiment, leaving domestic

Feature	Foreign Direct Investment (FDI)	Foreign Portfolio Investment (FPI)
Investment Type	Direct ownership of a business or assets	Purchase of financial assets
Control	Investor seeks significant control over the company or asset	Investor has little or no control over the company or asset
Time Horizon	Typically long-term (years to decades)	Typically shorter-term (months to years)
Risk	Generally considered higher risk due to involvement in the local economy	Generally considered lower risk as investments are spread across companies and countries
Impact on Host Country	Can create jobs, transfer technology, and boost economic growth	Can provide capital for companies and contribute to market liquidity

RBI Funding boost

SYLLABUS : GS 3 Paper : Economy
Newspaper: *Indian Express* **Page Number:** 11

Under the revised framework, banks will be allowed to extend loans against shares of up to ₹1 crore per individual borrower, a fivefold jump from the earlier cap of ₹20 lakh. The RBI has also proposed raising limits on loans secured against units of Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs), expanding the scope of collateral eligible for bank lending. "These

Withdrawal of curbs on large borrowers

The RBI has proposed scrapping the framework introduced in 2016 that discouraged banks from lending to very large borrowers — those with aggregate credit exposure of Rs 10,000 crore or more from the banking system. The earlier framework was designed to reduce excessive reliance on bank finance by India's largest corporate groups, encouraging them to diversify funding through capital markets.

However, the RBI noted that the Large Exposure Framework, subsequently introduced, already addresses concentration risk by capping how much a single bank can lend to a particular borrower or group. Going forward, systemic-level concentration risks will be managed through targeted macroprudential tools as and when required, instead of broad lending disincentives.

Analysts believe the change will provide corporates with easier access to bank credit, while giving banks greater flexibility in supporting large projects, mergers and expansions, without compromising financial stability.

What are REITs?

- It is a **company** that owns, operates, or finances **income-generating real estate.**
- Most of them **are publicly traded like stocks**, which makes them highly liquid (unlike physical real estate investments).
- It is modelled after mutual funds; REITs pool the capital of numerous investors.
- This makes it possible for individual investors to earn dividends from real estate investments—without having to buy, manage, or finance any properties themselves.

What are InvITs?

- These are mutual fund-like institutions that enable investments into **the infrastructure sector** by pooling small sums of money from a multitude of individual investors for directly investing in infrastructure
- These are set up as a trust and **registered with SEBI.**
- An InvIT has 4 parties Trustee, Sponsor(s) and Investment Manager and Project Manager

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NIA & Dunki route cases

<u>SYLLABUS</u> : PRELIMS : *Statutory bodies*
Newspaper: *The Hindu* **Page Number: 1**

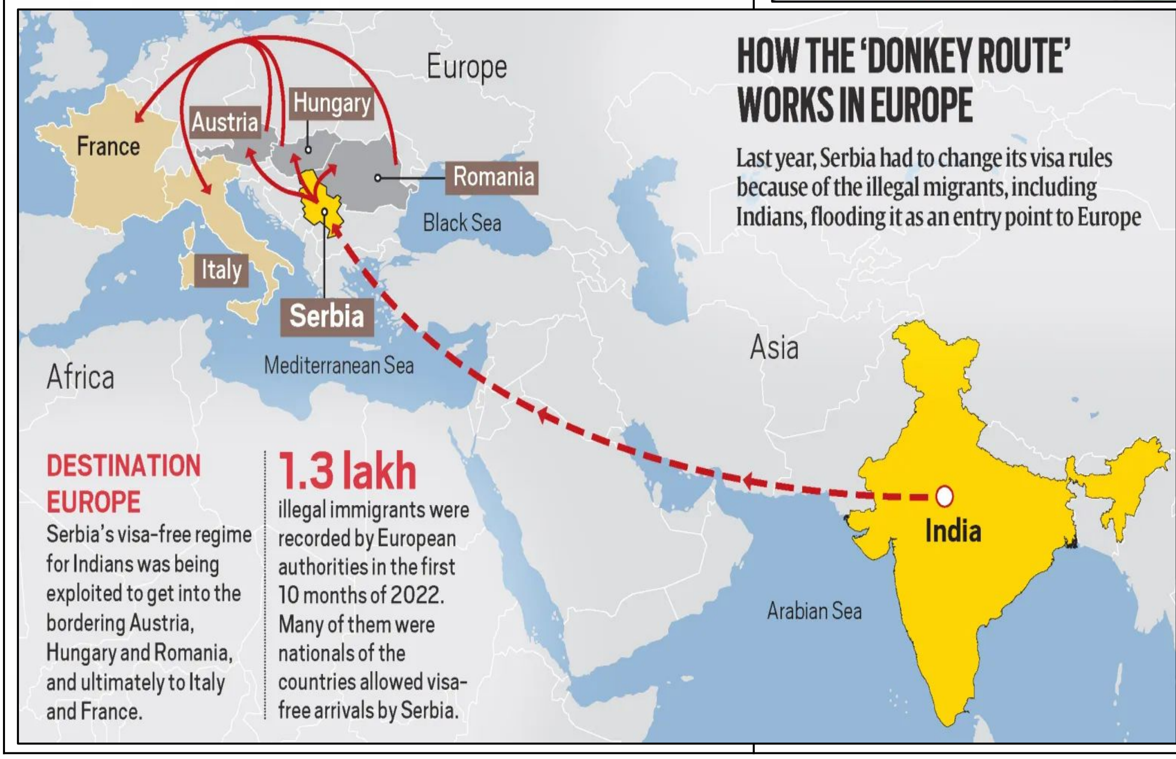
The National Investigation Agency (NIA) has filed a chargesheet against two accused in connection with alleged illegal human trafficking from India to the United States via the so-called *dunki* route.

"Dunki" route:

- known as the **"donkey flight" route**, is a clandestine and dangerous method of illegal immigration primarily used by individuals from Punjab, Haryana, and other parts of India to enter countries like the **US, Canada, the UK, and Australia.**
- The term "dunki" is derived from the Punjabi word meaning "to hop" or "to jump," signifying the multiple transit points and clandestine nature of the journey.

How does the "Dunki" route operate?

- The route typically involves ***obtaining tourist visas*** for countries with ***lenient visa policies*** and then using these visas to enter the targeted destination country illegally.
- Migrants often rely on human traffickers or agents who arrange travel documents, accommodations, and transportation



NIA & Dunki route cases

SYLLABUS : PRELIMS : *Statutory bodies*
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About NIA :

- **Established:** Federal terrorism investigating agency of India that was established in the ***aftermath of the 26/11 Mumbai Terror Attack.***
    - Under under the **National Investigation Agency Act, 2008.**
- **Investigation of Scheduled Offences:**
    - On receipt of a **report from the State Government**, if the Central Government thinks that the **offence is a fit case to be investigated** by the Agency, it shall direct the Agency to investigate the offence.
    - The **Central Government may (without any report from the State),** suo motu, direct the agency to investigate the said offence.
- **Section 8 of NIA Act:** While investigating any Scheduled Offence, the Agency may also investigate any other offence which the accused is alleged to have committed if the offence is connected with the Scheduled Offence.
    - Upheld by Supreme Court in **Ankush Vipan Kapoor vs. NIA, 2024.**

- **Schedule of Offences Under the NIA Act:**
    - The Explosive Substances Act, 1908.
    - Atomic Energy Act, 1962.
    - Unlawful Activities (Prevention) Act, 1967
    - Anti-Hijacking Act, 2016
    - Suppression of Unlawful Acts against Safety of Civil Aviation Act, 1982
    - Suppression of Unlawful Acts against Safety of Maritime Navigation and Fixed Platforms on continental shelf Act, 2002
    - Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005
    - The SAARC Convention (Suppression of Terrorism) Act, 1993

National Investigation Agency (Amendment) Act, 2019:

- **Inclusion of scheduled offences:** The amendment added the following types of offences under the Schedule of the Act:
    - Human trafficking,
    - Offences related to counterfeit currency or bank notes,
    - Manufacture or sale of prohibited arms,
    - Cyber-terrorism,
    - Offences under the Explosive Substances Act, 1908.

- **Expansion of Jurisdiction:** The Act empowers NIA to investigate scheduled offences committed outside India, subject to international treaties and domestic laws of other countries.

- **Special Courts:** The Act empowers the **central government** to designate Sessions Courts as Special Courts for the trial of scheduled offences.
    - Further, now the state governments may also designate Sessions Courts as Special Courts.

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Biostimulants

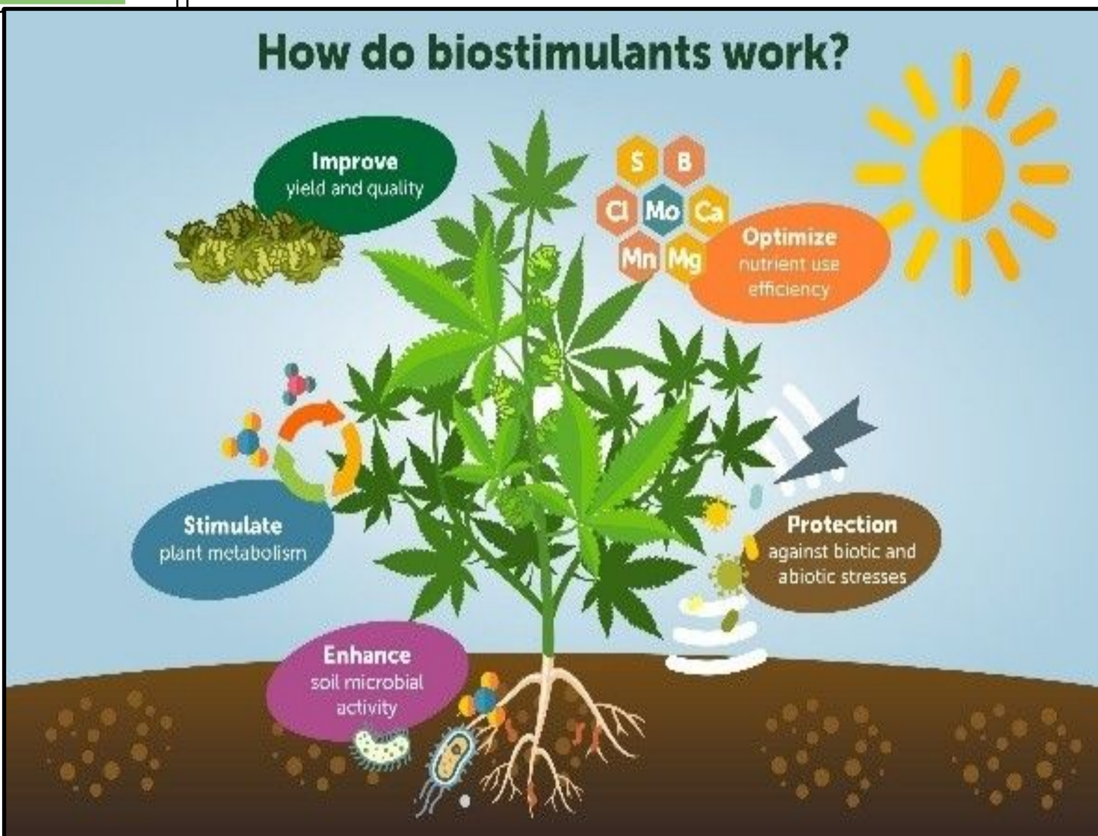
SYLLABUS : GS 3 Paper : Environment
Newspaper: *Indian Express* **Page Number: 1**

MONTHS AFTER clearing them for crops, such as paddy, tomato, potato, cucumber and chilli, the Union Agriculture Ministry has withdrawn approval for the sale of 11 biostimulants derived from animal sources — from chicken feathers and pig tissue to bovine hide and cod scales — due to "religious and dietary restrictions", *The Indian Express* has learnt.

The Centre's decision is directed at one of the most common types of biostimulants: protein hydrolysate, which is a mixture of amino acids and peptides formed by breaking down proteins. These can be derived from plants, such as soy or maize, or from animal sources like feathers, hides or tissue.

About Biostimulants :

- ➔ Biostimulants are **substances or microorganisms** that, when applied to plants or soil, enhance nutrient uptake, plant growth, yield, and stress resistance.
- ➔ It is majorly sold in **liquid form** and sprayed on crops.
- ➔ **Unlike Fertilisers,** it does not supply nutrients directly to crops.
- ➔ **Unlike pesticides,** it does not control pests.
- ➔ They stimulate natural processes by enhancing the plant's own physiological abilities.
- ➔ **Common types of biostimulants:** Humic and fulvic acids, seaweed extracts, beneficial fungi and bacteria (e.g., mycorrhizae, rhizobacteria).
- ➔ In India Biostimulants are incorporated under the **Fertilizer (Control) Order,1985**.



Biostimulants

SYLLABUS : GS 3 Paper : Environment
Newspaper: *Indian Express* **Page Number: 1**

Before 2021, biostimulants were sold freely in India for more than a decade with no specific rules governing their sale, safety and efficacy. In 2021, the Government brought them under the FCO, which meant companies had to register products and prove safety and effectiveness. But they were still al-

According to Fortune Business Insights, the Indian biostimulants market was valued at US$ 355.53 million in

2024 and projected to grow to US$ 1,135.96 million by 2032. Industry sources listed Coromandel International, Syngenta and Godrej Agrovet among the major producers of biostimulants in the country.

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Sir Creek

SYLLABUS : PRELIMS : Places in News

Newspaper: *The Hindu* **Page Number: 1**

Defence Minister Rajnath Singh on Thursday warned Pakistan that "a route to Karachi passes through Sir Creek", and said its recent military build-up in the area exposed the flaw in its intentions.

"Any aggression by Pakistan in the Sir Creek area will be met with a resounding response that will change both history and geography," he said.

The Sir Creek dispute is a long-standing territorial and maritime boundary issue between India and Pakistan over a 96-kilometre tidal estuary in the Rann of Kutch.

About Sir Creek :

- Originally named **Ban Ganga,** Sir Creek is named after a British representative.
- The Creek opens up in the Arabian Sea and **roughly divides the Kutch region of Gujarat from the Sindh Province of Pakistan.**

What's the dispute?

- Before India's independence, the provincial region was a part of the Bombay Presidency of British India. But after India's independence in 1947, Sindh became a part of Pakistan while Kutch remained a part of India.
- Pakistan claims the entire creek as per paragraphs 9 and 10 of **the Bombay Government Resolution of 1914** signed between then the Government of Sindh and Rao Maharaj of Kutch.
- The resolution, which demarcated the boundaries between the two territories, included the creek as part of Sindh, thus setting **the boundary as the eastern flank of the creek popularly known as Green Line**
- But India claims that **the boundary lies mid-channel as depicted in another map drawn in 1925, and implemented by the installation of mid-channel pillars back in 1924.**
- In its support, it cites **the Thalweg Doctrine in International Maritime Law,** which states that river boundaries between two states may be divided by ***using the deepest navigable line of the river*** if the water-body is navigable.

What's the importance of Sir Creek?

- Apart from **strategic location,** Sir Creek's core importance is **fishing resources.** Sir Creek is considered to be among the ***largest fishing grounds in Asia.***
- Another vital reason is the ***possible presence of great oil and gas concentration*** under the sea**,** which are ***currently unexploited*** thanks to the ***impending deadlock*** on the issue.

Daily Quiz

Q1. Consider the following statements regarding the Gross Domestic Product (GDP) calculation in India:

1. The Value Added method calculates the aggregate annual value of goods & services produced in a year.
2. The Income method adds income earned by all factors of production for their factor services during a year.
3. The Expenditure method includes Private final consumption expenditure & gross fixed capital formation only.

How many of the above given statements is/are correct?

a) Only One
b) Only Two
c) All Three
d) None

Answer: b

Q2. Consider the following statement:

1. Green Hydrogen is produced by electrolysis of water using electricity from renewable energy sources.
2. Pink Hydrogen is produced by electrolysis using nuclear power.
3. Black Hydrogen is extracted from natural gas using steam-methane reforming.

Which of the above statements are correct?

a) 1 and 2 only
b) 2 and 3 only
c) 1 and 3 only
d) All of the above

Answer: d

Q3. Consider the following statements:

1. Foreign Direct Investment (FDI) involves direct ownership of a business or assets.
2. Foreign Portfolio Investment (FPI) involves the purchase of financial assets.

Which of the statements given above is/are correct?

a) 1 only
b) 2 only
c) Both 1 and 2
d) Neither 1 nor 2

Answer: c

Q4. Which of the following statements regarding the Real Estate Investment Trusts (REITs) is NOT correct?

a) It is a company that owns or operates income-generating real estate.
b) It is majorly publicly traded like stocks, which makes them less liquid in nature.
c) It is mainly modelled after mutual funds.
d) The individual investors can earn dividends from real estate investments.

Answer: b

Q5. Consider the following statements regarding the National Investigation Agency (NIA):

1. It is a statutory body established under the National Investigation Agency Act, 2008.
2. Under the NIA Amendment Act 2019, Human Trafficking & Cyber-terrorism have been included under the scheduled offences.

Which of the statements given above is/are correct?

a) 1 only
b) 2 only
c) Both 1 and 2
d) Neither 1 nor 2

Answer: c

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