



VAJIRAM & RAVI
Institute for IAS Examination

The Analyst

CURRENT AFFAIRS Handout

1st February 2025



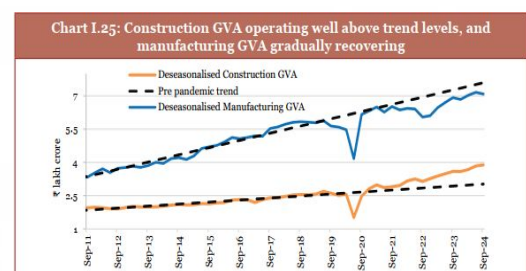
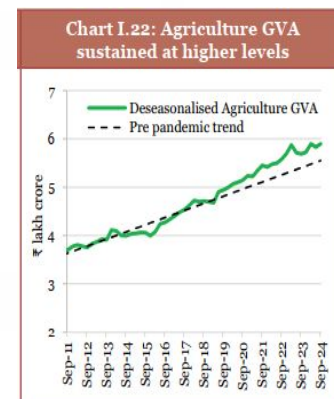
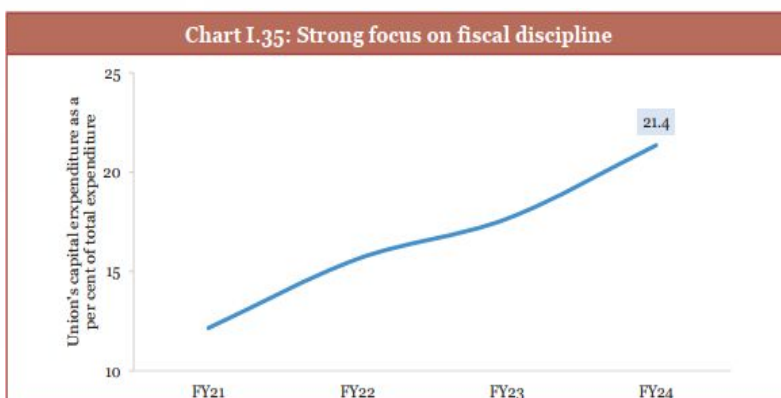
CONTEXT: Indian Economy has strong fundamentals as per the economic survey.

- **Steady but Uneven Growth:** 3.3% in 2023, projections - 3.2% and 3.3%
- **Regional Variations:**
 - **AEs:** US stable (2.8% in 2024), Euro Area improving (0.8% in 2024, 1.0% in 2025)
 - **Emerging Markets:** Mixed performance - China
- **Manufacturing Slowdown:** PMI, supply chain disruptions and weak demand.
- **Services Sector Resilience:** PMI
- **Inflation Trends:**
 - eased globally, but services
 - Risks of synchronized price increases - geopolitical tensions

Geopolitical and Trade Risks

- **Geopolitical Tensions:** Conflicts in Ukraine and the Middle East
- **Trade Policy Uncertainty:** Increased volatility
- **Shipping Disruptions:** Red Sea and Panama Canal
- **Inflation Risks:** services, potential commodity price shocks
- **Domestic Risks:** Weak global demand, supply chain disruptions

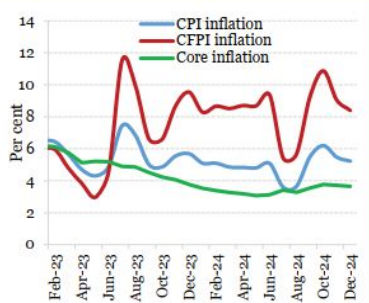
- **GDP Growth**
 - Real GDP estimated - 6.4% in FY25
 - Projection for FY 26 - 6.3% to 6.8%
- **Sectoral Performance:**
 - **Agriculture:** record Kharif production, favorable monsoon conditions
 - **Manufacturing:** challenges due to weak global demand and seasonal factors
 - **Services:** financial, real estate, and professional services.
- **Private Consumption:** stable, with rural demand improving
- **Fiscal Discipline:** Capex focus
- **Macroeconomic stability -** manageable CAD, services trade surplus



CONTEXT: Indian Economy has strong fundamentals as per the economic survey.

- Inflation Trends:**
 - Retail inflation 4.9% in FY25
 - Food inflation elevated - supply chain disruptions and weather vagaries
 - CFPI – 7.5% in FY 24 to 8.4% in FY 25
- External Sector:**
 - Merchandise trade deficit widened, but services trade surplus and remittances
 - Forex reserves – USD 634.6 billion, import cover of over 10 months, cover for 90% external debt

Chart I.46: Food price pressures driving retail inflation



- Banking Sector:**
 - Stable - declining NPAs (2.6% of gross loans) and strong capital buffers (CRAR at 16.7%)
 - Credit growth moderated
- Employment Trends:**
 - Unemployment rate declined to 3.2% in 2023-24, with increased formalization and net EPFO subscriptions (61 lakh in FY19 to 131 lakh in FY24)
 - AI - productivity and job creation, but skill development.

Chart I.50: Moderation in growth of bank credit to different sectors

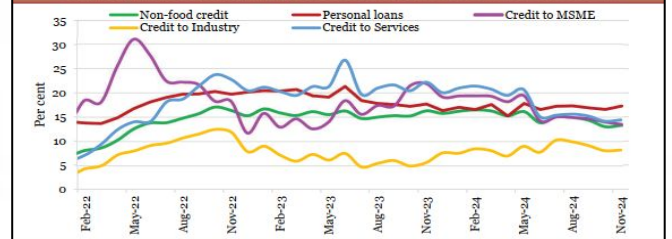


Chart I.48: Services trade surplus and private transfers lending balance to the external sector

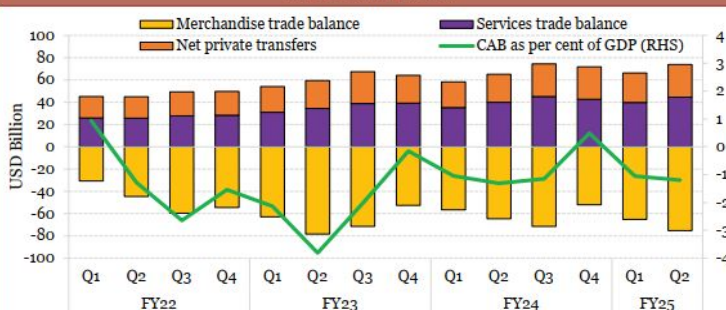
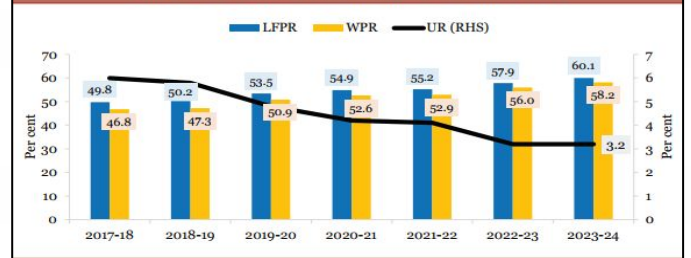


Chart I.52: Improvement in employment indicators



Economic Survey: State of Economy



CONTEXT: Indian Economy has strong fundamentals as per the economic survey.

Domestic Economic Outlook

- **Growth Drivers:**
 - Rural demand, easing food inflation, and stable macroeconomic conditions.
 - Private investment and corporate wage growth
- **Challenges:**
 - Structural reforms and deregulation for competitiveness.

MAINS PRACTISE QUESTION:

India's economic growth is increasingly influenced by global risks such as geopolitical tensions, trade policy uncertainties, and financial volatility. Discuss the global risks to India's economic growth and analyze the key sectoral trends shaping its economic development.

Policy Recommendations

- **Structural Reforms:** grassroots-level reforms to improve competitiveness and sustain medium-term growth.
- **Deregulation:** EoDB to attract investment and boost economic activity.
- **Skill Development:** Prioritize education and training to prepare for AI



Economic Survey: Deregulation



CONTEXT: Economic survey bats for deregulation.

Geo-Economic Fragmentation

- **Policy-driven** reversal of global economic integration, affecting trade, capital, and migration flows
- **Global Output Loss:** 0.2% to 7% of GDP, potential losses of 8-12% considering technological decoupling
- **FDI Shifts:** flows among geopolitically aligned, emerging markets lose
- **Viksit Bharat by 2047** - 8% annual growth for the next decade
- **IMF Projections:** 5 tn economy by FY28, 6.3 tn by FY30 - 10.2% nominal growth
- **Domestic Growth Levers:** Focus on deregulation and economic freedom

China's Dominance in Global Supply Chains

- **Manufacturing Powerhouse**
 - 45% of global manufacturing (projected by 2030)
 - EVs, critical minerals, and clean energy equipment
- **Energy Transition:**
 - 80% of solar PV manufacturing and 60% of wind energy capacity
 - **Dependency Risks:** critical minerals (e.g., lithium, cobalt, nickel) - supply chain
- **Implications for India:** imports for EV components and RE equipment

Economic Freedom

- **MSME Growth:**
 - **Compliance Burden:** High regulatory costs hinder growth
 - **Deregulation Examples:**
 - i. Forest Regulations
 - ii. Labour Laws: Haryana, TN amended building and labour regulations
- **Systematic Deregulation:** 3-step process:
 - **Identify areas for deregulation** (e.g., land, labour, building standards)
 - **Compare regulations** with other states and countries
 - **Estimate costs** of regulations on businesses

Key Areas for Deregulation

- **Labour Laws:**
 - flexible working hours, overtime pay to encourage job creation
 - No prohibitions on women working night shifts in factories
- **Building Standards:**
 - Rationalize parking norms to reduce land loss
 - Increase validity of fire NOCs for low-risk buildings
- **Electricity Tariffs** - competitiveness.
- **Risk-Based Regulation:**
 - Involve private parties in building approvals and inspections
 - PPP models for enforcement.



CONTEXT: Economic survey bats for deregulation.

Global Lessons

- **United States:** Office of Management and Budget evaluates regulations for cost-effectiveness
- **United Kingdom:** "one-in, two-out" principle to offset new regulatory burdens
- **New Zealand:** Ministry of Regulation to streamline laws and reduce compliance costs

Table V.1: List of areas of regulation and provisions affecting businesses

Area	Examples of regulations
Legal Status and admin	Municipal laws, citizen charters, accountability in public service delivery
Land	Land revenue, land reform, town and country planning, land ceiling
Building and Construction	Town and country planning, building bye-laws, fire safety laws
Labour	Rules under Union Codes, factories, contract labour, shops laws
Utilities	Water, electricity, building bye-laws, municipal laws
Transport	Motor vehicles laws, motor transport workers laws, carriage of goods
Logistics	Warehousing and logistics policies, building bye-laws
Buying and Selling	Agricultural Produce and Livestock Market Committee laws
Environment	Laws for prevention and control of pollution of water, air
Sector Specific	Excise, food safety, legal metrology

In each of these areas of regulation, the state issues mandates, including permits, standards, price and quantity controls, fees and taxes, compliances, inspections, and penalties. Each substantive mandate increases the cost, time, and uncertainty of starting and operating a business, discouraging intensive economic activity and

MAINS PRACTISE QUESTION:

Deregulation is considered a catalyst for economic growth by enhancing competition and efficiency. Discuss the potential benefits of deregulation for India's growth. Suggest key areas where deregulation could be implemented and draw lessons from global experiences on its effectiveness.

Paradigm for Medium Term Growth

- **Focus on Mittelstand:** Strengthening SME sector to drive innovation, employment, and exports
- **Employment-Sensitive Growth:** Deregulation can create labour-intensive growth, balancing capital and labour needs
- **Butterfly Effect:** trigger entrepreneurship, investment, and innovation.

Recommendations

- **Liberalize Standards:** Reduce unnecessary controls
- **Streamline Compliance:** Simplify processes and digitize systems
- **Adopt Risk-Based Regulation:** Tailor regulations to the risk profile of businesses
- **Reduce Tariffs and Fees:** competitiveness
- **Internal engines of growth:** fragmented global economy



Economic Survey: Climate & Environment

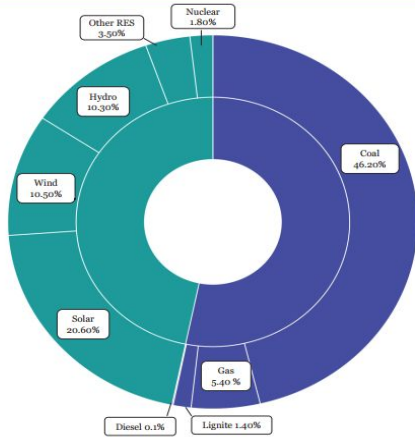


SYLLABUS : GS Paper 3: Conservation, Environmental Pollution and Degradation, Environmental Impact Assessment
Newspaper : The Hindu **Page Number : 10**

Challenges

- **Energy Transition:** Lack of storage technology, access to critical minerals
- **Climate Vulnerability**
 - India 7th most vulnerable
 - extreme weather, sea-level rise, water insecurity
- **International Commitments:** Developed short of their NDCs
- **Adaptation expenditure:** 3.7% to 5.6% of GDP (FY16 to FY22)

Chart X.5: India's Installed Generation Capacity (fuel-wise) (30 November 2024)



Energy Transition

- **Historical Context:** Developed transitioned from coal to gas, not emissions reduction
- **India's Energy Needs:**
 - Growing energy demand
 - Need coal while advancing RE - large expansion in 2010s so "no valid economic rationale" to shutter
- **RE Challenges:**
 - Grid integration issues
 - Land availability
- **Nuclear Energy:** Potential alternative but public safety concerns and supply chain challenges

Chart X.1: International flow of finance in 2021-22 (in USD billion)

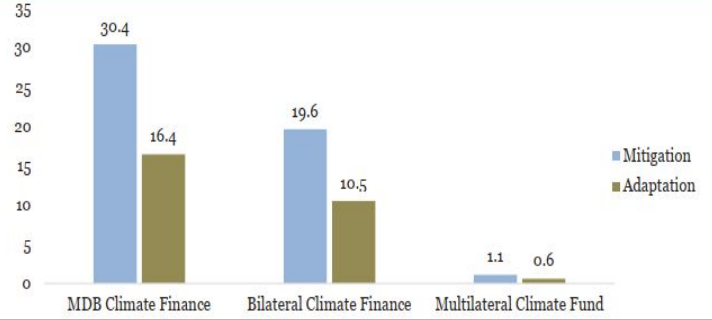
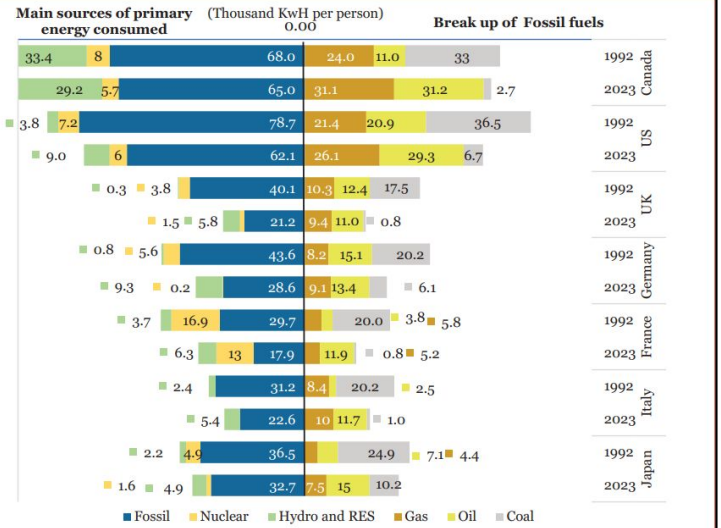


Chart X.3: Per capita energy consumption by sources in G7 in 1992 and 2023



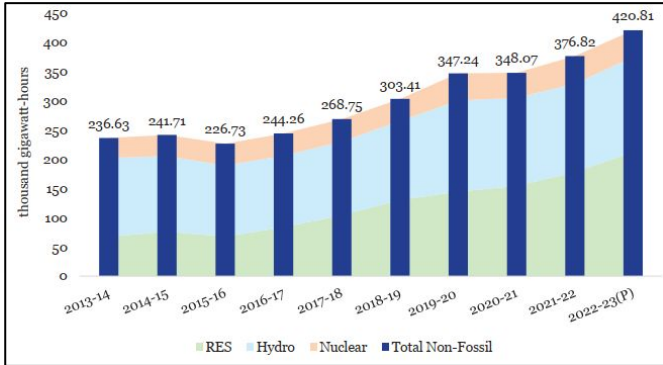
Renewable Energy Progress

- **Installed Capacity:** 46.8% of India's electricity generation capacity - non-fossil fuels (solar, wind, hydro, nuclear)
- **Solar Power:** PM Surya Ghar Muft Bijli Yojana - aim rooftop solar in 1 crore households
- **Offshore Wind:** VGF scheme
- **Bioenergy:** National Bioenergy Programme promotes waste-to-energy, biomass, and biogas projects
- **Green Bonds & Green Deposits**



SYLLABUS : GS Paper 3: Conservation, Environmental Pollution and Degradation, Environmental Impact Assessment

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Lifestyle for Environment (LiFE)

- **Global Movement:** endorsed by the UNEA
- **Behavioral Change:** reducing food waste, plant-based diets, energy-efficient practices
- **Urban Initiatives:** Vertical gardens, waste management, and public transport expansion

Circular Economy and Resource Efficiency

- **Waste Management:** EPR framework for recycling
- **Plastic Pollution:**
 - per capita plastic consumption is low (14 kg)
 - banning single-use plastics

Adaptation Measures

- **National Adaptation Plan:** Under development to align with SDGs
- **Agriculture:** climate-resilient seeds, groundwater preservation, soil health, modified cropping practices
- **Urban Resilience:** National Mission on Sustainable Habitat, AMRUT to address urban flooding, heat stress, water management
- **Coastal Regions:** Mangrove conservation, sea walls, beach nourishment to combat sea-level rise
- **Water Management:** Jal Shakti Abhiyan for rainwater harvesting, water body mapping, afforestation



SYLLABUS : GS 3 Paper : Indian Economy
Newspaper : The Hindu Page Number : 11

- **Economic Backbone**
 - 16% to India's GDP (FY24)
 - 46.1% of the population
- **Growth Resilience:** 5% annually FY17 to FY23
- **Recovery in FY25**

Growth Drivers

- **Government Initiatives:** Assured remunerative prices, institutional credit access, crop diversification, sustainable practices
- **Monsoon:** Kharif foodgrain production in 2024 up by 5%
- **Agri Income Growth:** 5.23% annually over the past decade

Floriculture: A Sunrise Industry

- **Export-Oriented**
- **Profitability:** Higher returns, potential for small landholdings
- **Export Growth:** In FY24, export earning ₹717 cr

Allied Sectors: Livestock and Fisheries

- **Livestock Growth:**
 - Contributed 30.23% to agricultural GVA in FY23
- **Fisheries Expansion:**
 - CAGR 13.67% from FY15 to FY23
 - seafood exports growing by 29.70% from FY20 to FY24

Chart IX.1: Agriculture's Steady performance



Chart IX.15: Declining share of non-institutional credit

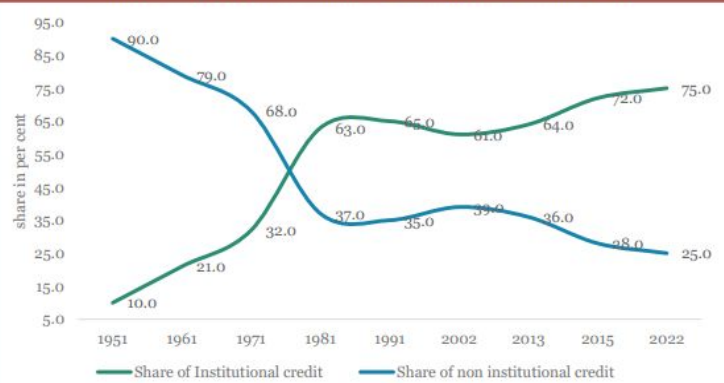
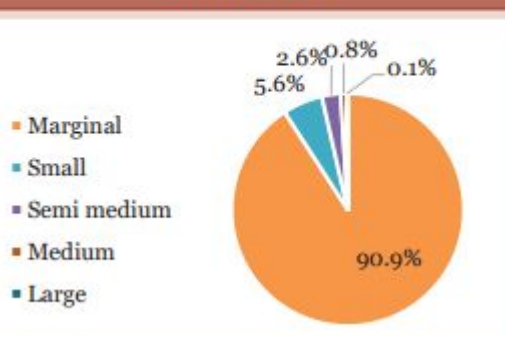


Chart: IX.3 Distribution of operational landholdings under floriculture



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Newspaper : The Hindu Page Number : 11

Challenges

- **Weather Variability:** CC risks, but diversified income streams e.g., animal husbandry, fisheries
- **Regional Variations:** AP, MP, TN lead in growth
- **Productivity Gaps:** crop yields < global averages
- Slower growth in oilseeds (1.9%) due to heavy reliance on imports.

The Survey raised concerns over the slower growth rate of oilseeds at 1.9%, especially considering India's heavy reliance on imports to satisfy domestic edible oil demands.

“The fisheries sector has demonstrated the highest compound annual growth rate (CAGR) at 13.67%, followed by livestock with a CAGR of 12.99% during 2013-14 to 2022-23 (at current prices).”

On irrigation, it pointed out, “The coverage of irrigation area has increased between 2015-16 and 2020-21 from 49.3% to 55% of the gross cropped area (GCA), while irrigation intensity has risen from 144.2% to 154.5%,” and underscored the need to improve irrigation in States such as Jharkhand and Assam with coverage below 20%.

Future Potential

- Untapped growth opportunities in pulses, edible oils, and high-value crops
- Market-driven price signals
- Risk hedging mechanisms
- Sustainable practices to boost productivity

Irrigation & Infrastructure:

- Irrigation coverage increased from 49.3% to 55% (2015-16 to 2020-21)
- Irrigation intensity rose from 144.2% to 154.5%.
- Need to improve irrigation in states like Jharkhand and Assam (coverage < 20%)

Recommendations for Agriculture:

- Promote R&D to align agricultural practices with agro-climatic conditions
- Adapt production patterns to natural resource availability



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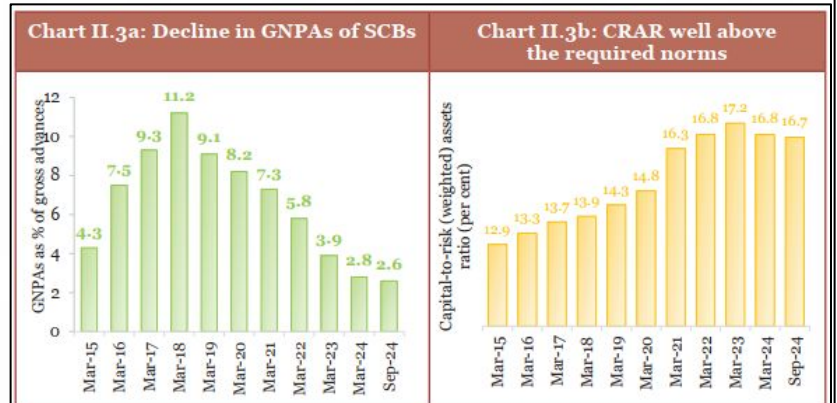
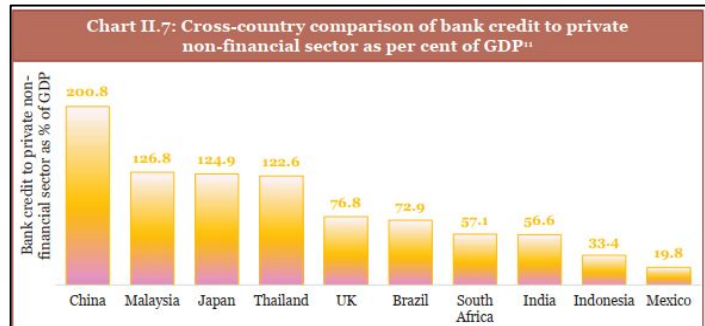
- **Bank Credit Growth:** Steady, converging with deposit growth
- **Profitability of SCBs:** GNPA's (12 year low), CRAR
- **Financial Inclusion**
 - RBI's Financial Inclusion Index rose from 53.9 (2021) to 64.2 (2024)
 - Rural Financial Institutions - 43 RRBs & improved asset quality
- **Development Financial Institutions:** infrastructure financing e.g. NaBFID
- **Capital Markets:** capital formation and wealth creation. stock market hit new highs
- **Insurance and Pension Sectors:** Progress towards universal coverage.

Insurance Sector

- **Growth:**
 - Premium grew by 7.7% in FY24
 - Insurance penetration: 3.7% (FY24)
- **Challenges:**
 - Low penetration - global average 7%
 - Risks from CC, longevity, cybersecurity

Cybersecurity in the Financial Sector

- **Threats:**
 - Financial losses due to cyber incidents: USD 2.5 billion (2024)



- **Positives:**
 - RBI's cybersecurity framework aligned with global standards
 - India ranked Tier 1 in Global Cybersecurity Index 2024.

Emerging Trends in the Financial Sector

- **Consumer Credit:** Increased share in overall bank credit
- **Non-Bank Financing:**
 - Rise in equity-based financing and IPOs (6 fold increase from FY13 to FY24)
 - India's share in global IPOs: 30% in 2024
 - Demat accounts rose to 18.5 crore (December 2024)
- **Regulatory Challenges:** Balancing growth and stability amid rising consumer debt and unsecured lending



SYLLABUS : GS 3 Paper : Indian Economy
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“One critical risk to guard against is the dominance of financial markets in shaping policy and macroeconomic outcomes, a phenomenon known as ‘financialisation’,” it flagged. “The consequences of financialisation are evident in advanced economies, where it has led to unprecedented levels of public and private sector debt – some visible to regulators and some not,” it stated.

“Economic growth in such contexts becomes overly reliant on rising asset prices to offset leverage, exacerbating inequality and asset market considerations that may overly influence public policies, particularly regulatory ones,” it added.

According to the Survey, India should strive to maintain a fine balance between financial sector develop-

Excessive Financialisation:

- Household savings to stock markets
- Retail investors active at Dalal Street

Financialisation Impact:

- Financial markets dominating policy, regulations, macroeconomic outcomes
- AEs – unprecedented public/private sector debt
- Economic growth reliant on rising asset prices, exacerbating inequality

Financial Market Growth:

- in line with the economy’s capital needs
- work alongside the banking sector to meet capital requirements
- Banks need to adapt to the digital economy and new-age households
- maintain core credit creation functions



SYLLABUS : GS 3 Paper : Indian Economy

Newspaper : The Hindu Page Number : 11, The Indian Express : 17

Concerns and Fears

- **Job Displacement:**
 - Past IRs
 - expected to outperform humans in decision-making
- **Concentration of Benefits:**
 - AI development - few large companies
 - "winner-takes-all" - inequality
- **Uncertainty and Risk:**
 - pace of AI development > pace of regulatory frameworks
- **Barriers to AI adoption**
 - Reliability - biased outputs
 - Infrastructure deficit - data centres, computational resources
 - Resource efficiency - energy
 - Indigenous LLMs

Suggestions

- Balancing Innovation and Equity
- Institution Building
- Tripartite Collaboration: Govt, private, academia
- Proactive Policymaking
- Long-Term Vision: investing in education, skilling, social infrastructure

risk of concentrating the benefits of automation.”

Engle's pause

The report acknowledges that while previous technological advancements had often increased job opportunities, this came at the expense of displaced workers facing “protracted” unemployment, for decades on end, known as Engle's pause.

Such a lag is not desirable for India's service-led economy, the report advances. “India would have to create an average of 78.5 lakh jobs annually in the non-farm sector by 2030 to cater to the rising work-

force,” the report says.

But the report also casts technological advancements as a net benefit for employment, citing low job losses in India from factory automation, and the potential for “Human-AI teams” in scientific research.

The role of institutional involvement in stewarding AI's growth in India is key, the report posits. It warns labour markets themselves are “shifting” in anticipation of AI impact. As such, the report says, “The responsibility for course correction will then fall in the hands of the public sector,” calling for vigilance.

AI Adoption & Challenges:

- AI R&D by few large companies - creating high entry barriers
- Risk of automation benefits being concentrated in the hands of a few, potentially displacing workers
- Previous technological advances - job creation but prolonged unemployment (Engle's pause)
- This lag is undesirable for India's service-led economy

Job Creation Needs:

- Need 78.5 lakh non-farm jobs annually by 2030
- Potential for “Human-AI teams” in scientific research
- Public sector responsibility for course correction and vigilance



SYLLABUS : GS Paper 3: Conservation, Environment
Newspaper : The Hindu Page Number : 05

enabled tiger recovery and persistence despite high human densities and economic challenges amid rapid urbanisation.

Meticulous balance

“They found that the tiger population in India has increased by 30% over the past two decades. This demonstrates the remarkable success achieved through a meticulous ba-

lance of scientific strategies and a strategic blend of land-sharing and land-sparing,” the National Centre for Biological Sciences (NCBS) said.

It added that despite harbouring the highest human population residing in economically diverse regions, India has achieved significant success in conserving wildlife, even as global wildlife populations

have declined by 73%.

“Protected areas, devoid of humans, through land sparing have allowed sustenance of 85% of breeding populations. These source populations facilitated through corridors and sustainable land-use practices have enabled tigers to disperse and expand into multi-use forests. Tigers now coexist with over 66 million peo-

strengthened due to a strong legislative framework, including the Wildlife Protection Act, Forest Conservation Act, and the National Tiger Conservation Authority.

Other factors

“Beyond ecological factors, economic prosperity and cultural values have influenced tiger persistence, recovery and colonisation. Regions with lower dependence on forest resources and better socio-economic conditions have witnessed higher tiger recolonisation rates. Conversely, areas with high poverty, and armed conflict such as in Naxal-af-

“While India’s tiger recovery is an extraordinary achievement, challenges remain. Large tracts of potential tiger habitat – spanning 157,000 sq km – are still devoid of tigers due to socio-political instability and habitat degradation,” the study said.

70% of world’s tigers

As per government data released on July 26, 2024, India is home to 70% of the world’s wild tiger population.

As per this data, the tiger population in 2006 was 1,411, it increased to 1,706 in 2010 and to 2,226 in 2024. In 2018, the tiger population was 2,967.

- 70% of the world’s wild tiger population
- Tiger population data:
 - a. 2006: 1,411
 - b. 2010: 1,706
 - c. 2018: 2,967
 - d. 2024: 2,226
- Tigers Population Up by 30% over the past 2 decades

Factors Behind Tiger Recovery:

- Successful balance of scientific strategies and land-sharing/land-sparing practices
- 85% of breeding tiger populations sustained in protected areas (land-sparing)
- Coexistence with Humans:
- Corridors and sustainable land-use practices enabled tiger dispersion into multi-use forests.
- WPA, FCA, NTCA

Economic and Cultural Factors:

- Regions with lower dependence on forest resources and better socio-economic conditions – higher tiger recolonisation rates
- Areas with poverty and armed conflict (e.g., Naxal-affected regions) – tiger decline

Challenges & Remaining Gaps:

- 157,000 sq km of potential tiger habitat remains uninhabited – socio-political instability, habitat degradation



Q1: Consider the following statements regarding the Economic Survey 2024-25:

1. India's real GDP growth is projected at 6.4% for FY25.
2. The real GVA (Gross Value Added) is also expected to grow at 6.4% in FY25.
3. GDP growth for FY26 is forecasted between 6.3% and 6.8%.

Which of the statements given above is/are correct?

- a) 1 and 2 only
- b) 2 and 3 only
- c) 1 and 3 only
- d) 1, 2 and 3

Answer: d

Q2: Which of the following statements best describes the term "Mittelstand"?

- a. A socio-economic concept referring to the middle class in Germany.
- b. A term used to describe small and medium-sized enterprises.
- c. A historical period in German history, marking the rise of the bourgeoisie in the 19th century.
- d. A legal framework outlining the rights of small business owners in Germany.

Answer: b

Q3: Which of the following statements are correct regarding the livestock and fisheries sectors?

1. Livestock contributed 30.23% to the agricultural GVA in FY23.
2. The fisheries sector saw a CAGR of 13.67% from FY15 to FY23.
3. Seafood exports grew by 29.70% from FY20 to FY24.

Select the correct answer using the code given below.

- a) 1 and 2 only
- b) 2 and 3 only
- c) 1 and 3 only
- d) 1, 2 and 3

Answer: d

Q4: Which of the following statements is/are correct regarding India's financial sector?

1. Bank credit growth is steady and converging with deposit growth.
2. The GNPA's of Scheduled Commercial Banks (SCBs) have reached a 12-year high, indicating worsened asset quality.

Select the correct answer using the code given below.

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

Answer: a

Q5: Which of the following statements is/are correct regarding the Global Tiger population?

1. The global tiger population increased by 30% over the past 5 years.
2. India holds approximately 90% of the world's wild tiger population.

Select the correct answer using the code given below.

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

Answer: d





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