



**VAJIRAM & RAVI**  
Institute for IAS Examination

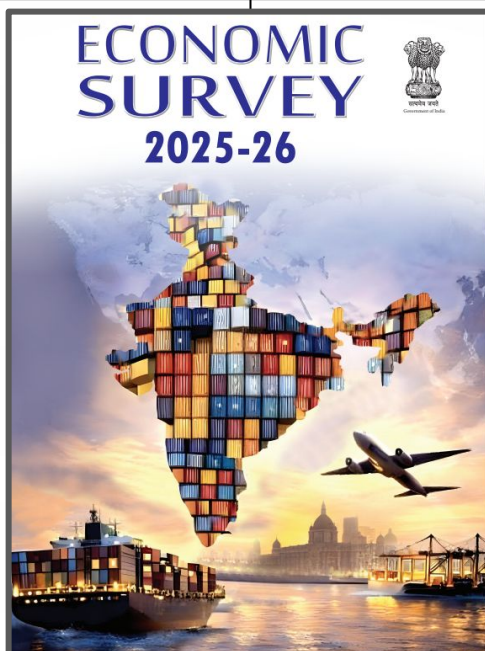
# The Analyst

**CURRENT AFFAIRS Handout**

**30th January 2026**



**CONTEXT:** The Economic Survey was presented in Parliament on 29 January.



## Economic Survey

Annual Flagship Document of Govt. of India  
(Ministry of Finance)

- Prepared by: Economics Division, DEA
- Headed by: Chief Economic Advisor (CEA)
- First Published: 1950-51

— Laid Before Parliament —  
— (Not Voted Upon) —

- Presented Before  
— the Union Budget —



### Purpose & Role

- Reviews macro-economic performance of the previous year
- Analyses:
  - Agriculture • Industry • Services
  - External Sector • Fiscal Developments
- Provides context for the Union Budget
- Suggests Policy Priorities & Reforms (Advisory)

### Historical Notes

Up to 1964: Presented along with Union Budget



- Post-1964: Presented Separately, Ahead of the Budget





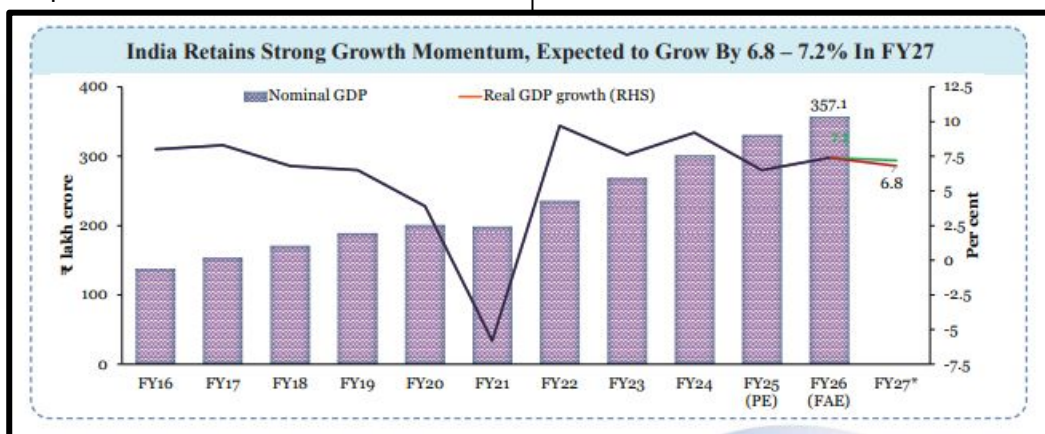
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## Chapter 1- State of Economy

- Global growth: **fragile, diverging, geopolitically constrained**
- Trade policy driven by **security & strategic considerations**
- High **Global Economic Policy Uncertainty Index** (near pandemic levels)

- Risks:** Geopolitical escalation, Financial stress from **leveraged AI investments**, Capital flow volatility

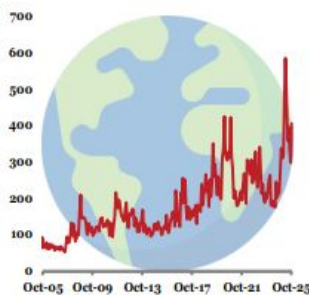
**Implication for India:** External tailwinds weak → **domestic demand, reforms, and resilience become primary growth drivers**



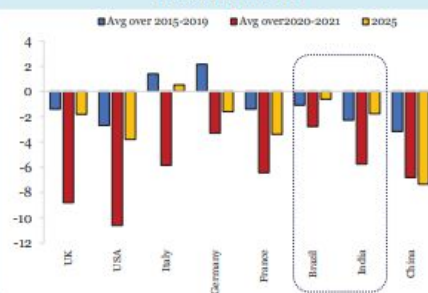
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## State of the Economy – Pushing the Growth Frontier

Global policy is increasingly shaped by security and political considerations rather than efficiency or multilateral rules



### Deteriorating primary balances (% of GDP) across the world



### Rising sovereign yields across the world





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# Economic Statecraft

Economic statecraft → economic tools for strategic / security objectives

## Drivers

- Geopolitics
- Tech Dominance
- GVC Vulnerabilities
- Pandemic Shocks

## Economic Policy

Growth, Inflation, Deficits

## Economic Statecraft

Coercion, Leverage, Security

## Core Objective

Strategic Resilience  
- Reduced Dependence, Supply Security

Indispensability  
Control Critical Nodes, Technologies

## Contemporary Examples

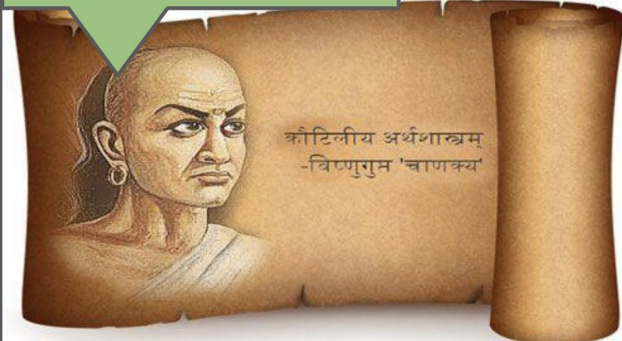
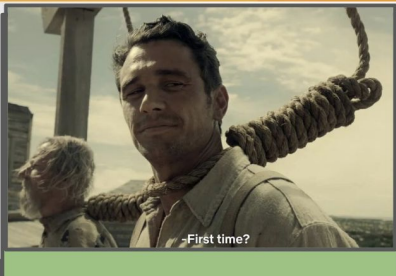
- Export Controls → US → China Restrictions
- Critical Minerals → China → Rare Earth Exports
- Sanctions / Blacklists → Russia
- Carbon Tariffs → EU CBAM
- Fiscal Statecraft → Defence, Green Transition

## Contemporary Shift

- Interdependence → Vulnerability
- Pandemic Disruptions → Supply Chain Risk
- Weaponisation: Energy, Finance
- Tech Controls: Semiconductors, AI

## Response

- Diversification
- Friend-Shoring
- Security Lens





**CONTEXT:** The Economic Survey was presented in Parliament on 29 January.

### Nowcasting Model

- COVID-19 lockdowns → economic disruption
- Policy need → real-time growth assessment
- Official GDP data → 2-month lag
- Institutional response → GDP Nowcasting Model (Economic Division)
- Nowcasting → present / near-future / recent-past estimation
- Horizon → short-term forecasting
- Method → early-release data exploitation
- Inputs → High-Frequency Indicators (monthly)
- Output → early estimate of quarterly GDP
- Reference → Banbura, Giannone & Reichlin (2010)

### IMF gives 'C' grade for India's national accounts statistics

T.C.A. Sharad Raghavan  
NEW DELHI

The International Monetary Fund's annual review has given India's national accounts statistics — including Gross Domestic Product (GDP) and Gross Value Added (GVA) — a grade of 'C', the second-lowest rating.

According to the IMF, this grade means the data available "have some shortcomings that somewhat hamper surveillance". This is of particular significance as the government will release the national accounts data for Q2 of this financial year on Friday.

#### Weaknesses cited

"National accounts data are available at adequate frequency and timeliness and provide broadly adequate granularity," the IMF noted in its annual Article IV assessment of India's economic framework. "However, some methodo-



Grade 'C' means the available data have shortcomings that hamper surveillance. REUTERS

logical weaknesses somewhat hamper surveillance and warrant an overall sectoral rating for the national accounts of 'C.' Overall, across all data categories, India has received grade 'B'. There are four grades in total: A, B, C and D.

#### 'Sizeable discrepancies'

For example, it highlighted an outdated base year of 2014-12 on which the data is based, and the use of wholesale price indices as data sources for deflators due to

the lack of producer prices indices.

It further pointed out periodic "sizeable discrepancies" between the production and expenditure approaches of measuring GDP, "that may indicate the need to enhance the coverage of the expenditure approach data and the informal sector".

The Indian government has, from the beginning, used the income approach to measure GDP by measuring the incomes of the government, people, and companies. However, it also provides an estimate based on the expenditure approach, which attempts to quantify GDP through the spending done by these entities.

Often, due to the differing data sources and their coverage, the two estimates of GDP differ, which has attracted criticism from some economists.

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Ministry of Statistics & Programme Implementation

## Fix Base year for GDP, IIP and CPI

प्रविष्टि तिथि: 06 AUG 2025 4:34PM by PIB Delhi

The Ministry is underway to revise the base year of Gross Domestic Product (GDP), Index Industrial Production (IIP) and Consumer Price Index (CPI). The base year is revised periodically to better capture the structural changes happening in the economy by updating the methodology of compilation and incorporation of new data sources.

The proposed new base year for the GDP and IIP is 2022-23, and for CPI the proposed base year is 2024.

For the CPI, list of items and their respective weights derived from the Household Consumption Expenditure Survey of 2023-24 is used in the revised index.

The Ministry has conducted its first Forward-Looking Survey on Private Corporate Sector CAPEX Investment Intentions from November 2024 to January 2025 and the findings of the survey have been published. The Ministry has also conducted a Pilot Study on Annual Survey of Services Sector Enterprises (ASSSE) to capture insights into the Incorporated Service Sector. The decision to conduct the next Economic Census i.e., 8th EC is yet to be taken.

This information was given by the Minister of State (Independent Charge) of the Ministry of Statistics and Programme Implementation; Minister of State (Independent Charge) of the Ministry of Planning and Minister of State in the Ministry of Culture Rao Inderjit Singh in a written reply to a question in the Lok Sabha today.

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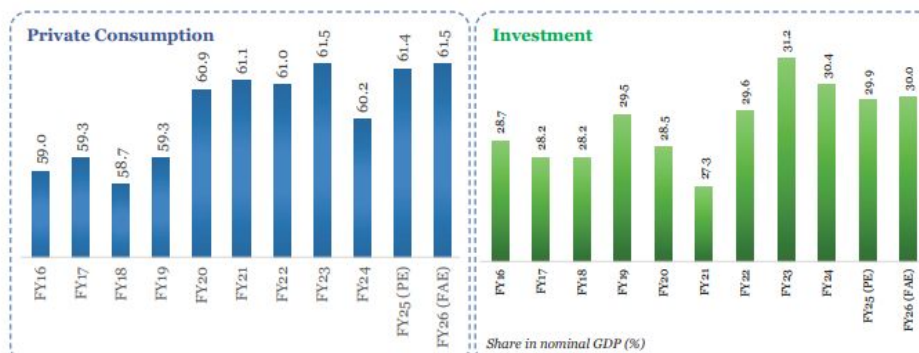


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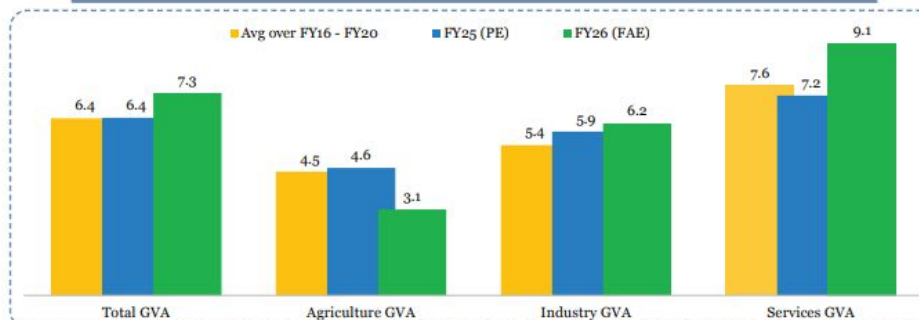
## India's Growth Performance: Momentum Intact : Recent Trends

- Strong growth in **Q1**, acceleration in **Q2 & Q3**
- FY26 growth expected **>7%**
- Growth broad-based across:
  - Consumption
  - Investment
  - Industry
  - Services

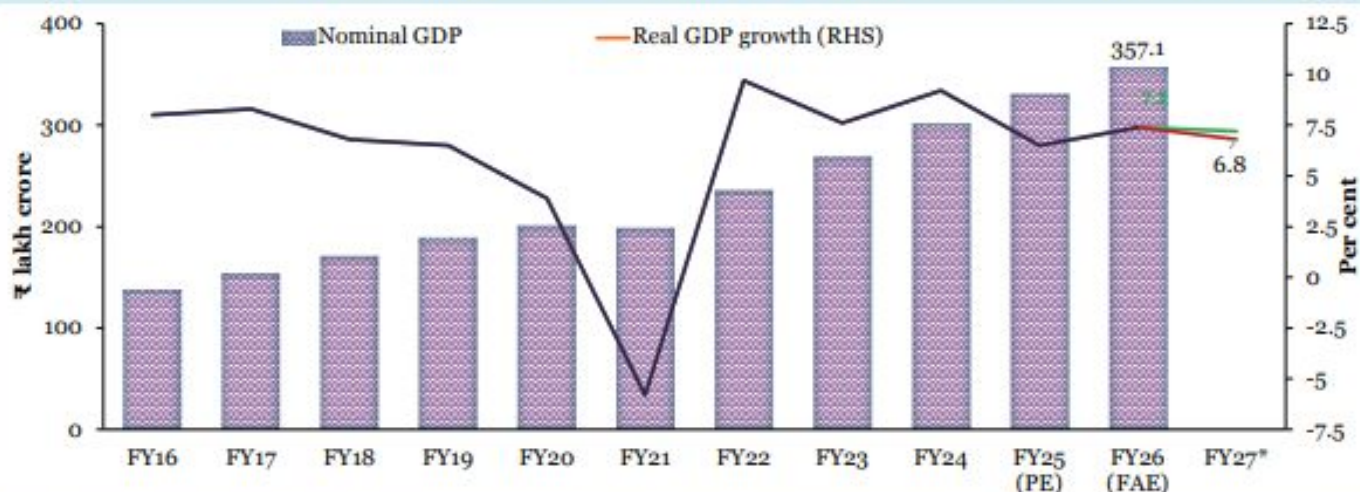
### Private Consumption and Investment are Drivers of India's Growth



### Broad-Based Growth in Real Gross Value Added (%)



## India Retains Strong Growth Momentum, Expected to Grow By 6.8 – 7.2% In FY27



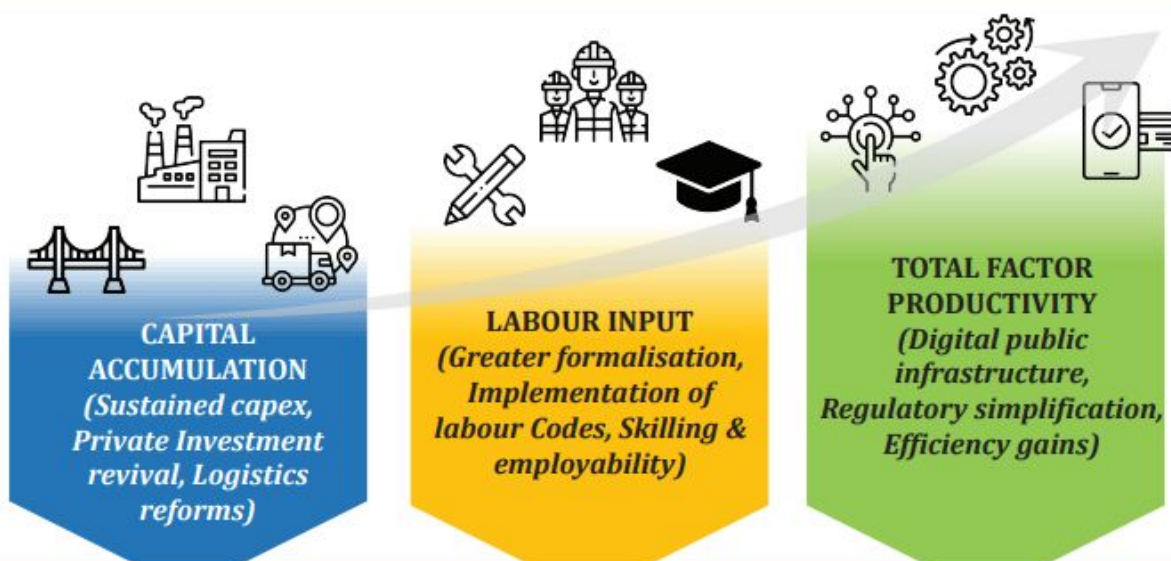


**CONTEXT:** The Economic Survey was presented in Parliament on 29 January.

**Measures taken**

1. **Increase public capital expenditure** to crowd-in private investment
2. **Strengthen infrastructure & logistics** (PM Gati Shakti, multimodal transport)
3. **Boost manufacturing investment** through PLI and policy certainty
4. **Accelerate labour formalisation** via GST, EPFO, ESIC coverage
5. **Implement Labour Codes** to improve flexibility and job security
6. **Expand skilling & employability programmes** aligned with industry needs
7. **Scale Digital Public Infrastructure** to reduce costs and improve efficiency
8. **Simplify regulations & compliance burden** to raise productivity
9. **Promote innovation and technology adoption** across sectors
10. **Maintain macroeconomic stability** (fiscal discipline, low inflation, financial stability)

**Reform Express Pushes India's Potential GDP to ~7%**



**STRONG MACRO FUNDAMENTALS AND SUSTAINED REFORMS**





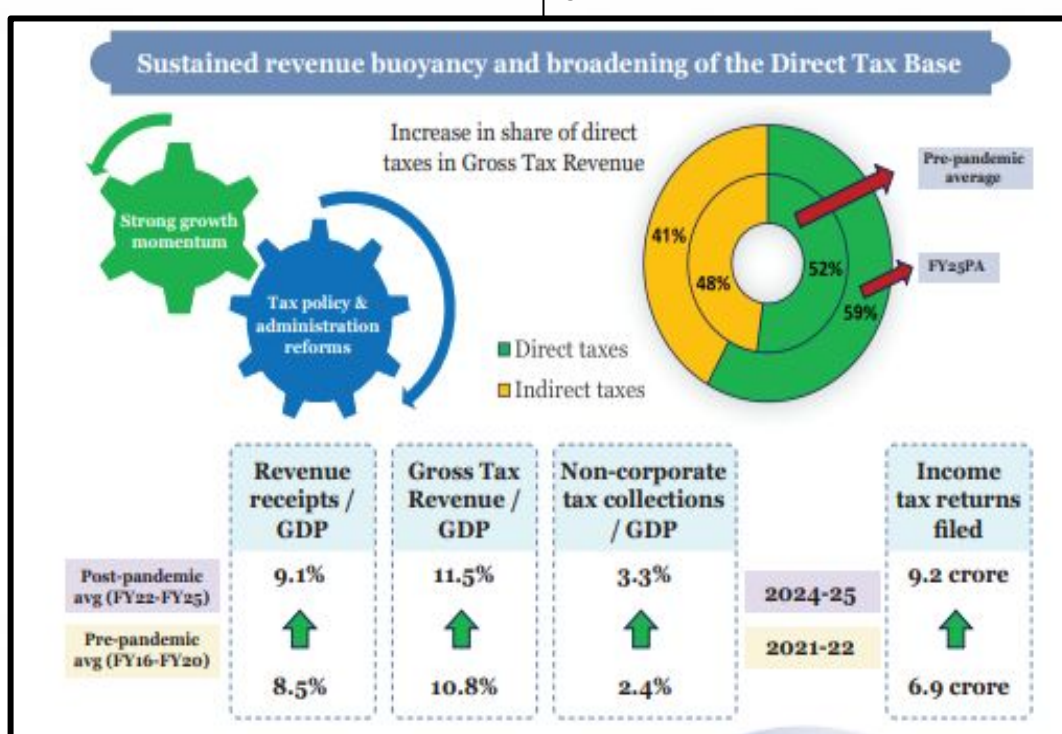
**CONTEXT:** The Economic Survey was presented in Parliament on 29 January.

## Chapter 2 : Fiscal Developments

**Context & Rationale of the Chapter :** Post-COVID phase required **counter-cyclical fiscal expansion**

- Now, priority has shifted to:
  - Fiscal consolidation**
  - Debt sustainability**
  - Quality of expenditure**

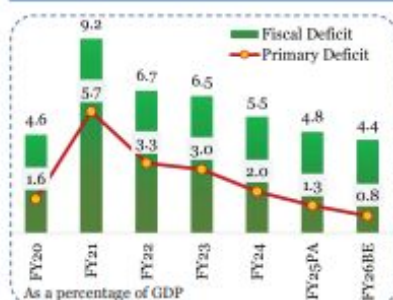
Special emphasis in this chapter: **State government finances** (unlike earlier Surveys)



## 2

## Fiscal Developments: Anchoring Stability through Credible Consolidation

**Fiscal policy as a key anchor of macroeconomic stability and confidence**



**Prudent fiscal management as the key driver behind sovereign credit rating upgrades (2025)**

Morningstar DBRS  
S&P Global ratings  
R&I, Japan

Improved Revenue Buoyancy

Continued emphasis on capex

Improved fiscal transparency

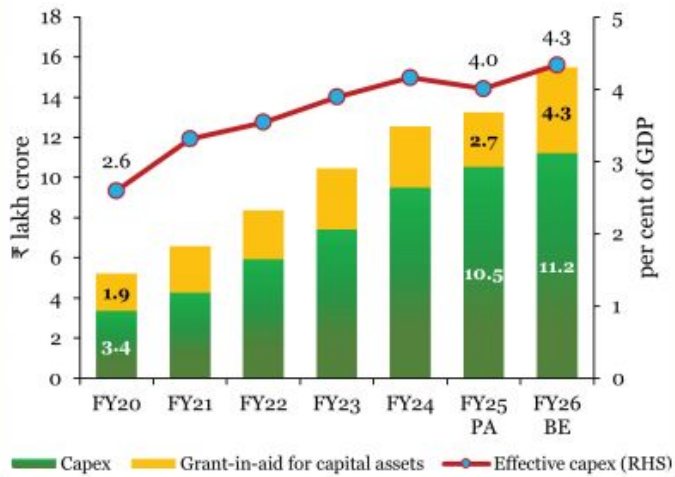
Continued Deficit reduction along a credible path



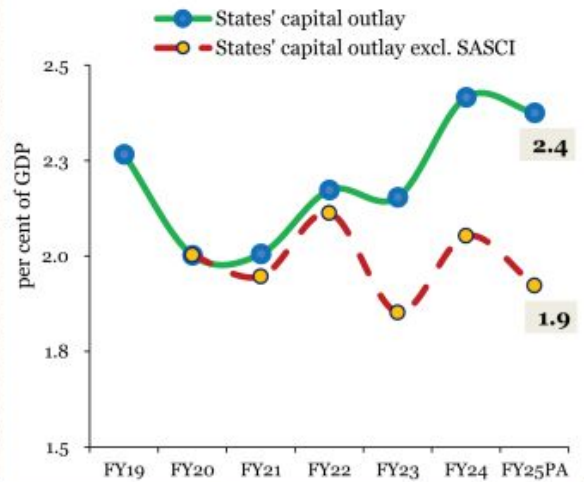


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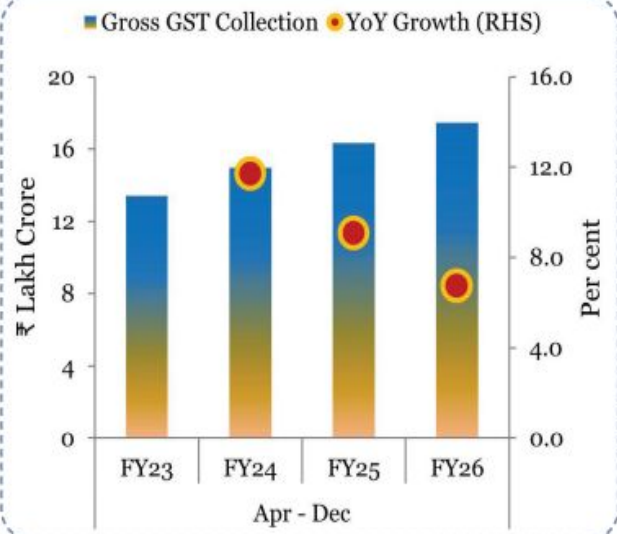
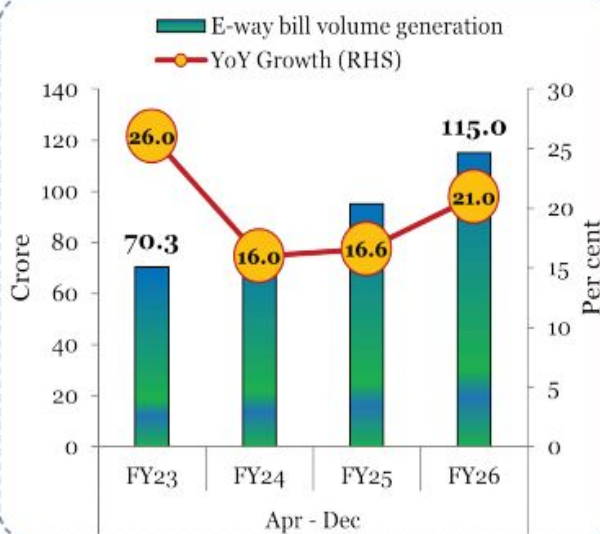
Centre's effective capex to GDP scaled up from a pre-pandemic average of 2.7% to 4% in FY25



Centre's SASCI successfully incentivised the States to maintain their capex at 2.4% of GDP



Robust transaction momentum under GST, even as gross GST collections track nominal GDP growth



**CONTEXT:** The Economic Survey was presented in Parliament on 29 January.

## GST 2.0 reforms & impact



Two-rate  
Structure

18% Standard and  
5% Merit

40% De-merit/  
Sin-good (incl of cess)

## Expected channels of impact

**CONSUMPTION BOOST**  
*Simplified Compliance, Support household consumption, Wider Tax Base.*

**MANUFACTURING & TRADE**  
*Boost Manufacturing, Enhance trade competitiveness, Encourage small businesses to formalise.*

**STRUCTURAL REFORMS**  
*Resolve Inverted Duty Structure, Improve Working Capital.*

## Survey raises concerns over unconditional cash transfers

It says such programmes may have short-term benefits, but the rapid scale-up and persistence raises concerns about fiscal viability and medium-term growth prospects when not supported by investments in employment, skills, and human capital

T.C.A. Sharad Raghavan  
NEW DELHI

In a year when four major States go to the polls, of which only one is ruled by the Bharatiya Janata Party, the Economic Survey 2025-26 has come out strongly against "unconditional cash transfers" (UCT), including to women. It highlighted that while these have short-term gains, they raise concerns about fiscal sustainability and medium-term growth.

Notably, last year's edition of the Survey had noted that cash transfers and loans to targeted poorer and lower-income households were having positive effects on consumption, allowing these households to fund various basic needs and debt repayments.

Assembly elections will be held in West Bengal, Tamil Nadu, Kerala, and Assam, along with Puducherry this year.

### Rising cash transfers

The Survey noted that aggregate spending on UCT programmes, particularly for women, is estimated at about ₹1.7 lakh crore for the current financial year 2025-26. It added that the number of States implementing them increased



**Money matters:** Chief Economic Adviser V. Anantha Nageswaran with other officials addressing the media on the Economic Survey on Thursday. SUSHIL KUMAR VERMA

more than five-fold between 2022-23 and 2025-26, with around half of them estimated to be in revenue deficit.

The Survey further cited a study which estimated that such transfers amounted to 0.19-1.25% of the gross domestic products of States and 0.68-8.26% of their total budgetary expenditures.

"It is argued that cash transfers provide immediate income support, helping women meet unmet health and personal

needs," the survey said. "Some view it as a return for their unpaid contribution to the GDP. However, their rapid scale-up and persistence raise concerns about fiscal sustainability and medium-term growth, particularly when not complemented by investments in employment, skills, and human capital," it added.

**Increasing fiscal burden**  
The Survey noted that revenue expenditure continues to account for the bulk of State spending, ac-

counting for 84% of total expenditure in 2023-24, albeit somewhat lower than the 86% in 2018-19.

"Within revenue expenditure, however, the composition has undergone a notable shift, with an increasing tilt towards unconditional cash transfers and other committed outlays," the Survey said.

"As these transfers absorb a rising share of available fiscal space, the scope for expanding productive capital expenditure becomes increasingly con-

**The Economic Survey notes that revenue expenditure continues to account for the bulk of State spending**

strained, especially in an environment of limited revenues and elevated deficits," it added.

### Fiscal trade-off

The Economic Survey pointed out the trade-off facing States: additional spending by States will crowd out resources for critical social and physical infrastructure, unless States increase their deficits.

However, deficits themselves cannot increase without further deteriorating the financial health of the States.

"These trade-offs are reinforced by programme design: many schemes lack sunset clauses or periodic reviews, increasing rigidity in revenue expenditure," the Survey said.

"As a result, capital expenditure, whose growth impact is stronger and more durable, often becomes the casualty when fiscal pressures intensify, with adverse implications for medium-term growth."

## Survey calls for relaxing FRBM for Centre, but says States' finances worsening

T.C.A. Sharad Raghavan  
NEW DELHI

The Economic Survey 2025-26 has argued in favour of a delay in strict fiscal targets for the Centre, such as those that had been set under the Fiscal Responsibility and Budget Management (FRBM) Act, saying the government currently needs flexibility to fine-tune fiscal policy "in response to a volatile and unpredictable geopolitical and socioeconomic environment".

The Survey noted that the Centre had stuck to its commitments to reduce its fiscal deficit, but also cautioned States about worsening finances brought on by lower revenues and higher expenditure, including on cash transfers.

The Survey said that after spiking to 9.2% of the GDP during the pandemic year of 2020-21, the Centre's fiscal deficit was on target to be 4.4% at the end of the current financial year, in line with Union Finance Minister Nirmala Sitharaman's commitment to halve the 2020-21 fiscal deficit in five years.

"It is noteworthy that the government was determined to and succeeded in bringing down the fiscal deficit ratio as promised, despite it not being a legislative target, even while

### Balancing act

The Economic Survey (2025-26) says the government must have flexibility to fine-tune fiscal policy in response to emerging needs

■ After spiking to 9.2% of GDP during the pandemic year of 2020-21, the Centre's fiscal deficit is on target to be 4.4% at the end of the current financial year, the Survey says, adding that it is noteworthy that the government has succeeded in bringing down the fiscal deficit ratio

■ However, the Survey also says that it is important to retain the trust among financial markets and credit-rating agencies by working towards the 3% target as envisaged in the Fiscal Responsibility and Budget Management (FRBM) Act, 2003



improving the quality of fiscal expenditure with a concurrent emphasis on capital expenditure," the Survey said.

### Fiscal flexibility

The FRBM Act's fiscal deficit target of 3% of GDP by March 2020 has been repeatedly deferred by the government, and the Survey acknowledged that there is a "perception" that this target and framework must be reinstated. However, it also went on to argue that this might not be the best approach.

"While it appears *prima facie* appropriate, in the highly uncertain current global environment, it is important to retain greater policy freedom and commit to targets that the government can deliver on," the Survey said.

"Since the FRBM Act was first enacted in 2003,

the 3% target has been achieved only once."

This, it said, eroded India's fiscal credibility. Since then, it has taken five years of "sustained commitment to fiscal prudence" following the COVID-19 pandemic for this trust to be restored among financial markets and credit-rating agencies.

"It is important to retain that trust," the Survey emphasised.

### Revenue deficit

While praising the Centre for its fiscal prudence, the Survey however cautioned State governments against worsening finances.

The number of States in revenue surplus reduced from 19 in 2018-19 to 11 in 2024-25, leading to an overall increase in the collective revenue deficit of States to 0.7% from 0.1% of GDP over this time period.





**CONTEXT:** The Economic Survey was presented in Parliament on 29 January.

## States' fiscal populism, cash transfers risk crowding out productive capex

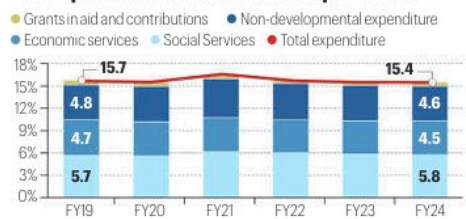
Pratyush Deep &  
Dheeraj Mishra  
New Delhi, January 29

FISCAL POPULISM, especially through unconditional cash transfers, in several states poses emerging risks by crowding out growth-enhancing capital expenditure, said the Economic Survey for 2025-26. This also increasingly affects the cost at which the government borrows and India's overall fiscal credibility, noted the survey, tabled in Parliament on Thursday.

As per the report, between FY19 and FY25, a total of 18 states saw a deterioration in their revenue balances. Out of this, 10 states slipped into revenue deficit from revenue surplus, five worsened their revenue deficit, and three managed to stay in revenue surplus although they witnessed a deterioration.

In FY19, a total of 19 states were in revenue surplus, which reduced to 11 in FY25, leading to an increase in revenue deficit of states to 0.7% from 0.1% of GDP in FY19. Qualitatively, revenue expenditure is less desirable as it is meant for committed expenditure like salaries, pension, as against capital expenditure which creates long-term assets like infrastructure, roads, fac-

### Composition of States' Total Expenditure



Source: RBI eSTATES database, States' Budget, Documents and MoSPI  
Note: Total expenditure excludes loans and advances disbursed by States

tories etc.

The Survey said unconditional cash transfers (UCTs) expanded rapidly across several states, now forming a growing share of state-level welfare spending. "Aggregate spending on UCT programmes, particularly for women, is estimated at approximately Rs 1.7 lakh crore for FY26. The number of states implementing them increased more than fivefold between FY23 and FY26, with around half of these states estimated to be in revenue deficit," it said.

While cash transfers serve important distributional objectives, their scale and design need to be balanced against the imperative of preserving space for

growth-enhancing investments, the Survey said.

"From a macro perspective, any fiscal indiscipline at the State level also casts a shadow on the sovereign borrowing costs. With markets pricing government debt on a consolidated basis, persistent revenue deficits or an expansion of committed expenditures at the State level could affect sovereign bond yields," the Survey said.

These transfers accounts for the most of the outlay and leave a very constrained space for capital expenditure, whose growth impact is stronger and more durable, it added.

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## PRELIMS 2025

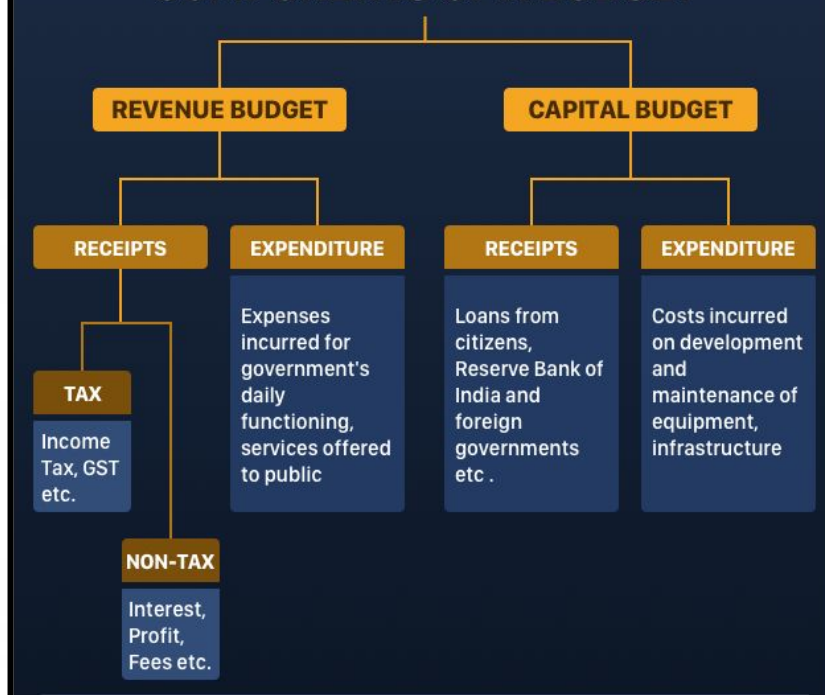
Consider the following statements :

- I. Capital receipts create a liability or cause a reduction in the assets of the Government.
- II. Borrowings and disinvestment are capital receipts.
- III. Interest received on loans creates a liability of the Government.

Which of the statements given above are correct?

- (a) I and II only
- (b) II and III only
- (c) I and III only
- (d) I, II and III

## COMPONENTS OF A BUDGET



**CONTEXT:** The Economic Survey was presented in Parliament on 29 January.

## PRELIMS 2025

61. Suppose the revenue expenditure is ₹ 80,000 crores and the revenue receipts of the Government are ₹ 60,000 crores. The Government budget also shows borrowings of ₹ 10,000 crores and interest payments of ₹ 6,000 crores. Which of the following statements are correct?

- I. Revenue deficit is ₹ 20,000 crores.
- II. Fiscal deficit is ₹ 10,000 crores.
- III. Primary deficit is ₹ 4,000 crores.

Select the correct answer using the code given below.

- (a) I and II only
- (b) II and III only
- (c) I and III only
- (d) I, II and III

## Class XIIth : Macro- Economics :

growth and adverse welfare implications.

**Fiscal Deficit:** Fiscal deficit is the difference between the government's total expenditure and its total receipts excluding borrowing

Gross fiscal deficit = Total expenditure – (Revenue receipts + Non-debt creating capital receipts)

Non-debt creating capital receipts are those receipts which are not borrowings and, therefore, do not give rise to debt. Examples are recovery of loans and the proceeds from the sale of PSUs. The fiscal deficit will have to be financed through borrowing. Thus, it indicates the total borrowing requirements of the government from all sources. From the financing side

Gross fiscal deficit = Net borrowing at home + Borrowing from RBI + Borrowing from abroad

Net borrowing at home includes that directly borrowed from the public through debt instruments (for example, the various small savings schemes) and indirectly from commercial banks through Statutory Liquidity Ratio (SLR). The fiscal deficit of the central government, after declining from 6.6 per cent of GDP in 1990-91 to 4.1 per cent in 1996-97 rose to 6.2 per cent





**CONTEXT:** The Economic Survey was presented in Parliament on 29 January.

## PRELIMS 2025

A country's fiscal deficit stands at ₹ 50,000 crores. It is receiving ₹ 10,000 crores through non-debt creating capital receipts. The country's interest liabilities are ₹ 1,500 crores. What is the gross primary deficit?

- (a) ₹ 48,500 crores
- (b) ₹ 51,500 crores
- (c) ₹ 58,500 crores
- (d) None of the above

## Class XIIth : Macro- Economics

(c) Defence expenditure	1.8	1.8	1.7	1.7	1.8
3. Revenue Deficit(2-1)	3.3	4.0	4.4	4.4	3.6
4. Capital Receipts(a+b+c)	5.6	6.3	7.1	7.4	7.5
(a) Recovery of loans	1.0	0.6	0.7	1.4	2.4
(b) Other receipts(mainly PSU disinvestment)	0.0	0.1	0.2	0.1	0.6
(c) Borrowings and other liabilities	4.6	5.6	6.2	5.9	4.5
5. Capital Expenditure	4.4	2.3	2.7	3.0	4.0
6. Total Expenditure [(2+5=6(a)+6(b))]	17.3	15.4	15.9	16.9	17.1
(a) Plan expenditure	5.0	3.9	4.4	4.6	4.4
(b) Non-plan expenditure	12.3	11.5	11.4	12.3	12.6
7. Fiscal Deficit [6-1-4(a)-4(b)]	6.6	5.6	6.2	5.9	4.5
8. Primary Deficit [7-2(a)]	2.8	0.9	1.5	1.1	0.0

Source: Economic Survey, 2005-06

**Primary Deficit:** We must note that the borrowing requirement of the government includes interest obligations on accumulated debt. To obtain an estimate of borrowing on account of current expenditures exceeding revenues, we need to calculate what has been called the primary deficit. It is simply the fiscal deficit minus the interest payments

Gross primary deficit = Gross fiscal deficit – net interest liabilities

Net interest liabilities consist of interest payments minus interest receipts by the government on net domestic lending.



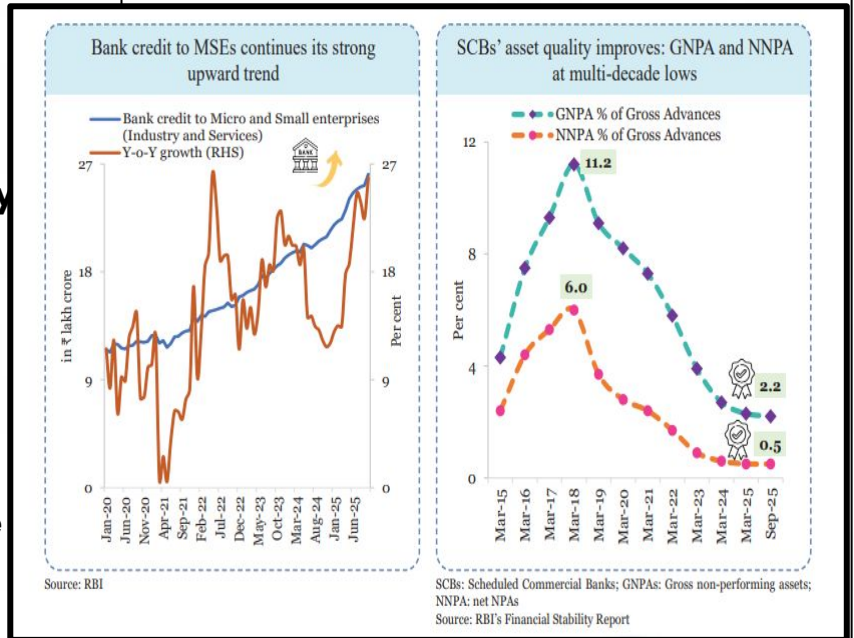
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## Chapter 3 : Monetary Management & Financial Intermediation

**Context & Rationale of the Chapter :**  
Post-COVID phase required **counter-cyclical** fiscal expansion

- Now, priority has shifted to:
  - Fiscal consolidation**
  - Debt sustainability**
  - Quality of expenditure**

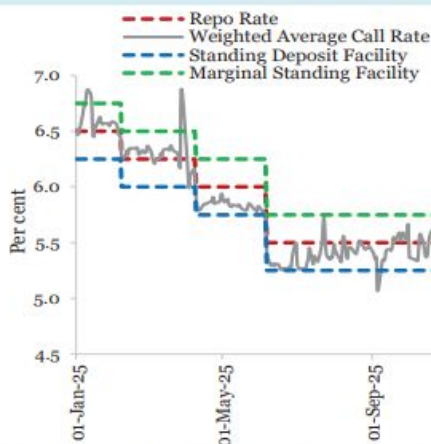
Special emphasis in this chapter: **State government finances** (unlike earlier Surveys)



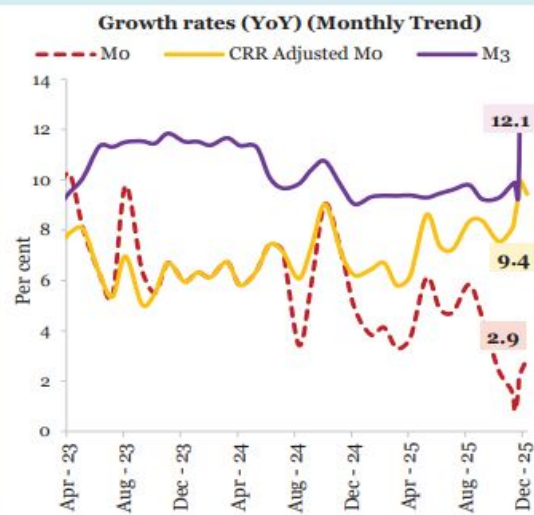
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## Monetary Management & Financial Intermediation: Refining the regulatory touch

**Effective transmission of the monetary policy to the money and credit markets**

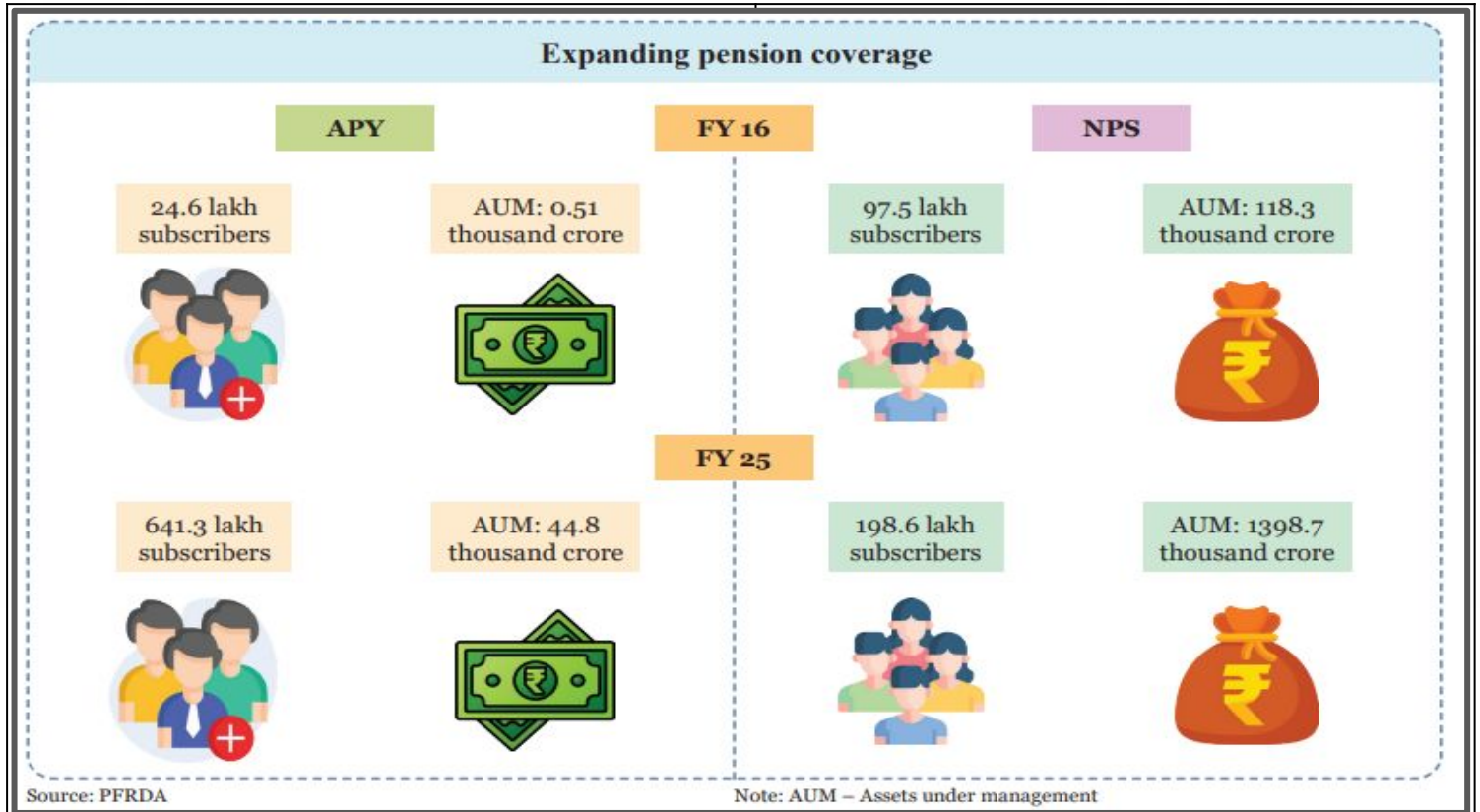


**Monetary developments reflect easing financial conditions**





**CONTEXT:** The Economic Survey was presented in Parliament on 29 January.



## National Pension System (NPS)

- **Launched:** 2004 (for government employees)
- **Extended to all citizens:** 2009
- **Nature:** Defined contribution pension scheme
- **Market-linked returns**
- **Partial withdrawal & portability** allowed

## Atal Pension Yojana (APY)

- Targets **unorganised sector workers**

## Eligibility

- **Age at entry:** 18–40 years
- Individuals **not covered** under:
- EPF / EPS
- NPS (mandatory government employees)
- Assured pension: ₹1,000–₹5,000 per month
- Government co-contribution for eligible subscribers

## Old vs New

A look at the difference between the old and the new pension schemes

Old Pension Scheme	National Pension Scheme
<ul style="list-style-type: none"> <li>■ The scheme guarantees a life-long income, post-retirement</li> <li>■ Government bears the expenditure incurred on the pension</li> <li>■ Under the scheme, a monthly payment is assured, where the amount is equivalent to 50% of the last drawn salary</li> </ul>	<ul style="list-style-type: none"> <li>■ It is a participatory scheme, where employees contribute to their pension corpus from their salaries, with matching contribution from the government</li> <li>■ The funds are invested in earmarked investment schemes through Pension Fund Managers</li> <li>■ On retirement, 60% of the corpus, which is tax-free, is withdrawn while the remaining 40% is invested in annuities, which is taxed</li> </ul>

**CONTEXT:** The Economic Survey was presented in Parliament on 29 January.

## Unified Pension Scheme (UPS)

### Unified Pension Scheme (UPS)

- The Centre has unveiled the **Unified Pension Scheme (UPS)**, which is **broadly similar to the Old Pension Scheme (OPS)**.
- Assured Benefit:** Guarantees **50% of last-drawn salary** as a **lifelong monthly pension** to government employees.
- Key Difference from OPS:**
  - OPS:** Non-contributory and **unfunded**, with no employee or employer contributions, creating open-ended fiscal liabilities.
  - UPS:** **Contributory scheme** with shared responsibility.
- Contributions under UPS:**
  - Employee:** 10% of salary
  - Government:** 18.5% of salary

## Assured Pension

- Pension equal to **50% of average basic pay** drawn during the **last 12 months before superannuation**.
- Applicable for employees with **minimum 25 years of service**.
- Proportionate pension** for service **less than 25 years**, subject to a **minimum of 10 years** of service.

## Assured Family Pension

- On the death of the pensioner, **family pension = 60% of the admissible pension**.
- Payable **immediately after demise**.

## Assured Minimum Pension

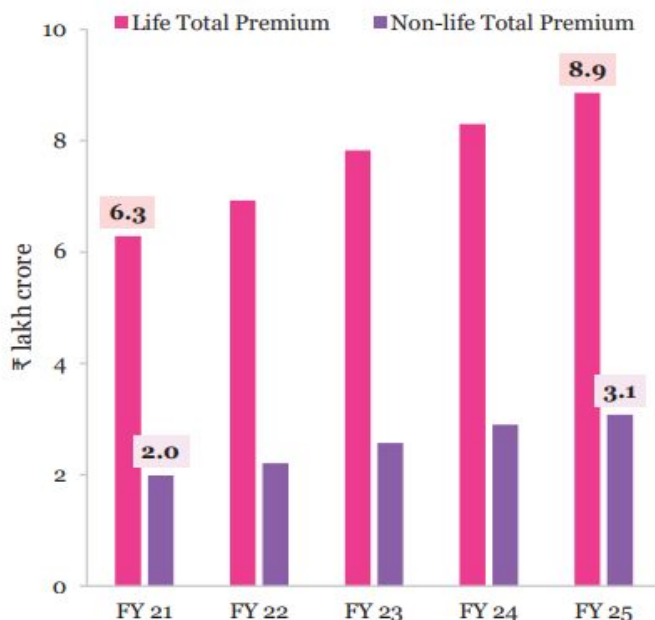
- Employees with **less than 25 years of service** but **minimum 10 years of service** are guaranteed:
  - ₹10,000 per month** as minimum pension on superannuation.



## Towards insurance for all



The total amount of life and non-life premiums is rising



AUM in FY25:  
₹77.4 lakh crore



Total premium income rose from ₹8.3 lakh crore in FY21 to ₹11.9 lakh crore in FY25.



Life insurers paid benefits totalling ₹6.3 lakh crore in FY25.



Net incurred claims in the non-life sector stood at ₹1.9 lakh crore in FY25.



Expanding reach  
- Insurer's offices as of March 2025: 22076  
- Distribution network: 83 lakh partners as of FY25.





**CONTEXT:** The Economic Survey was presented in Parliament on 29 January.

## Insurance Penetration and Insurance Density

### Insurance Penetration

**Definition:**

Premium as % of GDP



**Significance:**

Indicates the development of the insurance sector



### Insurance Density

**Definition:**

Per Capita Premium (USD)



**Significance:**

Reflects average spending per person



### India: Latest Data



Insurance Penetration: **3.7%**

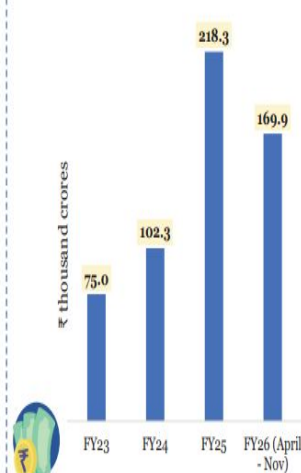
- Life Insurance: **2.7%**
- Non-Life Insurance: **1.0%**

Insurance Density: **USD 97**

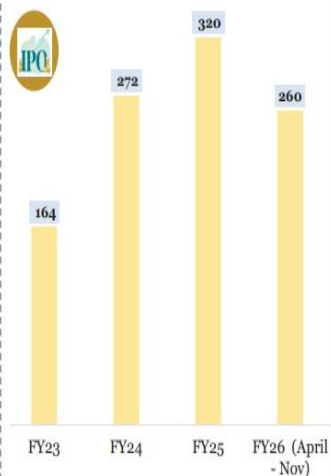
Source: IRDAI Annual Report / Swiss Re Sigma Report

### Developments in the capital market In FY26 (April-November 2025)

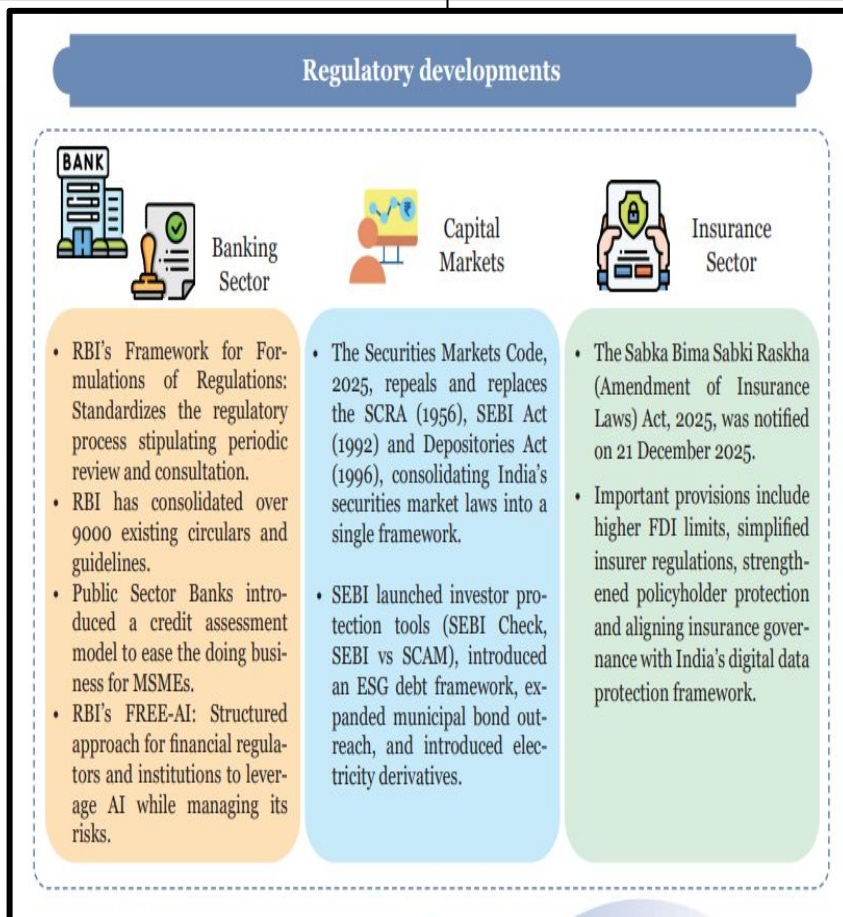
Steady rise in total resource mobilization (equity + debt) from primary markets



Rise in number of Initial Public Offers



**CONTEXT:** The Economic Survey was presented in Parliament on 29 January.



**PRELIMS 2025**

8. Consider the following statements :
- India accounts for a very large portion of all equity option contracts traded globally thus exhibiting a great boom.
  - India's stock market has grown rapidly in the recent past even overtaking Hong Kong's at some point of time.
  - There is no regulatory body either to warn the small investors about the risks of options trading or to act on unregistered financial advisors in this regard.

Which of the statements given above are correct?

- I and II only
- II and III only
- I and III only
- I, II and III

 The Hindu

India overtakes Hong Kong to become fourth-largest stock market

The combined value of shares listed on Indian exchanges reached \$4.33 trillion as of Monday's close, versus \$4.29 trillion for Hong Kong. ... The...

23 Jan 2024



**Common Sense ?**





**CONTEXT:** The Economic Survey was presented in Parliament on 29 January.

## Progress in micro-credit:

*Pradhan Mantri Mudra Yojana (PMMY) and  
Pradhan Mantri Street Vendor's Atma Nirbhar Nidhi (PM SVANidhi)*

### A decade of 'funding the unfunded' through PMMY



Disbursed over ₹36.18 lakh crore across 55.45 crore loan accounts.  
(as of October 2025)

Women entrepreneurs accessed 69 % of all microloans.



₹ 15.6 lakh crore disbursed across 33.4 crore accounts of SCs, STs,  
OBCs and other minorities.

### PM SVANidhi : Empowering India's street vendors through micro-credit delivery

#### Improved quality of life

The average annualised business income among SVANidhi borrowers increased by 20 % between 2023 and 2025.

Improved incomes have led to housing upgrades for 39% of households, better food access for 55%, more affordable healthcare for 44%, and enhanced educational opportunities for 50%.

#### Empowered minorities

33 % the beneficiaries are women, 64 % consist of OBCs, SCs and STs.

#### Healthy credit metrics

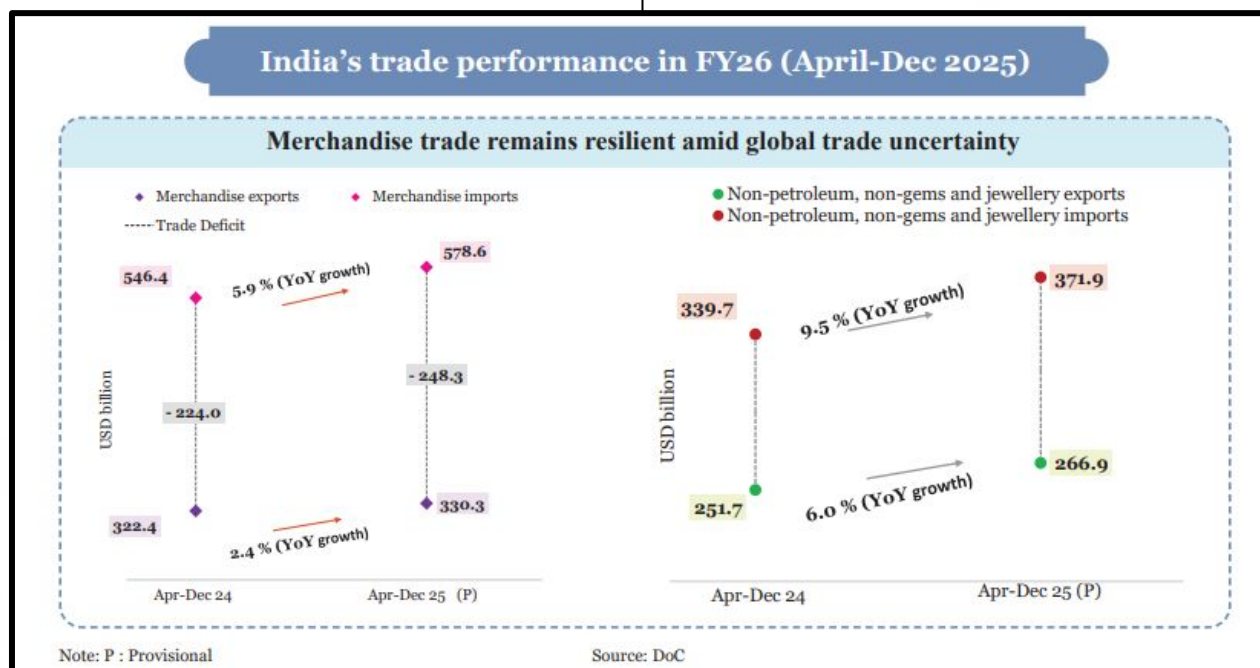
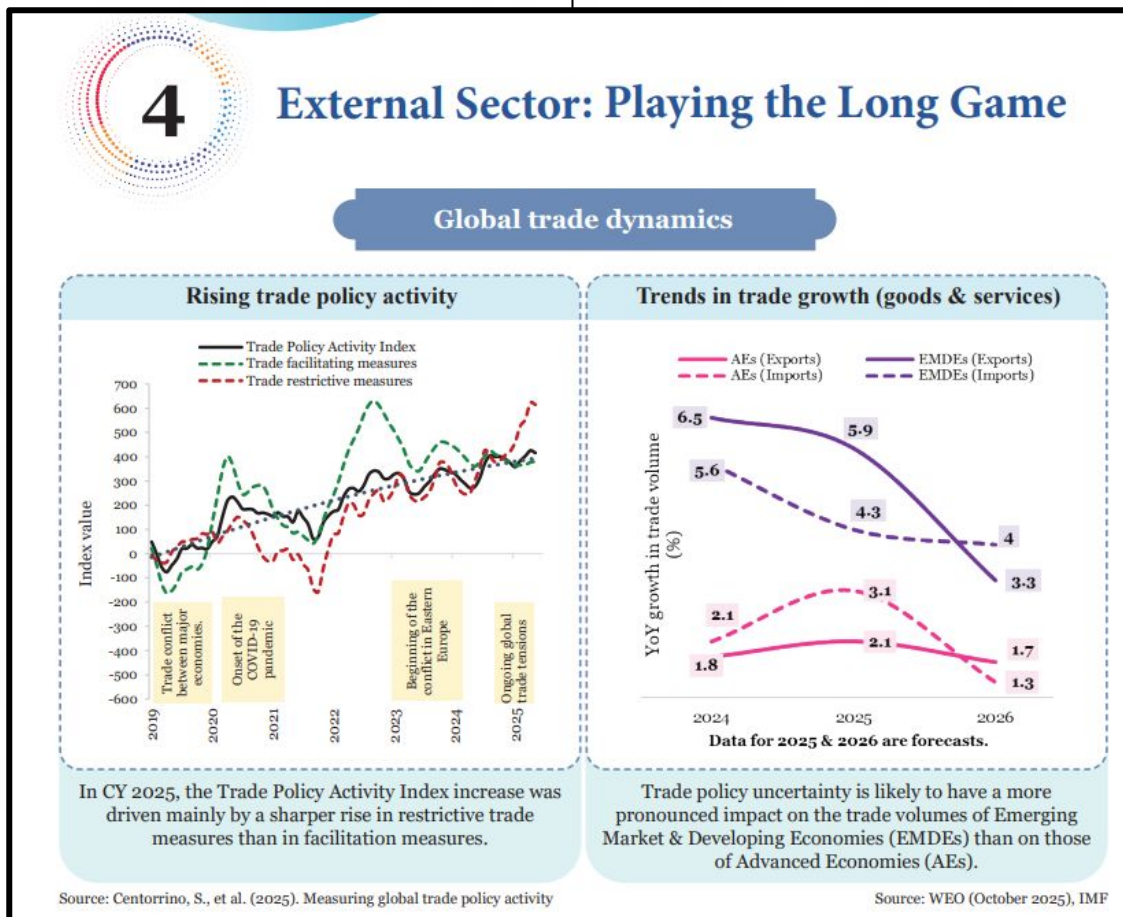
Showed strong repayment performance with the estimated NPA rate being below 10 %.

Source: PM SVANidhi impact assessment report – 2025. (In collaboration with the Ministry of Housing and Urban Affairs, Government of India) and Department for Financial Services (DFS).



**CONTEXT:** The Economic Survey was presented in Parliament on 29 January.

## Chapter 4 : External Sector





**CONTEXT:** The Economic Survey was presented in Parliament on 29 January.

## Global Trade Environment

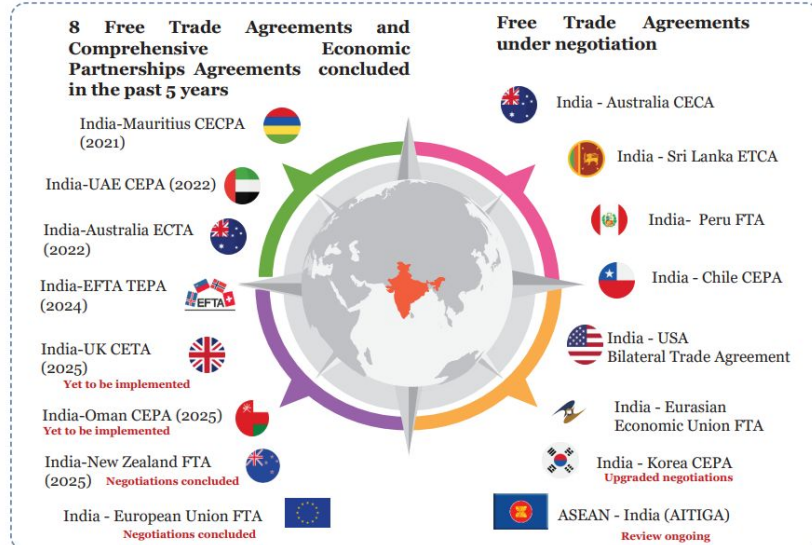
- Global trade increasingly shaped by:
  - Geopolitics and security considerations**
  - Fragmentation of supply chains
  - Strategic trade restrictions and sanctions
- Decline of rules-based multilateralism
- Rising **Trade Policy Uncertainty (TPU)**

**Implication:** Export competitiveness must be built for a **less predictable, more coercive trade regime**

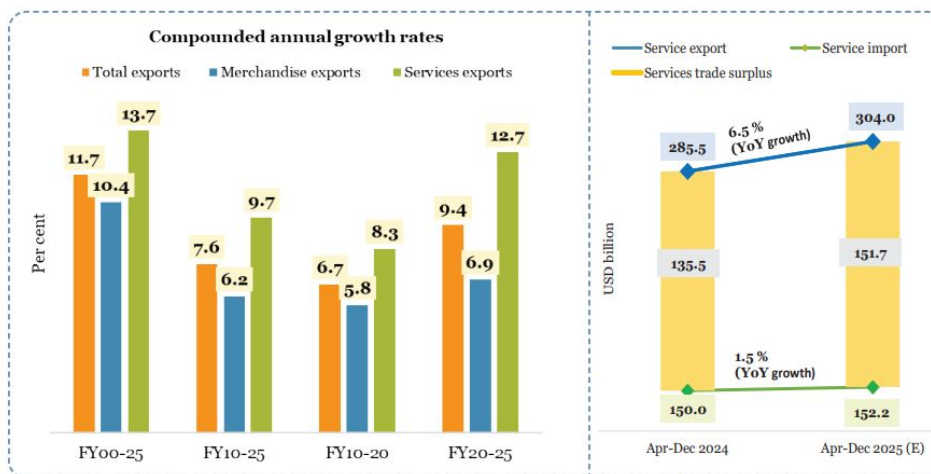
## Structural Issue

- Persistent **merchandise trade deficit**
- Services surplus + remittances:
  - Macro-stabilising
  - Not sufficient for durable currency strength**

### India's strategic push to expand trade partnerships



### Services trade continues to be a key driver of India's trade performance



Note: E : Estimates

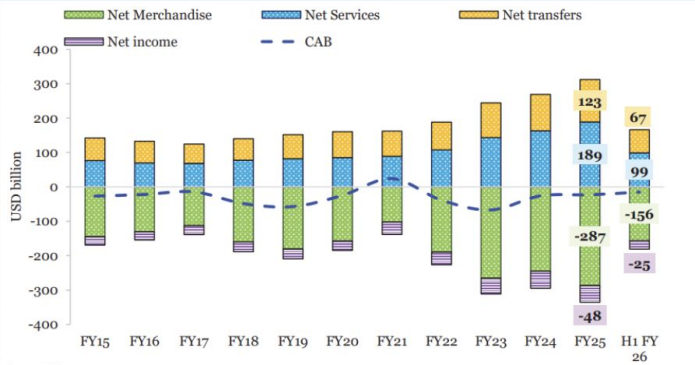
Source: RBI and DoC



**CONTEXT:** The Economic Survey was presented in Parliament on 29 January.

## Comfortable current account deficit (CAD) position

Merchandise deficit is offset by services exports and remittances\*, keeping CAD manageable

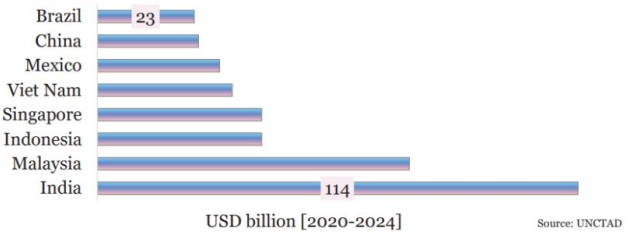


CAD moderated to 0.8% of GDP in H1 FY26 from 1.3% in H1 FY25

\*Transfer receipts mainly represent remittances by Indians employed overseas

## India leads the world in greenfield digital investment between 2020-2024

Top economies by project announcements in digital economy



Source: UNCTAD

- India emerged as the largest destination for greenfield digital investments, attracting USD 114 billion between CY 2020-2024.
- Investments span digital services, data centres, and IT infrastructure

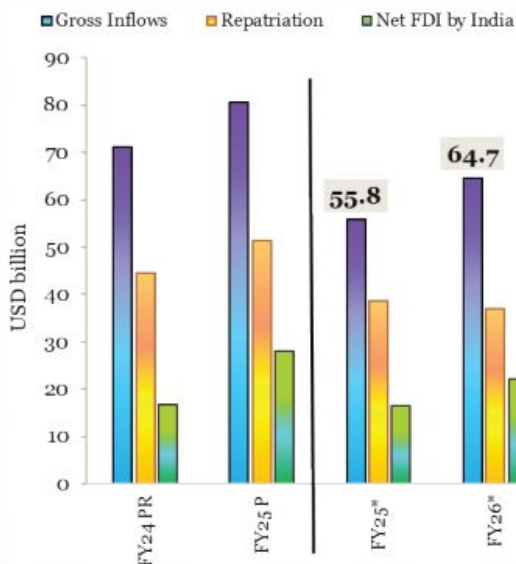
## Balance of Payments (BoP) Dynamics

### Key Features

- Goods deficit remains structural
- Services exports and remittances act as buffers
- Capital flows crucial for BoP stability

## Turning global reorientation into sustainable foreign direct investment (FDI)

### India attracts gross FDI at scale



Note: \*(Apr-Nov); P: Provisional; PR: Provisionally Revised

### Next step is deepening investment

Following factors create a window for India to plug into reconfigured GVCs & move up the value-addition ladder

**Global FDI Reorientation**  
Geopolitics, tariffs & industrial policy shifts are re-routing global supply chains.

**Strategic Sector Momentum**  
Digital, semiconductors, data centres & advanced manufacturing.

**India's Structural Strengths**

Strong growth, macro stability, large markets, deepening digital & manufacturing base attract long-term capital.

Note: GVCs: Global Value Chains



**CONTEXT:** The Economic Survey was presented in Parliament on 29 January.

## Why Rupee Underperforms ?





**Survey's Core Argument :** Countries with **strong and stable currencies are manufacturing powerhouses.**

## International Pattern

- Manufacturing excellence → Export surpluses → Currency strength
- Services-led exporters:
  - Less institutional pressure
  - Weaker external anchor

The rupee is **"punching below its weight."**

## Strong external buffers anchor stability (FY15 vs FY25)

From FY15 → 2025-2026*	
<b>Forex Reserves</b>  <p>\$341.6 bn in FY15</p> <p>\$701.4 as of 16 January 2026</p> <p><b>Reserves more than doubled</b></p>	<b>External debt to GDP</b>  <p>23.8% in FY15 → 19.2% end-Sept 2025</p> <p><b>Lower external leverage</b></p>
<b>Import Cover</b>  <p>From 8.9 months in FY15 → To 11.1 months as of 9 January 2026</p> <p><b>Stronger import buffer</b></p>	<b>Current Account Deficit/GDP</b>  <p>-1.32% in FY15 → -0.8% in H1 FY26</p> <p><b>Improved external balance</b></p>

\* As of the latest available data.

India enters 2026 with strong buffers against external shocks.

## Chapter 5 : Inflation

**Global Inflation Context :** Post-pandemic global inflation has **moderated**

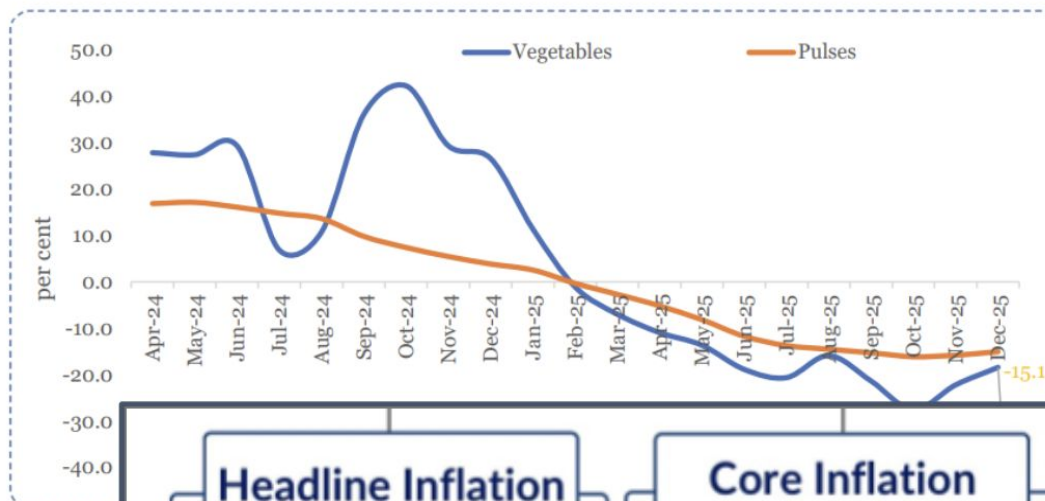
- **Advanced Economies (AEs):**
  - Disinflation aided by monetary tightening
  - Core inflation easing gradually
- **Emerging Markets:** Faster inflation normalisation due to supply-side adjustments

**Key insight:** Global inflation shock was **transitory but asymmetric**, with lingering sectoral pressures.



**CONTEXT:** The Economic Survey was presented in Parliament on 29 January.

Decline in food inflation was driven by a persistent contraction in prices of major commodities like vegetables and pulses



Source: MoS

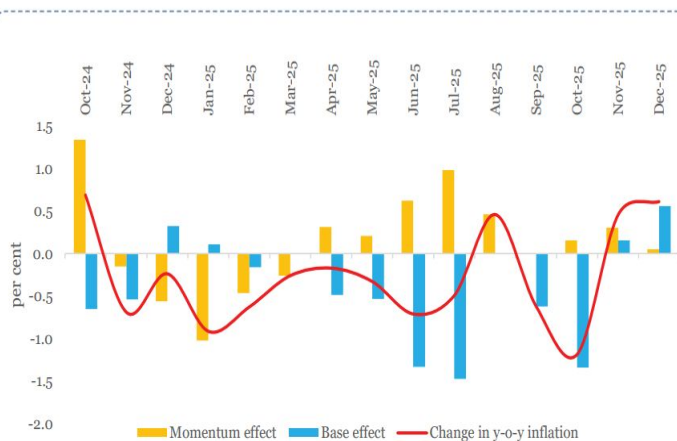
## Headline Inflation

- The total inflation rate covering all **goods and services** – including essentials like food and fuel.
- It reflects the overall **cost of living** in the economy.

## Core Inflation

- The inflation rate excluding food and fuel prices – as these items **fluctuate frequently**.
- It helps identify **long-term inflationary trends** without short-term noise.

A strong base effect played a critical role in tempering headline inflation, especially in second half of 2025



Source: Calculated from the CPI

Steady pace of core inflation has been largely influenced by higher inflation in the prices of precious metals like gold and silver



Source: Calculated from CPI numbers



**CONTEXT:** The Economic Survey was presented in Parliament on 29 January.

## Factors that made inflation benign



Moderate inflation in the global prices of key metals



Below-normal temperature coupled with above-normal monsoon created very favourable agriculture conditions in the country

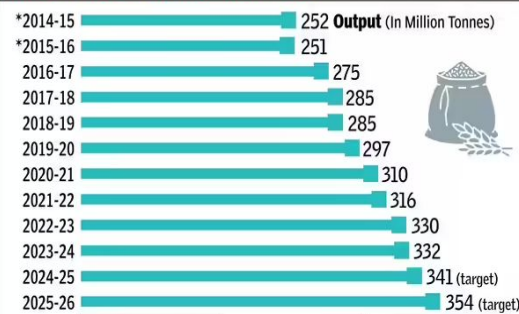


Improved stock position of foodgrains



Pass-through of GST rates rationalization into commodity prices

## FOOD-GRAIN PRODUCTION OVER THE YEARS

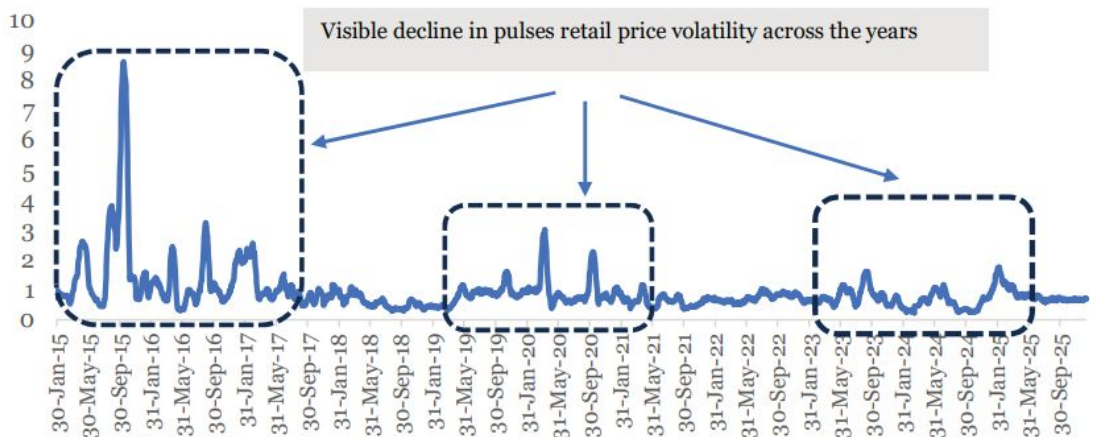


\*2014-15 and 2015-16 were drought (deficient monsoon rains) years

Crop Year: July-June cycle

(Figures are rounded off)

## Timely intervention helped in reducing the volatility in the prices of pulses over the years



Note: 30-day Rolling standard deviation of daily retail prices of pulses (unified price calculated basis CPI weight from Jan. 2015 to 11 Jan. 2026).

Source: Calculated from the daily data given by the Department of Consumer Affairs

What are the causes of persistent high food inflation in India? Comment on the effectiveness of the monetary policy of the RBI to control this type of inflation.

**MAINS 2024**

(Answer in 150 words) 10

**CONTEXT:** The Economic Survey was presented in Parliament on 29 January.

**Mains Practise Question**

**Q. What are the key growth challenges identified in the Economic Survey 2025–26, and how does the Survey propose to address them to push India’s growth frontier in a volatile global environment?(10 Marks, 150 words)**





**CONTEXT:** The Economic Survey was presented in Parliament on 29 January.

## Chapter 6 : Agriculture and Food Management

- **Shift in challenge:** Beyond food availability
- **Productivity growth:** Yield, efficiency, technology
- **Income security:** Farmer incomes, price stability
- **Climate resilience:** Adaptation, sustainability, risk management

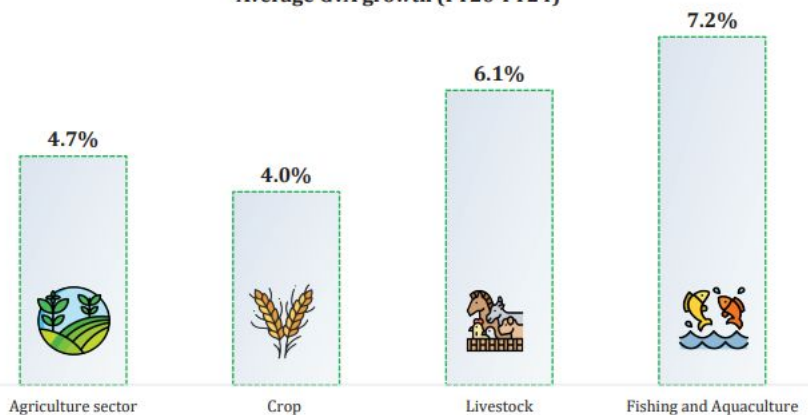


### Agriculture and Food Management: Raising productivity, Securing Incomes and Ensuring Food Security

#### Raising Productivity, Securing Incomes and Ensuring Food Security

##### Diversifying Agriculture: Livestock and Fisheries Lead the Way

Average GVA growth (FY20-FY24)



#### Policy Considerations



##### Ethanol Pricing and Cropping Incentives

- Careful calibration of incentives is required to avoid unintended concentration across crops.
- Ethanol expansion to be pursued that supports both energy security and food and nutritional security.



##### Aligning Fertiliser Use with Agronomic Needs

- Fertiliser decisions need to be guided by soil health and crop requirements
- Input Distortion to Acre-Based Support



##### A Calibrated Approach to Crop Diversification

- Crop choices should reflect local soil, rainfall, and market conditions, ensuring economic and agronomic viability.
- Per-acre / per-quintal incentives cover transition losses; lower input costs improve profits



**CONTEXT:** The Economic Survey was presented in Parliament on 29 January.

### Sector Overview

- Agriculture & allied sectors:
  - Backbone of **food security**
  - Key for **inflation control**
  - Major source of rural livelihoods
- Performance supported by:
  - Normal monsoons
  - Improved procurement & buffer stocks

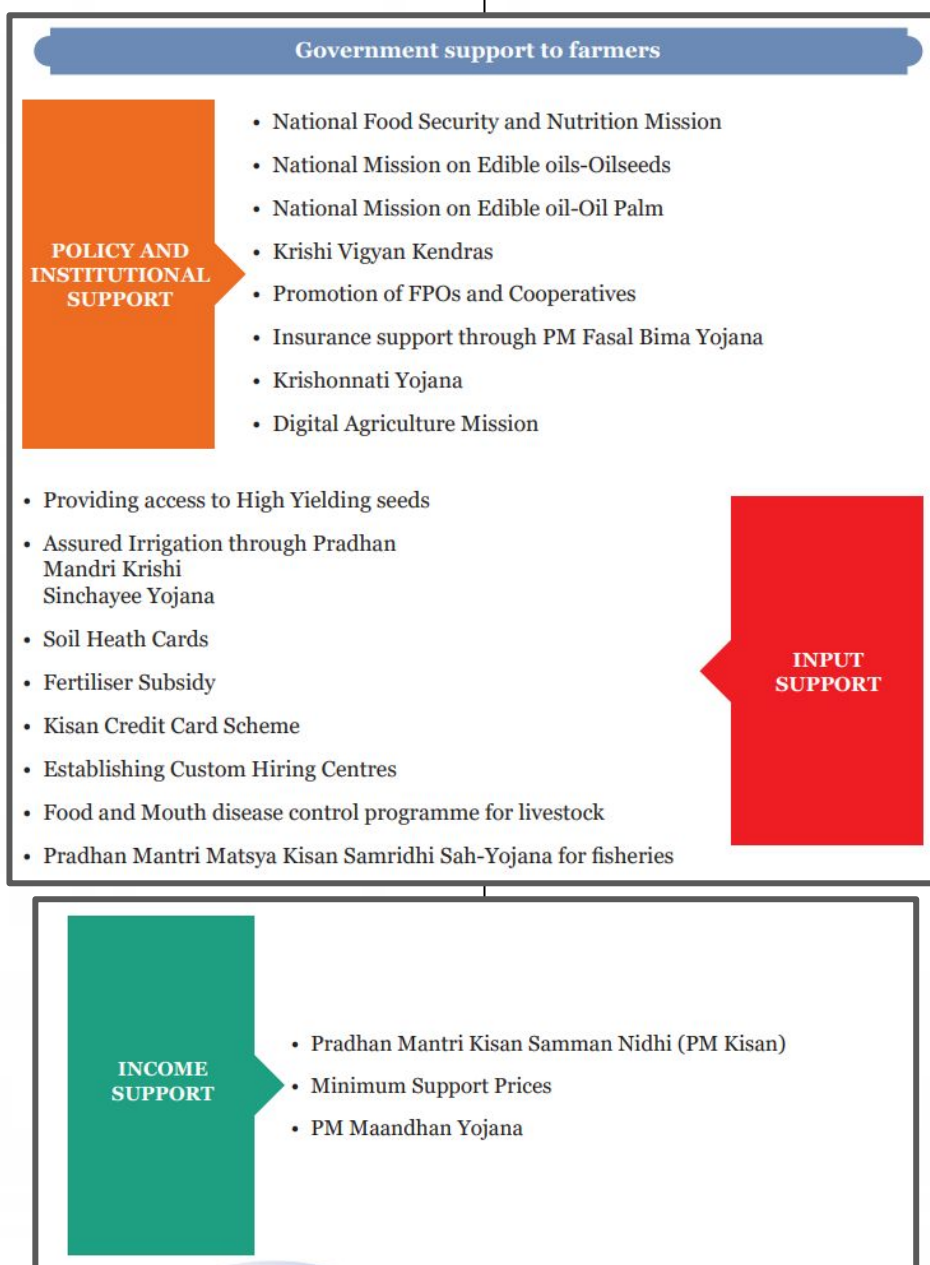
### Productivity: The Central Constraint

### Key Issues

- Low Total Factor Productivity (TFP)
- Fragmented landholdings
- Climate stress

### Policy Interventions

- **Digital Agriculture Mission**
- Soil Health Cards
- Natural Farming (BPKP, NMNF)
- Custom Hiring Centres (mechanisation access)





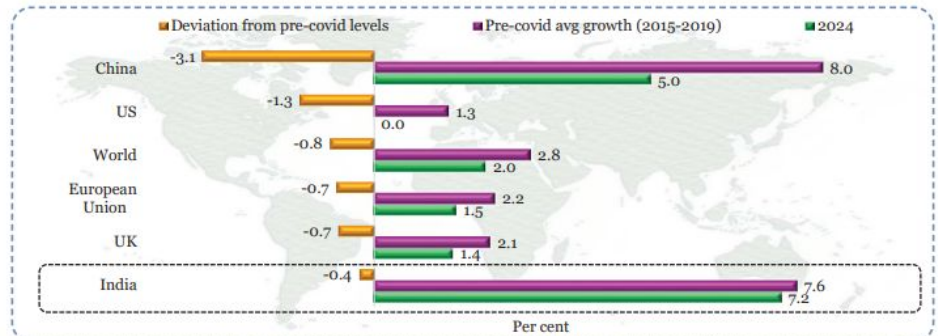
**CONTEXT:** The Economic Survey was presented in Parliament on 29 January.

## Chapter 7 : Services



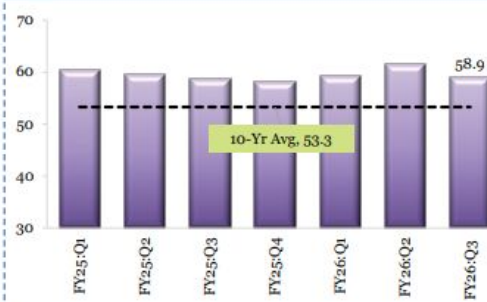
### Services – From Stability to New Frontiers

Resilient and steady: India's Services GVA growth outperforms global trends

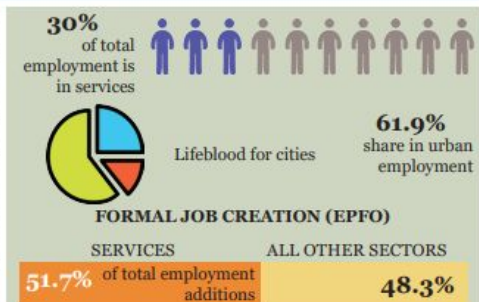


- **Structural shift:** From stabiliser to growth engine
- **Innovation hub:** Digital, knowledge-based services
- **Export driver:** Global services competitiveness
- **Productivity growth:** High value-added services

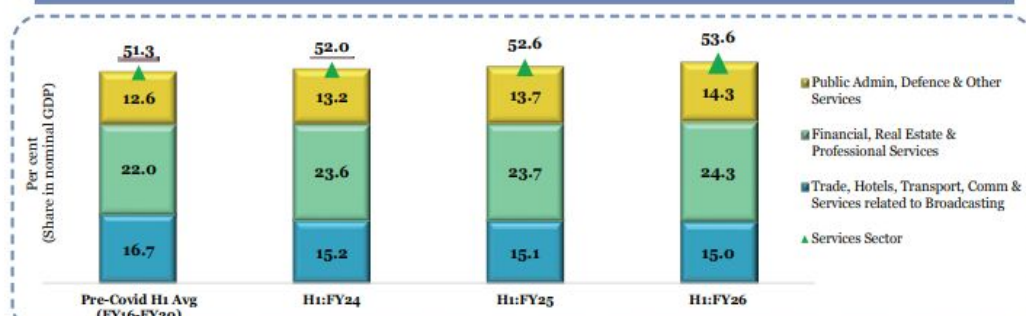
Services PMI expands higher than the long-run average in Q3 of FY26



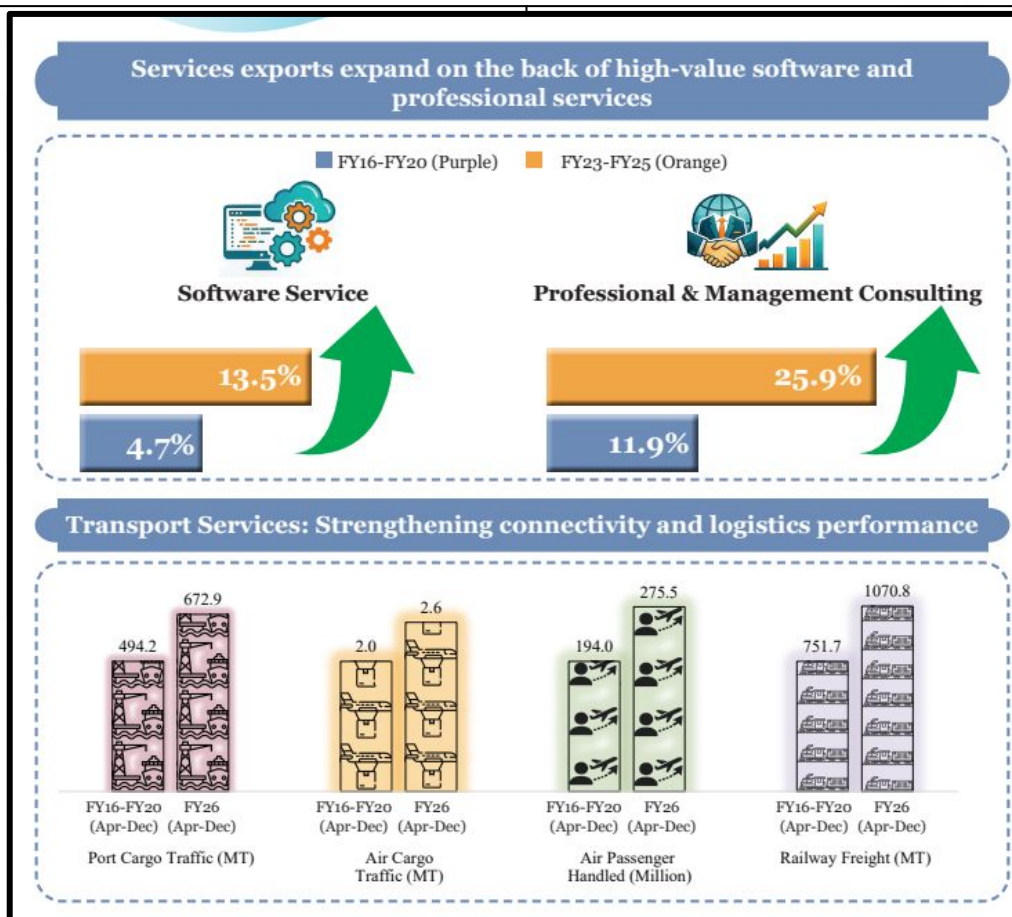
Services sector drives urban employment



Services sector continues to be the major driver of growth

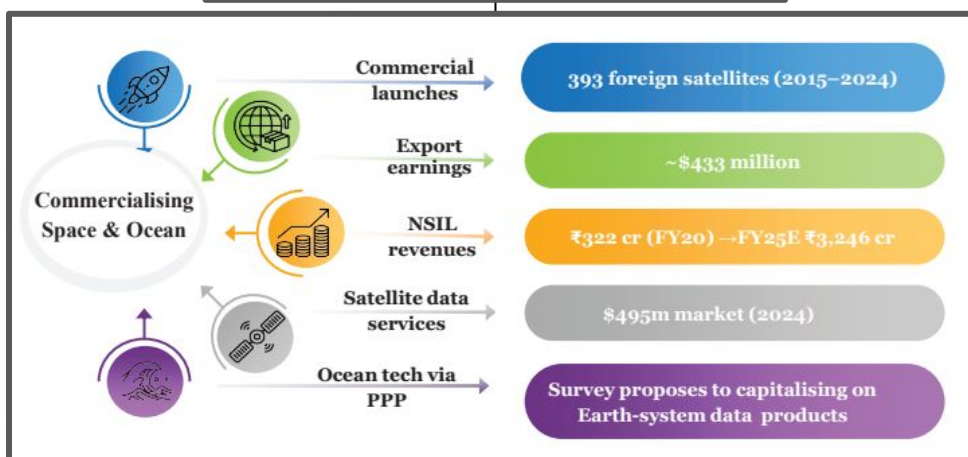


**CONTEXT:** The Economic Survey was presented in Parliament on 29 January.



## Global & Domestic Context

- Global services trade expanding faster than goods
- India:
  - Major services exporter
  - Global hub for IT-BPM & GCCs





**CONTEXT:** The Economic Survey was presented in Parliament on 29 January.

### Tourism sector: Domestic resilience with emerging high-value segments



17.5% Growth in domestic  
tourist visits (2024)



8.9% Growth in International  
tourist arrivals (2024)



>60% Avg hotel occupancy  
rate (FY24-FY26)



Medical & wellness  
tourism

Arrival CAGR: 12% during  
2009-2024



Proposes Long distance  
trails

For enhancing livelihood through  
remote location tourism



Marina tourism/  
blue economy

Marina development policy, High-  
value coastal tourism, Coastal jobs &  
incomes, Port revitalisation

### Media and Entertainment



Sector size –₹2.5 trillion (2024). Digital media = key growth  
engine (~one-third of total revenues)



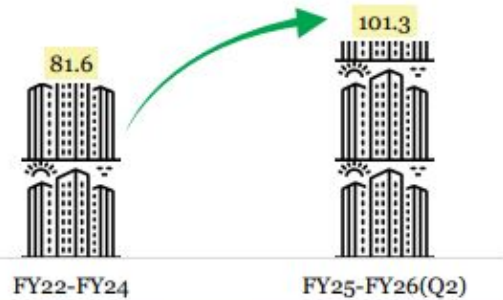
Rev from Gaming –₹232 billion, Animation & VFX –₹103  
billion, in 2024



Orange Economy:  
Live entertainment >₹100 billion (2024); strong spillovers to  
tourism and urban services

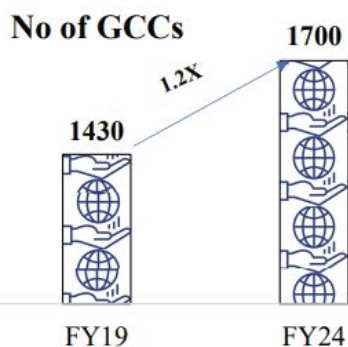
### Real estate and housing services: A sustained upcycle

#### Quarterly Avg Housing Sales (Thousands)



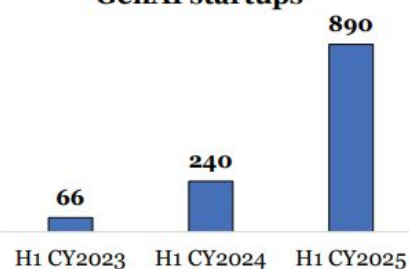
### IT Sector-Global Technology and Innovation hub

#### Steady expansion of Global Capability Centres



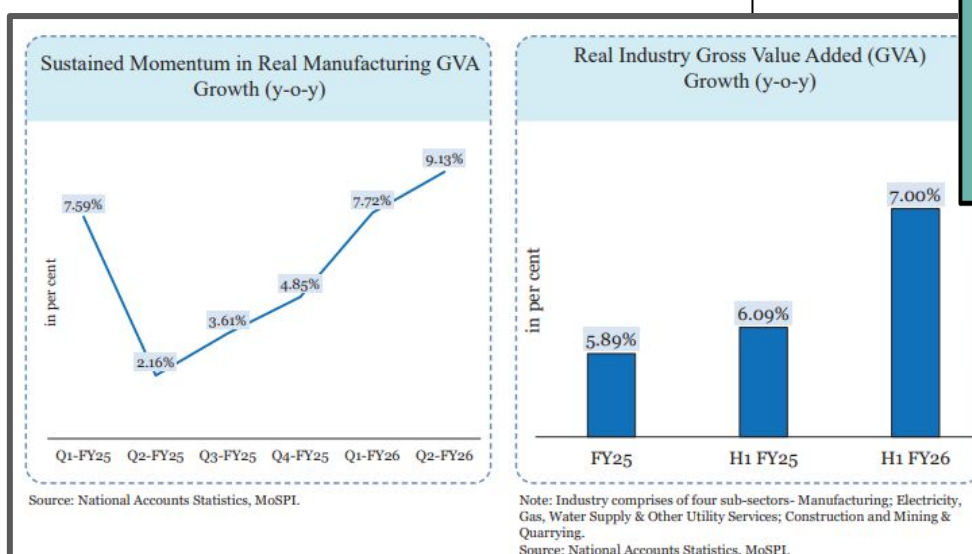
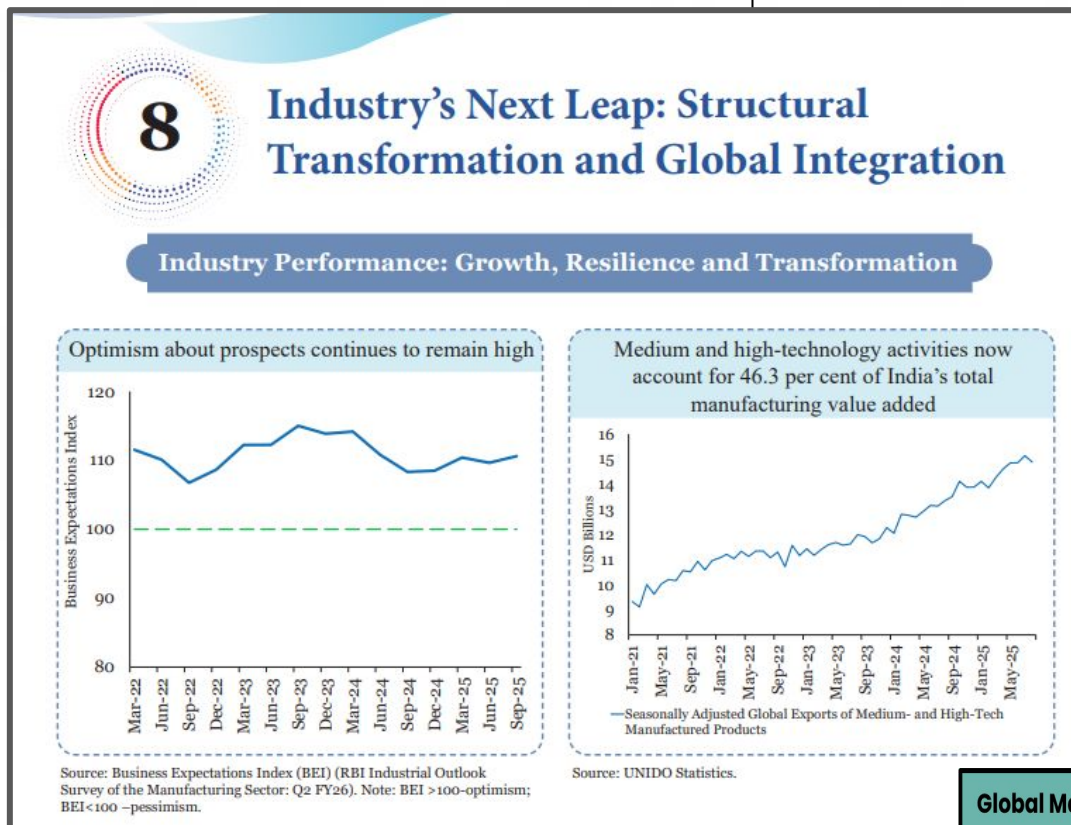
#### India's technology startup ecosystem is world's III largest

#### GenAI startups



**CONTEXT:** The Economic Survey was presented in Parliament on 29 January.

## Chapter 8 : Industry's Next Leap



### Global Manufacturing Context

- Uneven global recovery
- Shift towards:
  - High-tech
  - Resilient value chains
- China remains the global cost & scale benchmark

### Domestic Industrial Performance : Manufacturing shows resilience

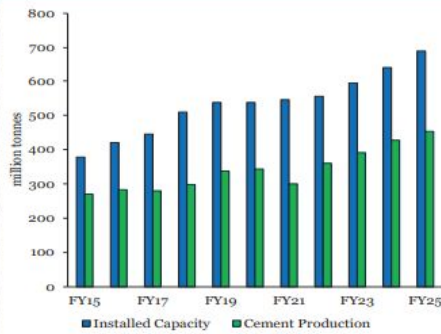
- Structural shift underway: Formalisation, Technology adoption
- Core industries support industrial momentum





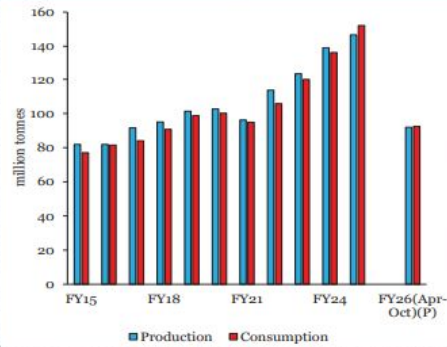
**CONTEXT:** The Economic Survey was presented in Parliament on 29 January.

**Cement: Increasing Installed Capacity and Production**



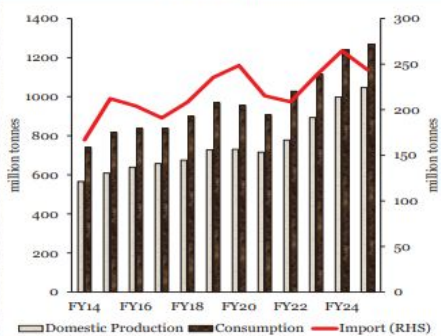
Source: Department for Promotion of Industry and Internal Trade (DPIIT).

**Finished Steel: Rising Production and Consumption**



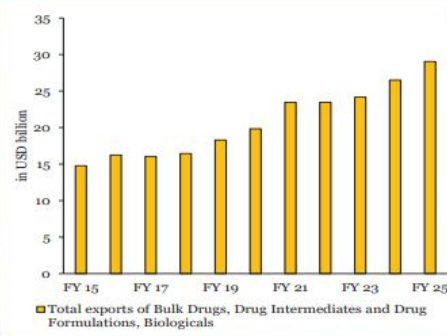
Source: Ministry of Steel.

**Coal: Rising Domestic Production and Lower Imports**



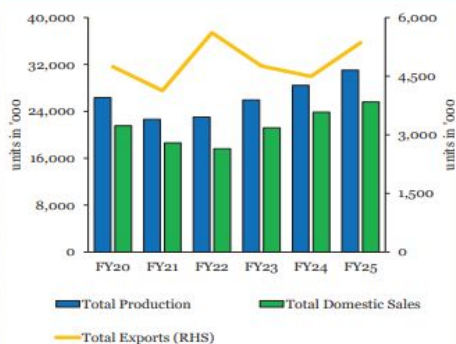
Source: Ministry of Coal.

**Growing Exports of Pharmaceutical Industry**



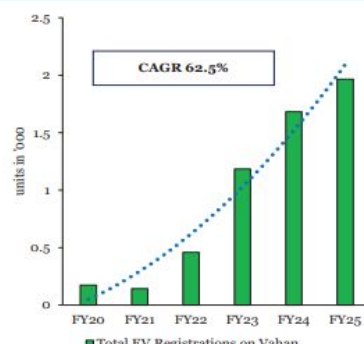
Source: Directorate General of Commercial Intelligence and Statistics.

**Production, Sales and Exports of Automobiles**



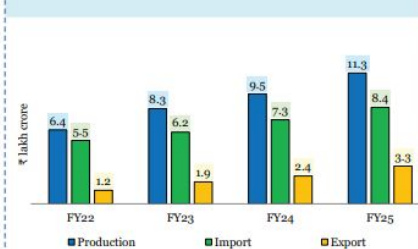
Source: SIAM; Ministry of Heavy Industries.

**Growing EV registrations**



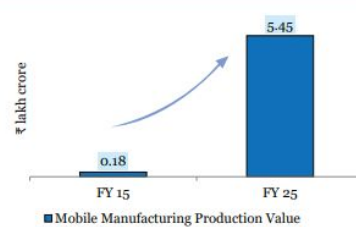
Source: Ministry of Heavy Industries.

**Growth of Electronics Production and Exports**



Source: Ministry of Electronics and Information Technology.

**Nearly 30-fold increase in Mobile manufacturing production value**



Source: Ministry of Electronics and Information Technology.

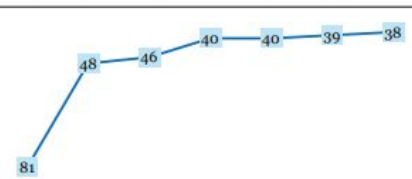


**CONTEXT:** The Economic Survey was presented in Parliament on 29 January.

### Innovation Ecosystem: Research, IP and Entrepreneurship

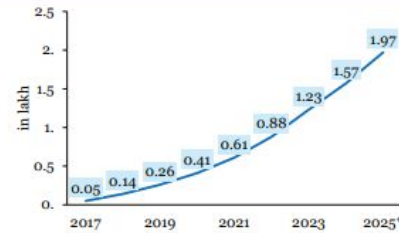
#### India's Ranking in the Global Innovation Index improving steadily

2015 2020 2021 2022 2023 2024 2025



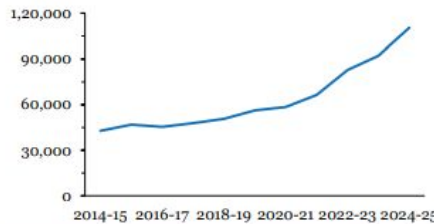
Source: World Intellectual Property Organization (WIPO).

#### Rapid growth in DPIIT-Recognised Startups



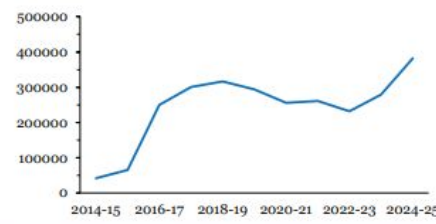
Source: DPIIT. Note: \*Data for 2025 is as on 31 October 2025

#### Patent Applications nearly doubled from FY20 to FY25



Source: DPIIT.

#### Trademark Registrations grew 1.5 times from FY20 to FY25



Source: DPIIT.

#### Global Innovation Leap:

- India ranks globally
- 12<sup>th</sup> in entrepreneurship policy & culture
- 4<sup>th</sup> in trademarks;
- 6<sup>th</sup> in patents;
- 7<sup>th</sup> in industrial designs in global filings

(World Intellectual Property Organization (2024))

#### Critical Tech Breakthrough:

- Top-5 globally in 45 of 64 critical technologies (up from 4 in 2003-07)

(Australian Strategic Policy Institute)

#### Policy Architecture

##### Key Initiatives

- **PLI Schemes**
- National Manufacturing Mission
- Industrial corridors
- Logistics reforms

Focus on **ecosystem building**, not firm-level protection.

##### MSMEs: The Weak Link

##### Challenges

- Credit access
- Technology
- Market integration

#### Strategy

- Scale MSMEs
- Integrate into GVCs
- Reduce cost of capital instead of raising tariffs

#### Mains Practise Question

**Question :** What are the major drivers of the growing threat of cybercrime in India? Suggest some measures to address the issues comprehensively. (10 Marks, 150 words)





# Economic Survey- Investment, Infrastructure & Sustainability

**SYLLABUS: GS 3: Growth and Development**  
**Newspaper: The Indian Express Page Number : 15**

## Survey flags India Inc's 'lack of investment appetite', says Swadeshi 'inevitable'

Aakash Mandal & RawDutta Mishra  
Mumbai, New Delhi,  
January 29

### EXPLAINED

**SWADESHI** IS "inevitable and necessary" as the global trading environment is marked by export controls, technology denial regimes and carbon border mechanisms that signal the end of "naïve globalisation", the economic survey 2025-26 said.

The survey noted how private corporations in post-war America, Germany, Japan, and East Asia either participated in nation-building while pursuing profits or behaved in an "arm's-length and rules-bound manner". Indian corporates, however have a relative "lack of appetite" to invest efforts towards long-term risk absorption.

"There is a relative lack of willingness and appetite to invest efforts towards long-term risk absorption and becoming globally competitive. Regulatory arbitrage, protected margins, and firm-specific accommodations often dominate productivity enhancement, scale competition, or learning by doing," the survey said.

The survey, however, said that this preference is "rational in an environment" where downside risks are socialised through bailouts, banking insurance, tariff protection, or retrospective renegotiation. "A corporate sector that externalises risk to the state does not exert pressure for higher state capacity limited, it generates demand for discretion," it said.

Making the case for corporate culture transformation, the survey said India is operating in an environment where access

standing regulatory burdens or coordination failures.

The survey pointed out that national transformation is most durable when business leaders see themselves as trustees of a larger developmental project. The most successful corporate histories in post-war America, Germany, Japan, and East Asia were marked by firms that invested ahead of immediate returns, treated technological capability and workforce upgrading as civic obligations, and derived legitimacy from strengthening national resilience, enhancing export competitiveness, and promoting social stability, the survey said.

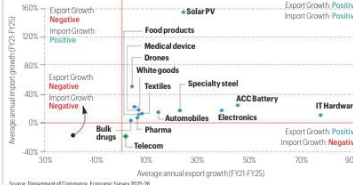
It stressed that a well-designed regulatory architecture alone cannot generate higher state capacity, and should be aided by the corporate sector. "In India, the private corporate sector is not merely a subject of regulation; it is a structural participant in the incentive environment that determines whether the state upgrades its capacity or through discretion," the survey said.

It also highlighted the short capital allocation horizons of Indian corporates. "Despite noable exceptions, Indian corporate investment is characterised by low R&D intensity, caution in frontier manufacturing, and underdeveloped long-horizon capital, according to the survey.

There has to be a balance between manufacturing and imports, as Swadeshi-oriented policies in the past led to complacency and inefficiency due to a lack of import competition. Substituting imports for local products is justified when production cost is feasible, but the industry has been hindered by long-

### TRADE PERFORMANCE OF PLI SECTORS

In FY21-25, the average annual growth rate of exports from the 14 PLI sectors was 10.6%, while imports was 12.6%. IT hardware and electronics were among sectors with high export growth. This was accompanied by an increase in imports indicating a scaling up of production capacity.



## 'Need to focus on AI applications rather than frontier models'

Soumyendra Bhat

New Delhi, January 29

IN A departure from global AI development trends, the Economic Survey 2025-26 has proposed creating an AI-OC initiative where the government acts as a monetary shareholder in AI infrastructure, similar to how UPI and Aadhaar function as public goods. The survey has also called for India to focus on sector-specific AI applications rather than pursuing resource-intensive large language models, and has recommended a change in the school education structure to allow students to participate in the AI economy.

The proposed AI-OCs would turn artificial intelligence into a public good, establishing a centralised code repository—functioning like a government-supported GitHub—under the IndiaAI mission where developers, researchers, and enterprises can share code and build upon each other's work. The government will provide island infrastructure, standards, governance frameworks, and funding while enabling distributed innovation across sectors without requiring proportionate expansion in expensive, resource-intensive data centres.

The survey bates for a "bottom-up" approach to AI development, a decentralised path that allows AI capabilities to spread widely across sectors while avoiding the high capital expenditure, energy intensity, and hardware dependencies that characterise Western frontier model development.

Despite being late to the AI race, the survey notes that India enters the AI era with formidable strengths that make a bottom-up approach viable.

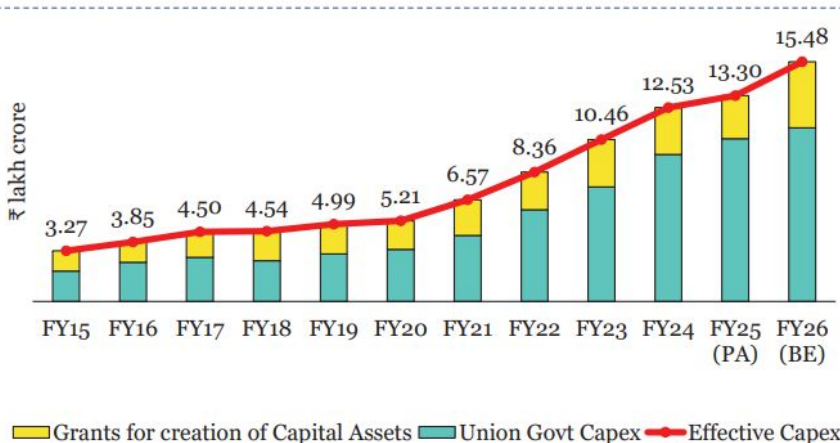
These computationally efficient models can run on locally available hardware like smartphones or personal computers

## Chapter 9 : Investment and Infrastructure

- **Infrastructure-led investment:** Key growth lever
- **Crowding-in effect:** Private investment boost
- **Productivity gains:** Efficiency, cost reduction
- **Growth sustainability:** Higher long-term trajectory

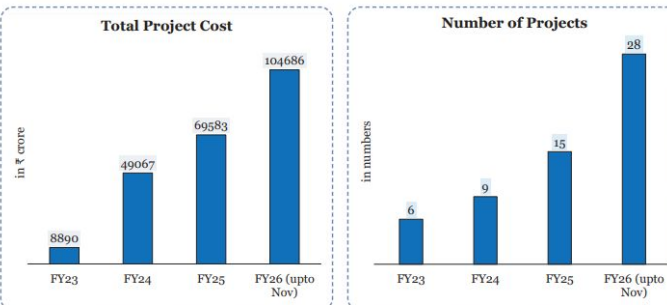
## 9 Investment and Infrastructure: Strengthening Connectivity, Capacity and Competitiveness

Effective Capex has increased steadily since FY15



Source: Union Budget documents.

### Increase in Project Approvals by Public-Private Partnership Appraisal Committee



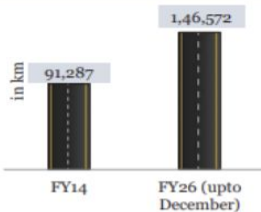
Source: PPP database, Department of Economic Affairs



**SYLLABUS: GS 3: Growth and Development**  
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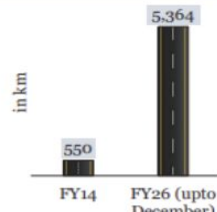
## Progress in Physical connectivity

Total National Highway Network  
(60 per cent increase)



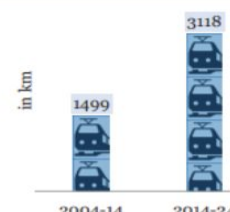
Source: Ministry of Roads, Transport & Highways.

Operational High-Speed Corridors  
(~10 times increase)



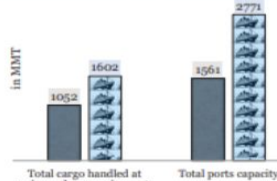
Source: Ministry of Roads, Transport & Highways.

Average Commissioning of  
railway network per year



Source: Ministry of Railways.

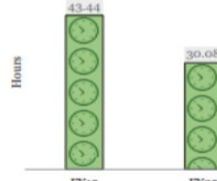
Port Infrastructure Expansion  
and Record Cargo Performance



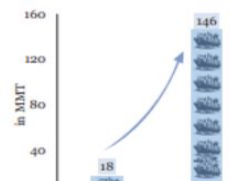
Total cargo handled at  
major and non-major ports

Total ports capacity

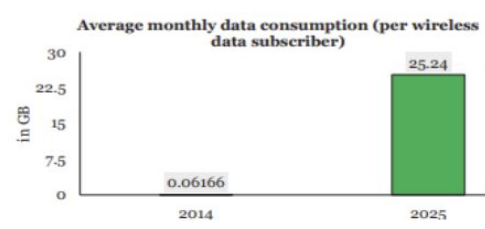
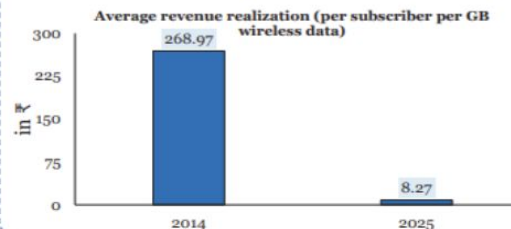
Reduction in average container  
vessel turnaround time



Cargo movement through Inland  
Water Transport



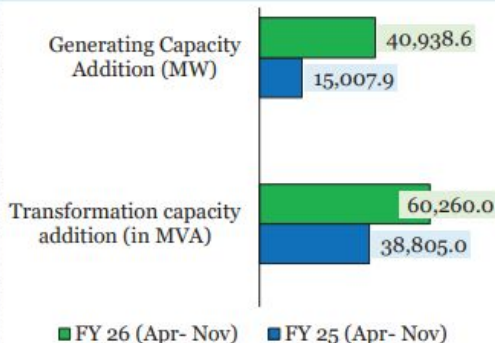
## Affordability Driving Surge in Monthly Data Consumption



Source: Department of Telecommunications. Note: Data for 2025 is as of September 2025

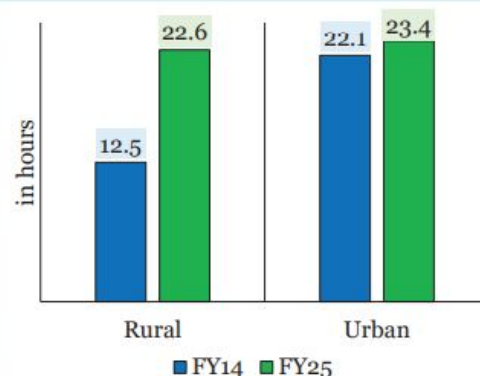
## Power Sector

Capacity addition in the power sector



Source: Executive Summary Report (November 2025), Central Electricity Authority.

Improvement in Daily Average Power Supply



Source: Ministry of Power.

## Power Distribution Turnaround:

Profit After Tax: ₹67,962 crore loss (FY14) → ₹2,701 crore profit (FY25)

AT&C Losses: 22.62% (FY14) → 15.04% (FY25)

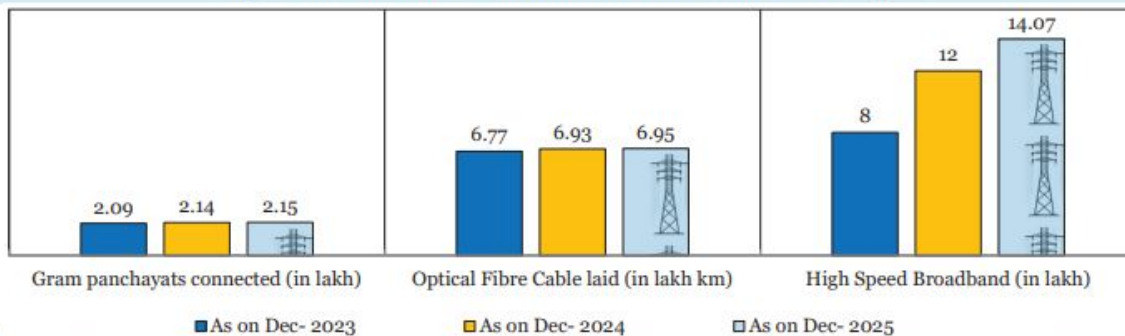




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## Improving Digital Connectivity

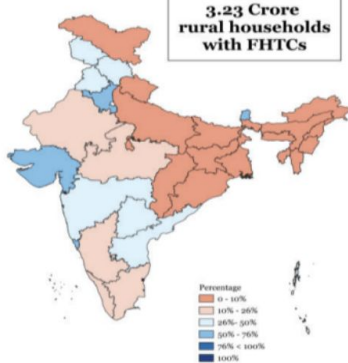
### Progress in Telecommunication Infrastructure (Bharat Net Progress)



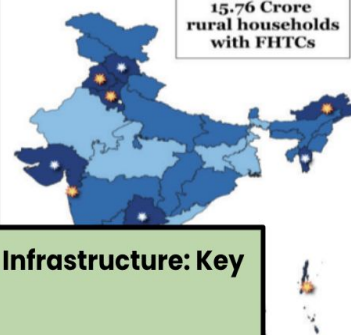
Source: Digital Bharat Nidhi Dashboard, Department of Telecommunications.

Over 81% of rural households now have access to tap water under Jal Jeevan Mission

(As on 15 August 2019)



(As on 01 December 2025)



Source: Jal Jeevan Mission Dashboard.

### Why Infrastructure is Central to Growth

- Addresses supply-side bottlenecks
- Lowers logistics and transaction costs
- Enhances competitiveness across sectors
- Strong multiplier effects

Infrastructure is treated as **productive capital**, not fiscal burden.

### Financing Infrastructure: Key Trends

- Shift from budget-only financing to:
  - PPPs
  - Asset monetisation
  - Infrastructure Investment Trusts (InvITs)
- **Private participation** improving, but uneven across sectors



30th January 2026

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## Chapter 10 :Environment and Climate Change

**10 Environment and Climate Change: Building a Resilient, Competitive and Development-Driven India**

**The Resource Intensity Challenge of Renewable Energy**

**SOLAR POWER per GW**

**Materials required**

- Silver ~ 18.5 t
- Polysilicon ~ 2-3 thousand t
- Aluminum ~ 10,252 t

**Energy required**

- Silver: 4,625 MWh ~ 350-400 households/year
- Aluminum: 1,948,000 GJ ~ 100,000+ households/year

**WIND POWER per GW**

**Materials required**

- Copper: 2,866 t with a 0.6 per cent yield
- Total material = 477,666.6t

**Truckload** ~ 1,194 truckloads (400-ton trucks)

Scaling renewables is also a materials, mining, and energy challenge

**Nuclear Energy: A Pillar of India's Clean & Secure Energy Transition**

**Why Nuclear?**

- 24/7 Clean Power Low-carbon**  
No intermittency  
Energy security
- Supports Heavy Industry**  
Reliable baseload  
Tech-ready power
- Hydrogen Production**  
Transport fuel  
Industrial use

- Climate strategy:** Balanced approach
- Mitigation:** Emissions reduction
- Adaptation:** Climate resilience
- Competitiveness:** Economic viability
- Development:** Growth priorities intact
- Energy security:** Reliable, affordable supply

**National Nuclear Energy Mission (2025-26)**

**₹20,000 cr allocation in Union Budget 2025-26**

- Development of 5 indigenously designed SMRs
- Target: Operational by 2033
- Focus on Energy security & clean power

**8,780 MW** Current Nuclear Capacity → **100 GW by 2047** Target capacity

**SHANTI Act – December 2025**

- Enables **private & state participation**
- Graded **liability framework**
- Protects **victim compensation**
- Boosts manufacturing, R&D & innovation**

**India's Energy Storage Requirement & Policy Push**

Energy storage is positioned as a key enabler for renewable integration, peak management, and long-term resource adequacy

**Requirements**  
India will require around 411 GWh of energy storage by 2031-32

**Policy Support**

- National Framework for Promoting Energy Storage Systems
- Formally recognised under the Electricity Rules
- Included in the Harmonised Master List of Infrastructure
- A core resource in power system planning under Resource Adequacy Plans.

**Market enablers and Deployment support**

- Waiver of Inter-State Transmission System charges
- Storage assets allowed to provide ancillary services
- PLI scheme - ₹18,100 crore for 50 GWh ACC manufacturing
- VGf schemes targeting ~43 GWh of BESS





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## Recent Environmental Governance Reforms



### PARIVESH 3.0 – Single Window Clearances

Digital approvals & post-clearance monitoring



### Nation-wide uniform guidelines

Consent to Establish/Operate through amendments in Water & Air Acts



### Streamlined Mining Regulations

Critical, Strategic, and Atomic Minerals



### Third-Party Environmental Audits

Environment Audit Rules, 2025



### Updated Graded Industry classifications

Encourage better compliance



### Promoting Circular Economy

Circular Economy Action Plans covering 10 waste categories, Extended Producer Responsibility (EPR) frameworks for multiple waste streams, ban on Single use Plastics



### Decriminalisation through the Jan Vishwas Act

Public Liability Insurance Act, Environment (Protection) Act, 1986, Air Act, 1981 Indian Forest Act, 1927 and the Water Act, 1974



### Rationalised Green belt requirements for industries

based on the pollution potential of industrial estates/parks and individual industries

## Climate Challenge Framing

- India is:
  - Highly climate-vulnerable
  - Low per-capita emitter
- Needs a **development-aligned climate pathway**

## Adaptation: Immediate Priority

### Focus Areas

- Climate-resilient agriculture
- Water management
- Disaster-resilient infrastructure
- Urban resilience

## Mitigation Strategy

- Energy transition:
  - Renewables expansion
  - Green hydrogen
  - Energy efficiency
- Risks:
  - Cost escalation
  - Input cost inversion (electricity, logistics)

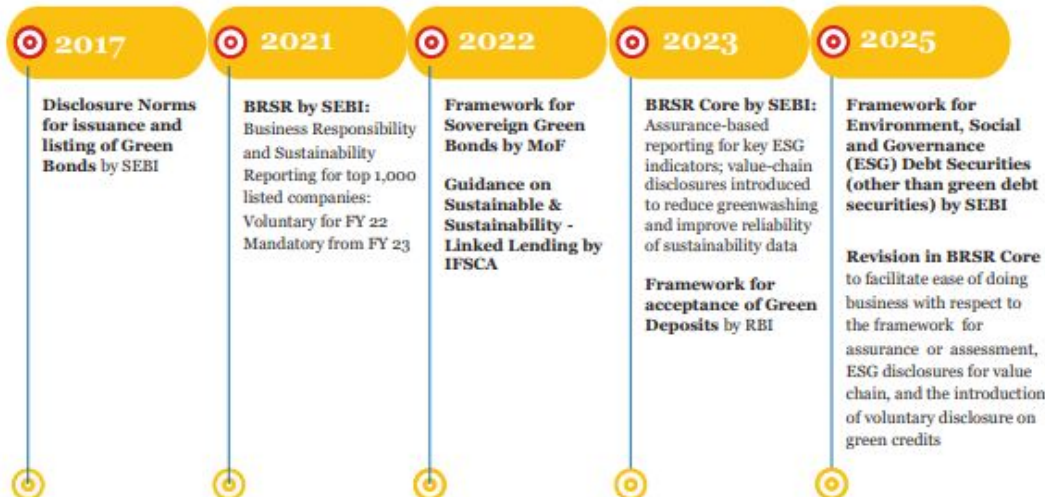
## Survey warning:

Poorly sequenced Net-Zero policies can erode industrial competitiveness.



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**Newspaper: The Indian Express Page Number : 15**

## Key Milestones in India's Climate and Sustainable Finance Framework



## Evolution of State Action Plans on Climate Change

### SAPCC (2010-15)

Broad alignment with NAPCC missions  
Predominantly mitigation-oriented sectors  
Standalone climate projects  
Limited budgetary linkage

### SAPCC (2020 onwards)

Adaptation-led development approach  
State- and district-specific climate risk analysis  
Integration with Planning & Finance Departments  
Convergence with flagship social sector schemes (water, agriculture, urban)  
Strong role of communities & local institutions  
Outcome- and resilience-focused monitoring.

### Climate Finance

- Needs massive scaling
- Challenges:
  - High cost of capital
  - Limited concessional finance
- Carbon markets & innovative instruments emphasized.

### Regulation & Governance

- Shift from:
  - Uniform environmental mandates
- Towards:
  - Risk-based
  - Sector-specific regulation
- Streamlining approvals via digital platforms





**SYLLABUS: GS 3: Growth and Development**  
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## Economic Survey highlights uneven distribution of secondary schools

The report notes the need to 'internationalise' higher education and build State capacity in the sector; main reason for children dropping out continues to be the need to supplement household income, and domestic and care responsibilities

Abhinav Lakshman  
NEW DELHI

A key issue in achieving the target set by the National Education Policy (NEP), 2020 to increase expected years of schooling in India to 15 from the current 13 was the "uneven distribution of schools," said the Economic Survey for 2025-26, released on Thursday ahead of the Budget.

Only about 17% schools provide secondary education in rural areas, it showed, and about 38% schools provide secondary education for urban areas.

The Survey showed that this corresponded with other sources of data that said the largest number of out-of-school children were of secondary school age (between 14 and 18 years), and the need to supplement household income, and domestic and care responsibilities continued to be the leading reasons for school dropouts.

"Building State capacity in higher education, fostering academia-industry col-



The report shows that only about 17% schools in rural areas, and about 38% in urban areas provide secondary education. FILE PHOTO

laboration, and expanding global engagement can further enhance the education system's responsiveness to the changing needs of the economy," the report said in its chapter discussing education. The report also touched upon the newly introduced Viskit Bharat Shiksha Adhishthan Bill, 2025 intended to "replace fragmented, overlapping regulations", and focused on policy interventions needed for the "internationalisation" of higher education.

which highlights that India now has 23 Indian Institutes of Technology (IITs), 21 Indian Institutes of Management, and 20 All India Institutes of Medical Sciences, along with establishing two international IIT campuses (in Zanzibar and Abu Dhabi).

While India had improved enrolment at early levels of school education, the "secondary age-specific net enrolment (NER) remains low at 52.2%, highlighting the need to retain students beyond Grade VI-II," the Survey said.

"To fully convert its vast human resource base into high quality human capital, India needs to raise its EYS (Expected Years of Schooling) to 15 years set by NEP's 5+3+3+4 schooling structure for ages 3-18.2," the Survey added.

Citing data from the Periodic Labour Force Survey of 2023-24, the Survey notes that nearly two crore adolescents aged between 14 and 18 were out of school.

"The single largest reason for adolescent dropout

is the need to supplement household income, accounting for 44% of dropouts," it added. While over 67% boys cite the need to supplement household income as a reason for dropping out of school, 55% girls reported domestic and care responsibilities as the "major constraint", the Survey said.

"High dropout rates, driven by economic pressures, make integrating school-based vocational and skills education an urgent priority," the Survey noted, adding that current data from the Periodic Labour Force Survey 2023-24 showed that only 0.97% of adolescents aged between 14 and 18 had received institutional skilling, with 91.94% having received none.

A major thrust of the Survey's section on higher education is the need to "internationalise" the sector, along with developing State capacities for higher education, considering that over 81% of higher education enrolments were in State institutions.

## Survey calls for tackling rising digital addiction, mental health problems

Bindu Shajan Perappadan  
NEW DELHI

The Economic Survey 2025-26, presented on Thursday, has flagged the rapid rise of digital addiction and screen-related mental health problems as a major healthcare issue, particularly among children and adolescents.

The Survey has recommended structured interventions including cyber-safety education, peer-support programmes, mandatory physical activity in schools, parental training on screen-time management, age-appropriate digital access policies, and platform accountability for harmful content.

It also suggests network-level safeguards such as differentiated data plans for educational-versus-recreational use.

The Survey also underlined the importance of technology-enabled public health surveillance and service delivery and stated that sustained investment in preventive care, nutrition, mental health, digital wellness and community-level health systems was



It suggests mobile network-level safeguards such as differentiated data plans for educational-versus-recreational use. FILE PHOTO

counselling to actively address digital addiction. Integration with school and college systems and training of dedicated counsellors is recommended to normalise help-seeking behaviour and enable early intervention at scale.

The Survey also underlined the importance of technology-enabled public health surveillance and service delivery and stated that sustained investment in preventive care, nutrition, mental health, digital wellness and community-level health systems was

essential to protect India's demographic dividend and ensure a healthier, more productive workforce in the coming decades.

**Decline in MMR**  
It also noted that since 1990, India had reduced its maternal mortality rate (MMR) by 86%, far exceeding the global average of 48%. "A 78% decline in the under-five mortality rate (U5MR) was achieved, surpassing the global reduction of 60% and a 70% decline in the neonatal mortality rate (NMR) com-

pared to 54% globally during 1990 to 2023. The infant mortality rate (IMR) marked a drop of more than 37% over the past decade, declining from 40 deaths per thousand live births in 2013 to 25 in 2023," it said.

Roma Kumar, clinical psychologist, Sir Ganga Ram Hospital, said the pandemic accelerated screen dependence as isolation pushed individuals toward digital spaces for connection. "Excessive screen time aggravates all lifestyle diseases. Preventive strategies include exercise, stress management, and lifestyle changes from a young age," she said.

Vinay Aggarwal, former national president, Indian Medical Association (IMA), said that India had an inappropriate share of both infectious and non-infectious diseases. "Burdened by the thrifty gene inherited over centuries, the current lifestyle and food choices end up in fatty liver, obesity, and diabetes mellitus," Dr. Aggarwal added.

## Chapter 11 : Education and Health

### India's education landscape: Key achievements of NEP

#### Universal access



School Education



Higher Education

#### Achieving 100 % GER by 2030

- ~25 crore students enrolled in 14.7 lakh schools supported by over 1 crore teachers.
- GER\* 90.9 for Grades I to V, 90.3 for Grades VI to VIII, 78.7 for Grades IX and X and 58.4 for Grades XI and XII. (UDISE+).

#### Achieving 50 % GER by 2035

- 4.46 crore students enrolled in over 70018 institutions.
- GER increased from 27.1 in 2019-20 to 29.5 in 2022-23 (AISHE).

#### Inclusivity & Equity

- 500 hostels approved under PM-Janjati Adivasi Nyaya Maha Abhiyan.
- 2682 Kasturba Gandhi Balika Vidyalayas upgraded.
- 692 hostels sanctioned under Dharti Aaba Janjatiya Gram Utkarsh Abhiyan.

#### Universal FLN\* under NIPUN Bharat

- Improved proficiency at the foundational level (Grade III) (PARAKH 2024):
- From 39 % in 2021 to 57% in 2024 in language.
- From 42% in 2021 to 65% in 2024 in mathematics.

#### Learner centric education

- APAAR\* IDs track learner progress across school, higher and skill education.
- Vidya Samiksha Kendra monitors learning progress for timely intervention.

#### Multilingualism

- Over 3000 AI-driven interactive e-content in multiple languages.
- Digital study material in 22 Indian languages under Bharatiya Bhasha Pustak Scheme.

#### Academic Structure +Curriculum reforms

- Curriculum reform undertaken as per NEP recommended 5+3+3+4 structure.
- Competency-based assessments are being done under PARAKH.
- Teacher capacity strengthened through DIETs\* and SCERTs\*.

#### Internationalisation

- 100 per cent FDI allowed in higher education.
- 15 foreign institutions are expected to set up campuses in India.

### Strengthening healthcare



37%

Drop in IMR over the past decade.

Life expectancy of 70.3 years in 2023 compared to 49.7 in 1976.

Source: Sample registration system 2023 & MoSPI



Increase in nutrition intake (per capita)

#### Calories

(Kcal/day)

	2009-10	2023-24
Rural	2147	2212
Urban	2123	2240

#### Protein

(g/day)

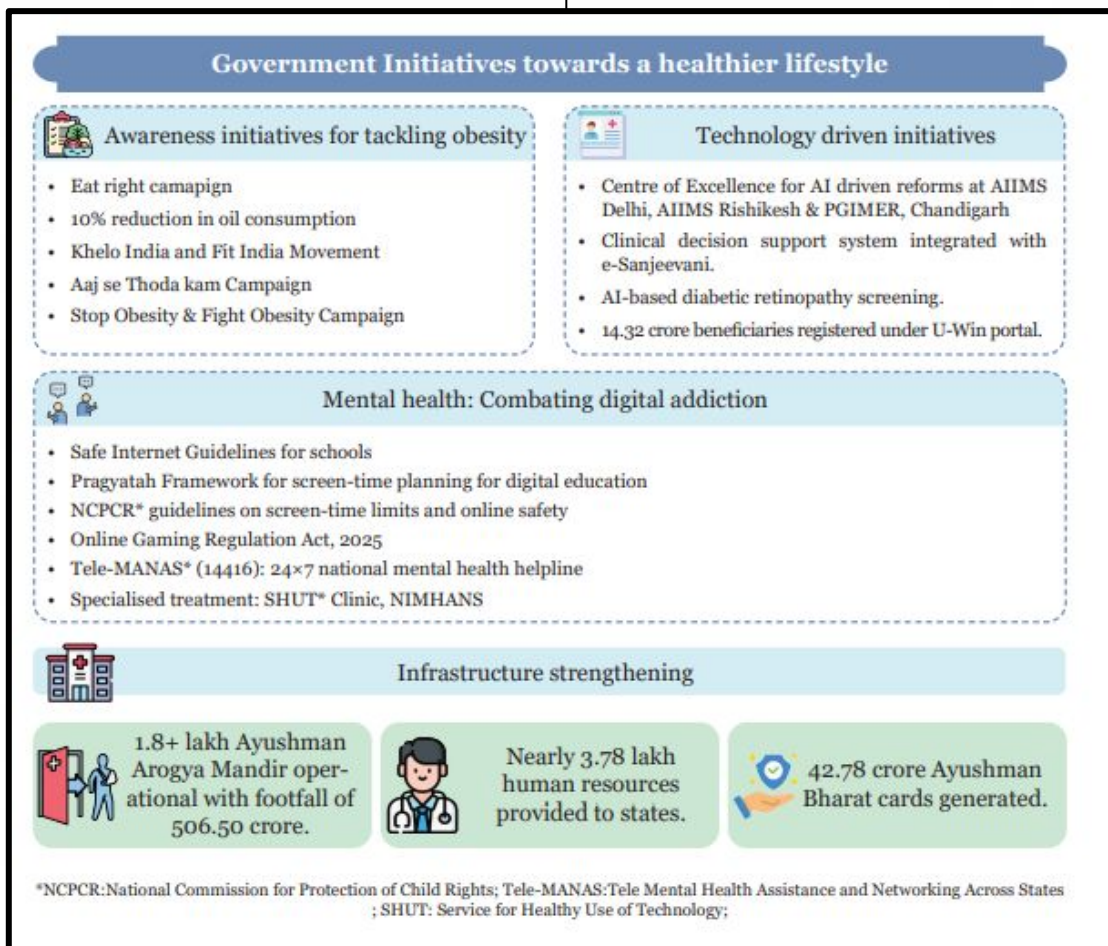
	2009-10	2023-24
Rural	59.3	61.8
Urban	58.8	63.4

Rising nutritional intake, life expectancy and declining Infant Mortality Rate together point to sustained improvements in population health and overall well-being.

- Human capital outcomes:** Multi-factor driven
- Public spending:** Necessary, not sufficient
- Behavioural change:** Health, education uptake
- Private participation:** Investment, innovation
- Institutional linkages:** Coordination, delivery systems



**SYLLABUS : GS 3 : Growth and Development**  
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### Education: Key Focus Areas

#### Access & Outcomes

- Improved enrolment ratios
- Focus shifting to:
  - **Learning outcomes**
  - Foundational Literacy & Numeracy (FLN)

#### Structural Reforms

- NEP 2020 implementation
- School–skill–industry linkage
- Use of digital platforms

**Key challenge:** Enrolment ≠ learning.

### Health: From Treatment to Prevention

#### Achievements

- Expanded insurance coverage (PM-JAY)
- Improved access to healthcare

#### Emerging Challenges

- Non-communicable diseases (NCDs)
- Obesity
- Mental health
- Digital addiction

#### Behavioural & Private Sector Role

- Health outcomes influenced by:
  - Lifestyle choices
  - Diet
  - Physical activity
- Education & health require **societal participation**, not state action alone

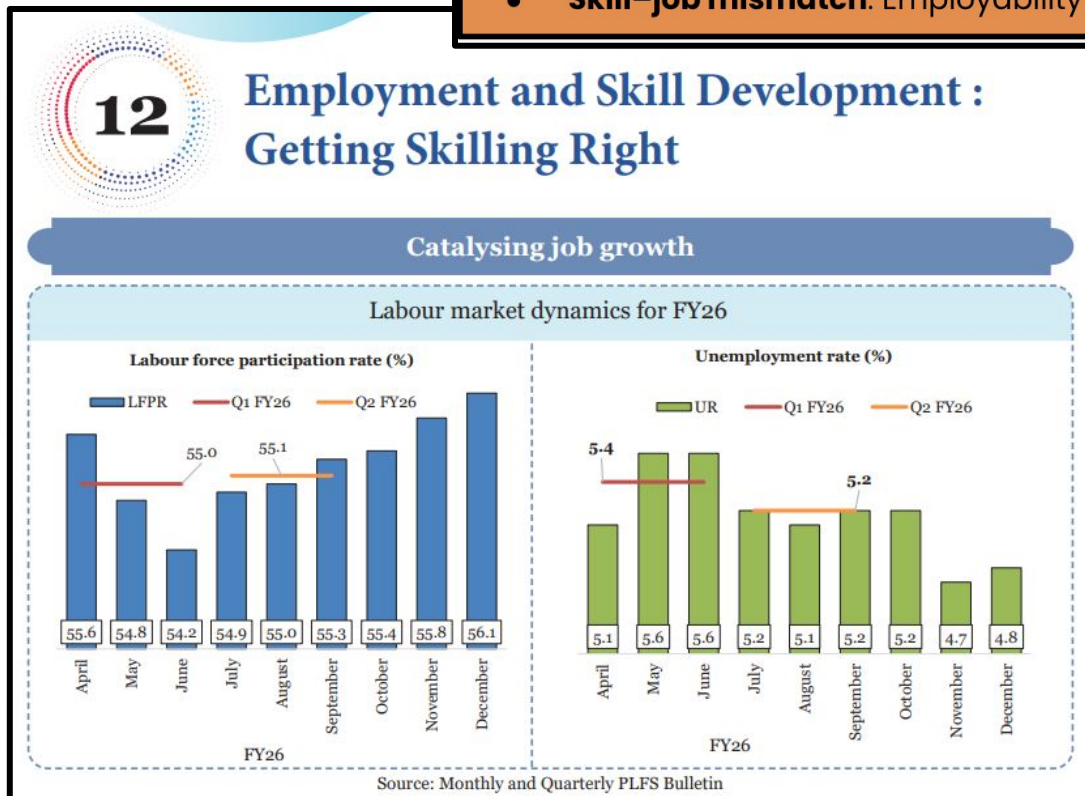


30th January 2026

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**Newspaper: The Hindu Page Number : 14**

## Chapter 12 : Employment and Skill Development

- **Employment challenge:** Beyond unemployment
- **Job quality:** Informality, low wages
- **Skill-job mismatch:** Employability gap



### Labour Codes: Balancing worker protection and flexibility

29 labour laws consolidated into 4 labour codes, enacted on 21 November 2025.

**Code on wages, 2019.**

**Code on Social Security, 2020.**

**Industrial Relations Code, 2020.**

**Occupational Safety, Health and Working Conditions Code, 2020.**

**Boost to formalisation**

- Recognition of fixed-term employment (FTE) as formal engagement.
- Equal benefits for FTE and contract workers
- Mandatory employment letter for all.

**Enhanced Social Security**

- Portability of benefits via Universal Account Number.
- Formal recognition of gig workers.

**Female participation**

- Provision of creches and enabling night shifts.
- Expansion of maternity benefit.
- Flexible work provisions.
- Work across all establishments.

**Growth in income**

- Introduction of a statutory National floor wage.
- Ensuring equal pay for equal work.

**Ease of doing business**

- 'Inspector' role shifts to 'Inspector-cum-Facilitator' under Code on Wages, 2019, focusing on guidance.
- Introduction of Single Registration, Single Return, and Single License for businesses.

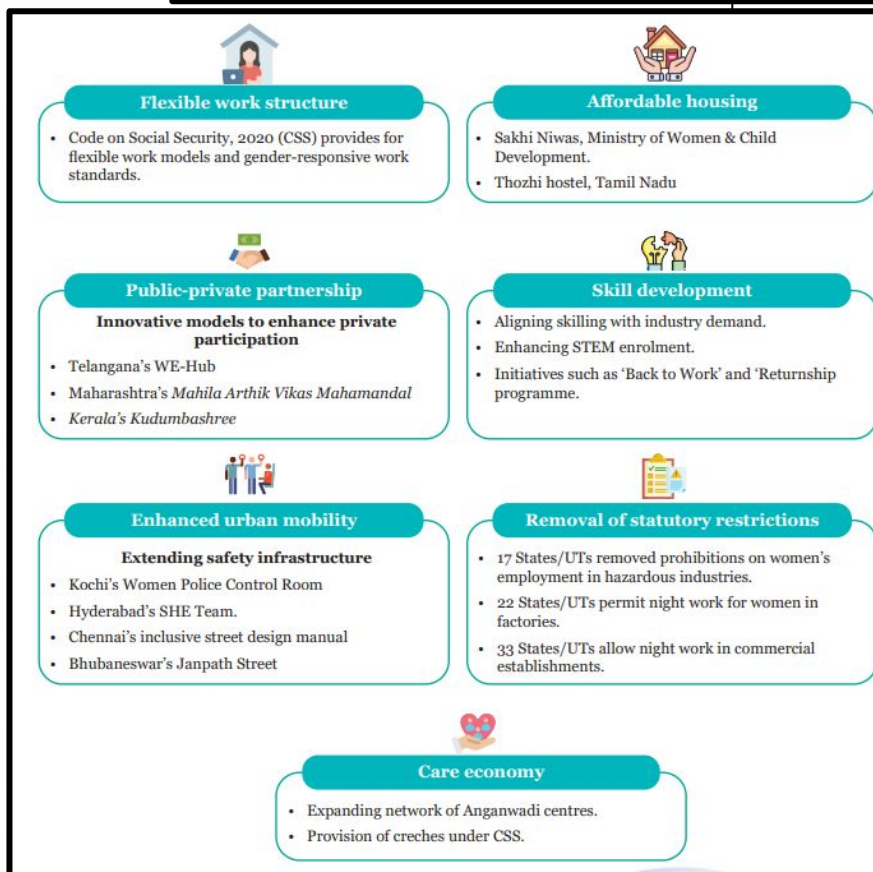
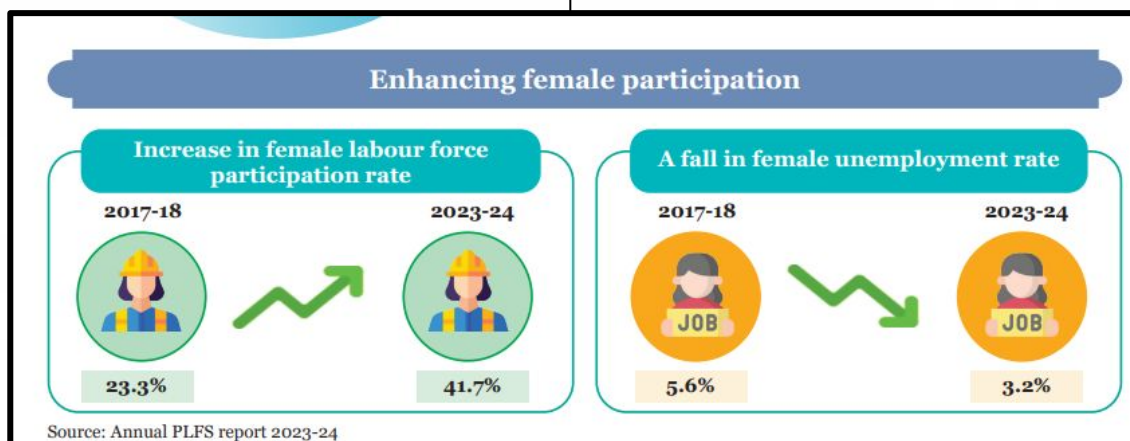
**Employment expansion**

- Higher layoff, retrenchment and closure thresholds to discourage firms from staying small.
- Provision of direct hiring and FTE to boost training and hiring.

Implementation could result in the creation of ~77 lakh jobs (SBI, November 2025).



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**Newspaper: The Hindu Page Number : 14**



**Employment Snapshot : Labour market shows gradual improvement**

- Key features:
  - Rising **Labour Force Participation Rate (LFPR)**, especially for women.
  - Shift from agriculture to non-farm work.
  - High informality persists

**Keyword:** Quantity of jobs has improved faster than **quality of jobs**.

**Structural Employment Issues**

- Low employment elasticity of growth.
- Dominance of:
  - Informal sector
  - Self-employment
- Limited absorption by manufacturing.

**Key constraint:** Skills mismatch between education output and labour market demand.





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### Getting Skilling Right

#### Industry-driven skilling

##### National Scheme for Upgradation of Industrial Training Institutes (ITIs)

- To upgrade 1,000 ITIs
- Smart classrooms, modern labs, digital content, and industry-aligned courses being provided



##### Flexi-MoU Scheme

- Firms providing customised training.
- Nearly 10,000 trained by prominent enterprises



##### PMKVY 4.0

- Training in NSQF-aligned job roles
- Collaboration with industry-led sector skill councils.
- Rozgar & Apprenticeship Melas linking employers with job seekers.

#### Job Creation Strategy

##### Catalysing Job Growth

- Focus on:
  - Manufacturing
  - Construction
  - Services like tourism, logistics
- MSMEs as key job creators

##### Skill Ecosystem Overview

- Multiple schemes → fragmentation
- Skill supply often **certificate-oriented**, not market-oriented

##### Reform Direction

- National Credit Framework
- Apprenticeships
- School-to-work transition
- Industry-linked skilling

### Innovative financing for skill development

#### DBT under NAPS\* 2.0 and NATS\* 2.0

- Over 12 lakh DBT stipend transfers made under NATS 2.0.
- Under NAPS 2.0, 25% of the stipend directly transferred to apprentices via DBT.

#### Skill Vouchers

Demand-side financing instrument providing choice to learners.

- Maharashtra's Vikalp Skill Voucher Programme.
- Tamil Nadu skill voucher scheme.



#### Model Skill Loan Scheme

- Credit-based skilling expanded by raising loan limits and widening eligible lenders.
- Coverage extended to non-NSQF courses from MSDE-SIDH\* registered providers.

#### Skill Impact Bond of NSDC\*

Links funding with verified placement and retention outcomes.

\*NSDC: National Skill Development Corporation; DBT: Direct Benefit Transfer; NAPS: National Apprenticeship Promotion Scheme; NATS: National Apprenticeship Training Scheme; NSQF: National Skills Qualifications Framework; SIDH: Skill India Digital Hub; PMKVY: PM Kaushal Vikas Yojana

**Survey emphasis:** Skills must follow jobs, not precede them blindly.

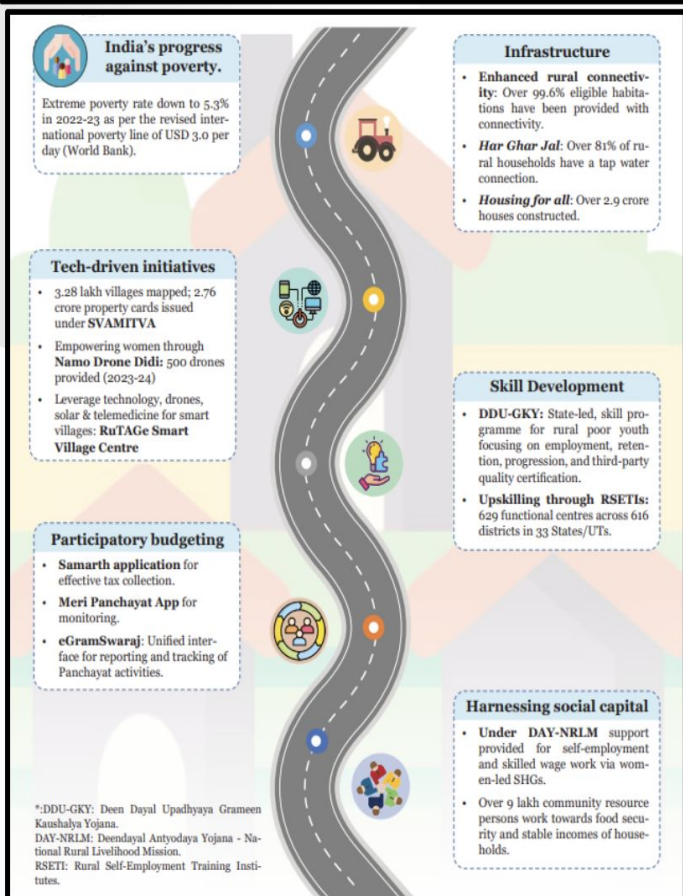
#### Youth & Skilling

- Youth unemployment remains concern
- Need for:
  - Modular skills
  - On-the-job training
  - Lifelong learning



**SYLLABUS : GS 3 : Growth and Development**  
**Newspaper: The Hindu Page Number : 14**

## Chapter 13 : Rural Development and Social Progress



**India's progress against poverty.**  
Extreme poverty rate down to 5.3% in 2022-23 as per the revised international poverty line of USD 3.0 per day (World Bank).

**Tech-driven initiatives**

- 3.28 lakh villages mapped; 2.76 crore property cards issued under **SVAMITVA**
- Empowering women through **Namo Drone Didi**: 500 drones provided (2023-24)
- Leverage technology, drones, solar & telemedicine for smart villages: **RuTAGE Smart Village Centre**

**Participatory budgeting**

- Samarth** application for effective tax collection.
- Meri Panchayat App** for monitoring.
- eGramSwaraj**: Unified interface for reporting and tracking of Panchayat activities.

**Infrastructure**

- Enhanced rural connectivity**: Over 99.6% eligible habitations have been provided with connectivity.
- Har Ghar Jal**: Over 81% of rural households have a tap water connection.
- Housing for all**: Over 2.9 crore houses constructed.

**Skill Development**

- DDU-GKY**: State-led, skill programme for rural poor youth focusing on employment, retention, progression, and third-party quality certification.
- Upskilling through RSETIs**: 629 functional centres across 616 districts in 33 States/UTs.

**Harnessing social capital**

- Under **DAY-NRLM** support provided for self-employment and skilled wage work via women-led SHGs.
- Over 9 lakh community resource persons work towards food security and stable incomes of households.

\*DDU-GKY: Deen Dayal Upadhyaya Grameen Kaushalya Yojana.  
DAY-NRLM: Deendayal Antyodaya Yojana - National Rural Livelihood Mission.  
RSETI: Rural Self-Employment Training Institutes.

13

### Rural Development and Social Progress: From Participation To Partnership

- **Rural transformation**: Structural shift
- **Empowerment**: Agency, capacity building
- **Diversification**: Non-farm livelihoods
- **Partnerships**: State–market–community
- **Beyond welfare**: Growth-oriented approach

#### Poverty & Inequality Trends

- Continued decline in **multidimensional poverty**
- Consumption levels improving
- Inequality concerns remain, but extreme deprivation reduced

### Transforming the Rural Economy

#### Structural Changes

- Declining dependence on agriculture
- Rise of:
  - Rural non-farm employment
  - Self-help groups (SHGs)
  - Rural enterprises

#### 4. Role of Institutions

- SHGs as:
  - Credit conduits
  - Social capital
  - Entrepreneurship platforms
- Panchayats:
  - Planning (GDPDs)
  - Service delivery

### Social Justice as Growth Enabler

- Focus on:
  - Tribal development
  - Aspirational districts
  - Inclusion of vulnerable groups
- Social capital improves:
  - Productivity
  - Participation
  - Outcomes





30th January 2026









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## Chapter 14 : Evolution of the AI Ecosystem in India

**14 Evolution of the AI Ecosystem in India: The Way Forward**

**AI Ecosystem: Trade-Offs for India**

**Navigating Constraints for Policy Choices**

 <b>AI Frontier</b> Few Firms; Greater AI Capability	<b>FRONTIER vs APPLICATION</b> <b>TRADE-OFF:</b> Scale & Control OR Local Alignment	Sector-Specific Solutions; Diverse set of Firms  <b>AI Applications</b>
 <b>Rapid Scale</b> Cost Reduction; Higher Productivity	<b>SCALE vs INCLUSION</b> <b>TRADE-OFF:</b> Productivity OR Absorption	Labour Augmentation; Slower Diffusion  <b>Inclusion</b>
 <b>Proprietary</b> Incentive to Innovate; Pushing Frontiers	<b>PROPRIETARY vs OPEN</b> <b>TRADE-OFF:</b> Competitive Edge OR Openness	Shared Innovation; Adaptability  <b>Open-Source</b>
 <b>Compute Scale</b> Larger Models; Availability of powerful compute	<b>DATA CENTRE SCALE vs LOCAL COMPUTE</b> <b>TRADE-OFF:</b> Centralised Scale OR Distributed Efficiency	Small Models; Decentralised Compute  <b>Local Compute</b>

 <b>Regulation</b> Fixed Costs & Compliance; Safety & Risk Mitigation	<b>REGULATION vs INNOVATION</b> <b>TRADE-OFF:</b> Safety & Trust OR Sustaining Innovation	 <b>Innovation</b> Speed; Diffusion; Possible Risks of Misuse
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- **Artificial Intelligence:** Development multiplier
- **Beyond frontier tech:** Broad-based use
- **Productivity gains:** Across sectors
- **Inclusive growth:** Scale and access




**AI in India's Economic Context : AI as:**

- Productivity enhancer
- Service delivery improver
- Governance tool
- India's advantage:
  - Large database
  - Digital Public Infrastructure
  - Cost-effective talent

**HUMAN CAPITAL FOR AI**

**Building a Future-Ready Workforce**





**Redefining Education & Work**

High School → Earn-and-Learn (Apprenticeships, Projects) → University

Flexible, Integrated, Credit-Bearing Pathways start early, building experience with education

**Beyond White-Collar: Filling Gaps in High-Skill, Human-Centric Jobs**

High School → Metalwork → Early Education → Culinary Arts

HIGH POTENTIAL, UNDERSTAFFED SECTORS REQUIRING HANDS-ON EXPERTISE

### Development-Oriented AI Approach

- Focus on:
  - Agriculture
  - Health
  - Education
  - Public service delivery
- Avoid copy-paste of Big Tech-centric AI models.
- AI for inclusion, not exclusion.

### Human Capital for AI

- Gaps:
  - Advanced AI research talent
  - Interdisciplinary skills
- Solutions:
  - STEM + humanities
  - Research institutions
  - Industry-academia collaboration



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**Governance, Data & Institutions**

- Need for:
  - Data quality
  - Ethical frameworks
  - Institutional coordination
- AI governance must be:
  - Adaptive
  - Risk-based
  - Innovation-friendly

**AI Risks & Safety**

- Risks:
  - Bias
  - Job displacement
  - Concentration of power
- Emphasis on:
  - Responsible AI
  - Human oversight

**Phased Roadmap for AI**

1. Adoption & diffusion
2. Capability building
3. Global leadership (long term)





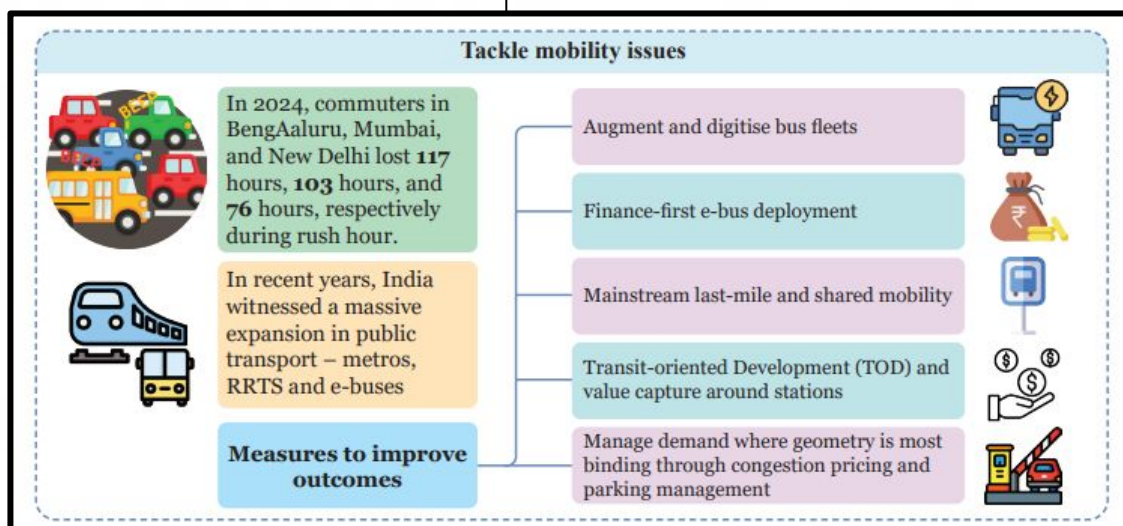
30th January 2026

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## Chapter 15 : Urbanisation



- **Urban challenge:** Beyond rapid urbanisation
- **Urban governance:** Weak capacity, fragmentation
- **Economic agency:** Limited fiscal & functional autonomy
- **Institutional capacity:** Planning, implementation gaps



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**Newspaper: The Hindu Page Number : 14**

### Why Urbanisation Matters for Growth

- Cities are engines of:
  - Productivity
  - Innovation
  - Job creation
- India's urban population share rising steadily.
- However, **economic returns to urbanisation remain sub-optimal**

**Key diagnosis:** India is urbanising without commensurate **city capacity and capability**.

### Governance Deficit: The Central Constraint

#### Core Problems

- Urban Local Bodies (ULBs):
  - Limited fiscal autonomy
  - Weak administrative capacity
  - Dependence on state governments
- Cities lack **economic agency** despite responsibility for service delivery

"Cities manage growth without the power to shape it".

### Binding Constraints in Indian Cities

#### (A) Land & Housing

- Rigid land-use regulations
- Low Floor Space Index (FSI)
- Result:
  - Urban sprawl
  - Housing shortages
  - High property prices

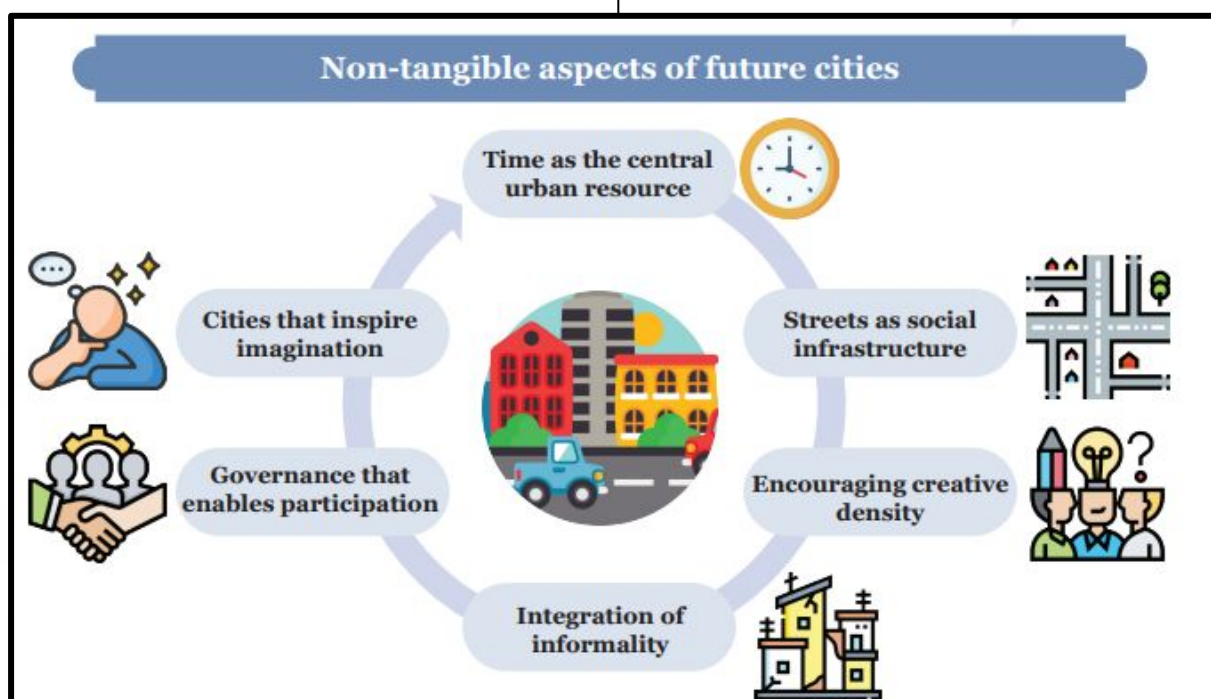
#### (B) Mobility

- Congestion
- Inadequate public transport integration
- Poor last-mile connectivity

#### (C) Sanitation & Waste Management

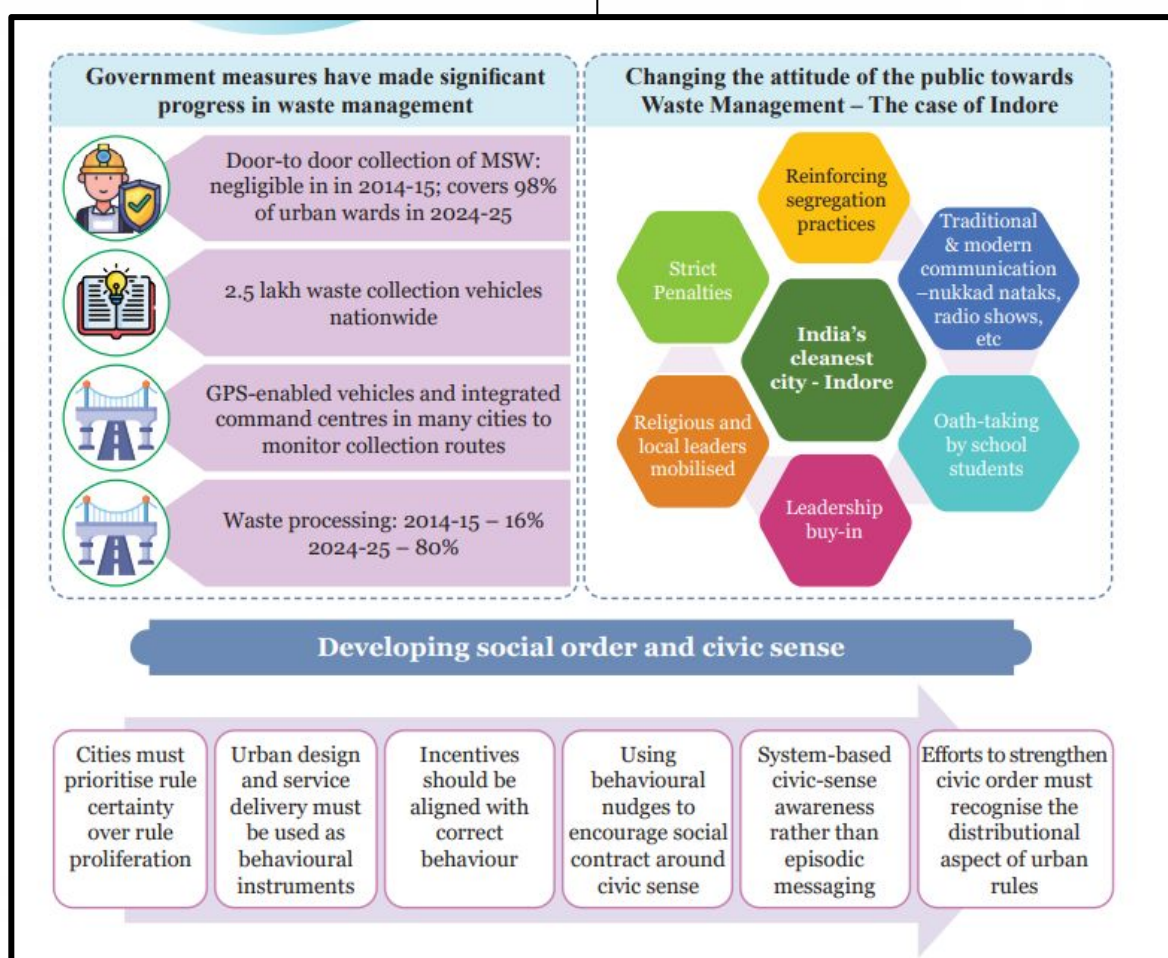
- Solid waste processing gaps
- Informal sanitation workforce
- Environmental and health risks

These constraints raise **cost of living and cost of doing business**.





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## Informality as an Urban Outcome

- Informality is not a failure of citizens
- It is an outcome of:
  - Regulatory overload
  - Exclusionary urban planning
- Slums, street vending, informal housing are **adaptive responses**

**Survey shift:** From *eradication of informality* → *integration of informality*.

## Civic Order Without a Social Contract

### Key Argument

- Weak link between:
  - Taxes paid
  - Services received
- Leads to:
  - Low compliance
  - Weak civic responsibility
  - Trust deficit

Indian cities suffer from a **broken social contract**.

## Non-Tangible Aspects of Future Cities

Beyond infrastructure:

- Urban safety
- Public spaces
- Social trust
- Cultural vibrancy
- Citizen participation

Cities must be **liveable**, not merely functional.

## Policy Orientation Suggested

### Structural Reforms Needed

- Empower ULBs:
  - Fiscal autonomy
  - Professional staffing
- Reform land-use regulations
- Integrate transport planning
- Formalise informal sectors through:
  - Legal recognition
  - Service access

**SYLLABUS : GS 3** Growth and Development  
**Newspaper: The Indian Express Page Number : 15**

## Survey flags India Inc's 'lack of investment appetite', says Swadeshi 'inevitable'

Akash Mandal &  
Ravi Dutta Mishra  
Mumbai/New Delhi,  
January 29

SWADESHI IS "inevitable and necessary" as the global trading environment is marked by export controls, technology denial regimes and carbon border mechanisms that signal the end of "naïve globalisation", the Economic Survey 2025-26 said.

The Survey noted how private corporations in post-war America, Germany, Japan, and East Asia either participated in 'nation building' while pursuing profits or behaved in an 'arm's-length and rules-bound manner'. Indian corporates, however have a relative "lack of appetite" to invest efforts towards long-term risk absorption.

"There is a relative lack of willingness and appetite to invest efforts towards long-term risk absorption and becoming globally competitive. Regulatory arbitrage, protected margins, and firm-specific accommodations often dominate productivity enhancement, scale competition, or learning-by-doing," the Survey said.

The Survey, however, said that this preference is "rational in an environment" where downside risks are socialised through bailouts, banking forbearance, tariff protection, or retrospective renegotiation. "A corporate sector that externalises risk to the state does not exert pressure for higher state capacity; instead, it generates demand for discretion," it said.

Making the case for corporate culture transformation, the Survey said India is operating in an environment where access to

**E. EXPLAINED**

### Behind the low investment appetite

Indian corporate investment is largely characterised by low R&D intensity, caution in frontier manufacturing, among other factors, reflecting not merely culture, but governance structures (in such firms) — family control, succession orientation, weak managerial labour markets, and underdeveloped long-horizon capital according to the Survey

inputs, technologies, and risks cannot be assumed frictionless or permanent.

"In such circumstances Swadeshi becomes a defence as well as offensive policy; a means to ensure continuity of production in the face of external shocks, and a pathway to build enduring national capabilities that reinforce economic sovereignty. The policy question is no longer whether the state should encourage Swadeshi, but how it should do so without undermining efficiency, innovation, or global integration," the Survey said.

There has to be a balance between manufacturing and imports, as Swadeshi-oriented policies in the past led to complacency and inefficiency due to a lack of global competition. Substituting imports for local products is justified when production cost is feasible, but the industry has been hindered by long-

standing regulatory burdens or coordination failures.

The Survey pointed out that national transformation is most durable when business leaders see themselves as trustees of a larger developmental project.

• ECONOMIC SURVEY REFLECTS THE CORE CHALLENGE FACING INDIA IN A CHANGING GLOBAL ORDER

## 'Economic sobriety' while 'running the sprint and marathon together'



RANEN BANERJEE

WE MUST acknowledge the breadth and candid presentation of the state of the economy presented in the Economic Survey 2025-26. It introduces two interesting phrases that summarise the challenges facing India and the Indian monetary and fiscal authorities.

The first phrase is 'strategic sobriety'. The Survey reflects the core challenge facing India in a

changing global order where there is resistance from existing heavyweight economies to accommodate the aspirations of rising economies that have achieved a scale that cannot be ignored. However, India, on the cusp of becoming the world's third largest economy, also faces several internal and external challenges. The external challenges come from a continually disrupted world with ever-increasing geopolitical conflicts.

An over-leveraged technology sector also poses challenges for the monetary authorities. The risk of contagion in the financial sector in the event of the high investments in AI not leading to efficiency returns on investment is making them nervous. Further, India's manufacturing sector has not been able to keep pace with its growth ambitions owing to upstream protectionism impacting micro, small, and medium enterprises (MSME) competitiveness.

In this continually disrupted world, India cannot lean excessively on any strategic imperative or alignment. Instead, it must demonstrate strategic sobriety and dovetail into a strategy summarised by the second interesting phrase in the survey — 'running the sprint and marathon' at the same time.

This applies more to the government from a policy and fiscal perspective. The expression is an

honest assessment of the Centre's achievements while also pointing out the policy course corrections that had to be undertaken owing to the emerging situation. An example the Survey cites in this context is the removal of widespread quality control orders on inputs that impacted MSMEs negatively. Such agile learning and policymaking by the Centre has been termed as an 'entrepreneurial state'.

Some of the achievements that provide resilience to the Indian economy, include: ■ contained inflation from supply-side efficiencies being achieved through progressive logistical improvements from high capex; progressive fiscal

consolidation and reduction in general Government debt while improving expenditure quality

■ prudent monetary policy leading to financial stability from lower NPAs of banks and better monetary transmission

■ stronger growth in services exports and remittances that stabilise the external account while cautioning that this would not give us long-term resilience without stronger manufacturing exports, and

■ agriculture, employing a majority of the workforce, exhibiting stable performance driven by allied sectors.

The Survey outlines that India cannot achieve its Vistit Bharat ambition without the

Sabka Saath aur Sabka Vidwas philosophy being ingrained amongst its citizens, private businesses, and central and state governments. Some of the key recommendations in the Survey include: ■ Innovation push for manufacturing with larger scales of operations, MSME strengthening, and competitive input costs by reducing protection of upstream manufacturing

■ balancing growth and green transition through proper sequencing of actions, unlocking climate finance, and building institutional capacity

■ reforms for healthcare quality and workforce readiness

■ stronger focus on skilling, apprenticeships, and labour re-

forms to align the workforce to the future of work

■ expansion of compute capacity, safety frameworks, talent pipelines, and innovation ecosystems for harnessing the benefits from emerging tech

■ empowering city governance, sustainable mobility, modern planning, and stronger municipal-level capacity to harness cities as engines of growth.

The Survey highlights the risk to exchange rates from negative capital flows and manufacturing not shifting gears to be able to provide the strategic leverage India currently lacks. It calls for interventions to be made towards shifting from import substitution to strategic in-

dispensability through cost reduction and advanced manufacturing. It also raises the issue of the high cost of capital that makes businesses less competitive owing to higher deficits, especially at the state level. The potential GDP growth rate has been increased to 7% in the Survey, with the range being pegged as 6.8-7.2% for FY27. In summary, India's macroeconomic fundamentals remain strong despite global volatility, with growth supported by resilient domestic demand, a healthy finance sector, and prudent monetary and fiscal policies.

The writer is Partner and Leader Economic Advisory, PaC India

## Three Stages of National Strategy

Stage	Meaning
Import Substitution	Replace imports domestically (basic)
Strategic Resilience	Secure critical inputs & supply chains
Strategic Indispensability	Become unavoidable in global value chains

**OVERARCHING IDEA :** India must move beyond import substitution to strategic resilience and ultimately to strategic indispensability, built on state capacity, competitive industry, and citizen participation

### PART I

#### From Import Substitution to Strategic Resilience & Strategic Indispensability

##### 1. Core Argument

**Swadeshi is inevitable, but indiscriminate protectionism is counterproductive.**

India must not repeat old-style import substitution that:

- Raises costs
- Protects inefficiency
- Hurts downstream competitiveness





**SYLLABUS : GS 3** Growth and Development  
**Newspaper:** The Indian Express **Page Number : 15**

### Tiered Framework for Strategic Indigenisation

- Not all sectors need same treatment
- Prioritise:
  - Critical minerals
  - Energy
  - Defence
  - Advanced manufacturing
- Avoid blanket protection

“Decisions about **what not to protect** are as important as what to protect.”

### Input Cost Reduction Strategy

- India suffers from:
  - High cost of capital
  - High energy costs
  - Logistics inefficiencies
- Raising tariffs on inputs:
  - Acts as a **tax on exporters**
  - Weakens competitiveness

**Preferred strategy:** Lower cost of capital and logistics, not higher tariff walls.

### Manufacturing as a Disciplining System :

Manufacturing forces discipline on:

- State capacity
- Logistics
- Labour regulation
- Infrastructure quality

Unlike services, manufacturing **cannot bypass weak institutions**.

## PART II

### Building Strategic Resilience: Role of State, Private Sector & Citizens

### State Capacity: The Binding Constraint

**Central Diagnosis :** India's biggest constraint today is **state capacity**, not policy intent.

Problems include:

- Process-heavy governance
- Risk aversion
- Compliance over outcomes

### The Entrepreneurial State (Key Concept)

Borrowing from Mariana Mazzucato:

**An entrepreneurial state acts under uncertainty, structures risk, learns by doing, and corrects course.**

It does **not** mean:

- State capitalism
- Cronyism
- Running businesses

It means:

- Mission-mode governance
- Platform creation
- Capability building

### Examples:

- Semiconductors
- Green hydrogen
- DPI platforms
- Deregulation compacts



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**Newspaper:** The Indian Express **Page Number : 15**

### Regulation as Capability, Not Control

- Shift from:
  - Inspection-based control
- To:
  - Trust-based compliance
  - Risk-based regulation

“Deregulation is not withdrawal of the state, but **institutional capability in action**”.

**Role of the Private Sector :** India’s private corporate sector must stop seeking negotiated shelter.

Expected role:

- Compete globally
- Invest in scale & productivity
- Accept import competition
- Support MSME ecosystems

Protection-seeking weakens: Exports, Currency stability, Strategic credibility

### Role of Citizens & Social Norms

- State capacity is a **human system**
- Depends on:
  - Trust
  - Compliance
  - Civic responsibility

Examples: Tax compliance, Urban order, Environmental behaviour

Citizens are **co-creators of state capacity**.

### Strategic Payoff

If India succeeds: Higher productivity, Stronger currency, Lower cost of capital, Greater geopolitical influence

**Power =** Productive capacity × Institutional quality × Strategic concentration.





# New Inflation Series : Food's Weight to fall to 37 %



**SYLLABUS : GS 3** Growth and Development, Monetary Policy  
**Newspaper: The Indian Express Page Number : 15**

2024 AS BASE YEAR FOR CPI

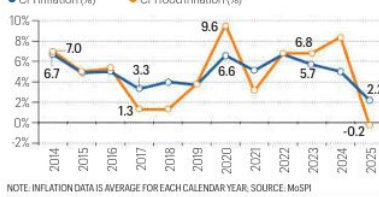
## New inflation series: Food's weight to fall to 37% from 46%

Siddharth Upasani  
New Delhi, January 29

INDIA'S NEW headline inflation data, with 2024 as the base year for prices, will see the weight of food and beverage items fall from 45.86% to 36.75%. According to documents published by the Ministry of Statistics and Programme Implementation (MoSPI) on Thursday, the new series will also see housing become a more prominent component of the Consumer Price Index (CPI) basket — a move which, in conjunction with certain methodological changes adopted to measure rent increases more accurately, will likely result in higher housing inflation and exert upward pressure on overall retail inflation.

The high weight of food in CPI has been a longstanding concern of policy-makers and economists. As food items make up almost half the consumption basket, sharp changes in their prices can often drive the headline inflation rate higher or lower. This has been apparent over the second half of 2025. Starting June 2025, food inflation has been below zero — implying that food prices have been lower each month compared to

Food inflation drives India's headline inflation



NOTE: INFLATION DATA IS AVERAGE FOR EACH CALENDAR YEAR. SOURCE: MoSPI

the same month of 2024.

This helped drag down headline CPI inflation sharply, with the October 2025 print coming in at an all-time low of 0.25%, with food inflation also at a record low of (-) 5.02%.

"By considering the new weights on unchanged index, we have calculated new CPI with old indices and found that overall CPI will increase marginally by 20-30 bps (basis points). While in the months when food inflation is higher, the new CPI will be lower by 20-30 bps," Soumya Kanti Ghosh, SBI's Group Chief Economic Adviser, said.

For the Reserve Bank of India (RBI), which sets the country's

key interest rate (repo rate), this high food weight has been a prevailing issue as it is based on household consumption patterns from 2011-12, meaning that the existing CPI inflation series is outdated and does not present the correct picture of prices in the economy.

As per the economic theory developed by German statistician and economist Ernst Engel in the 19th century, as the income of a household rises, the proportion it spends on food reduces. This has been borne out in the results of MoSPI's latest survey: The 2023-24 Household Consumption Expenditure Survey (HCES), on which the new

CPI basket has been updated, saw rural households spend 47.04% of their Monthly Per Capita Consumption Expenditure (MPCE) on food, down from 52.9% in 2011-12, which is the basis for the existing CPI inflation series. For urban households, the share of food fell from 42.62% of MPCE to 39.68% in the same period.

### Relief for RBI

The RBI's monetary policy, which shapes inflation by influencing demand, is found wanting when confronted with supply-side issues that either raise or lower food prices — an increase or decrease in interest rates cannot, in the short run, lead to a rise or fall in the supply of food items such as vegetables or cereals, and lower or raise their prices. In the past, there have been occasions when the RBI has not been able to cut interest rates because high food inflation has kept overall inflation elevated. It was in this context that two years ago, the Economic Survey for 2023-24 had said it was worth exploring if India's inflation targeting framework should target inflation excluding food items. However, the RBI argued against the suggestion,

with then Governor Shaktikanta Das saying in August 2024 that while the Central bank may look through temporarily high food inflation, it cannot afford to do so in an environment when it is persistently elevated.

The law requires the RBI to target a CPI inflation rate of 4% in a band of 2-6%. This flexible inflation targeting framework, or FIT, is currently under review, with the target for the five years starting April expected to be announced by March. Economists widely expect the FIT framework to be retained in its present form.

### New CPI basket

The publication of the broad category weights of the new CPI basket comes ahead of the release of the first inflation number under the new series on February 12, when data for January will be released. Before that, the exact weights of each item in the CPI basket will be made available. According to the report of the expert group on Comprehensive Updation of Consumer Price Index released on Thursday, the new CPI basket will contain 358 items, up from 299 currently. FULL REPORT ON WWW.INDIANEXPRESS.COM

### Consumer Price Index (CPI)

Measures changes in **retail prices** of goods and services consumed by households; reflects **cost of living inflation**.

#### Coverage

- Goods **and services**
- Food, housing, clothing, fuel, health, education, transport, etc.
- Compiled by **National Statistical Office (NSO), MoSPI**
- Anchor for **inflation targeting framework**
- RBI target: **4% ± 2%**
- Used for DA revision, welfare indexation
- High food weight → CPI highly sensitive to **monsoon, MSP, supply shocks**
- Explains food-led inflation volatility in India

### Present Weightage

Component	Weight (%)
Food & Beverages	45.86
Housing	10.07
Clothing & Footwear	6.53
Fuel & Light	6.84
Miscellaneous	30.80
<b>Total</b>	<b>100</b>



## New Inflation Series : Food's Weight to fall to 37 %



**SYLLABUS : GS 3** Growth and Development, Monetary Policy  
**Newspaper:** The Indian Express **Page Number : 15**

### Wholesale Price Index (WPI)

Measures price changes at the **first point of bulk sale** (wholesale stage); reflects **producer-side price pressures**.

- Goods only (services excluded)
- Compiled by **Office of Economic Adviser**, Ministry of Commerce & Industry
- Early indicator of **cost-push inflation**
- Sensitive to fuel and input cost shocks
- Excludes services → declining relevance in a services-led economy

### Present Weightage

Component	Weight (%)
Manufactured Products	64.23
Primary Articles	22.62
Fuel & Power	13.15
<b>Total</b>	<b>100</b>





**SYLLABUS : GS 2 Executive**

**Newspaper: The Hindu Page Number : 12**

## Congress says Form 7 being misused for targeted voter deletion in several States

**The Hindu Bureau**  
NEW DELHI

The Congress on Thursday alleged a "systematic and coordinated" attempt to delete the names of eligible voters across several States through the misuse of Form-7 during the ongoing special intensive revision (SIR) of electoral rolls. In a letter to the Election Commission (EC), party general secretary (organisation) K.C. Venugopal said the complaints pointed to a centrally driven mechanism that could disenfranchise lakhs of voters, particularly those from backward and marginalised communities.

Mr. Venugopal said party workers and media reports had flagged instances where persons "affiliated to the Bharatiya Janata Party" were found using pre-printed Form-7 documents, meant only for specific, verifiable objec-



K.C. Venugopal

tions, to seek deletion of names on a mass scale. The letter notes that Form-7, published under Rule 26 of the Registration of Electors Rules, 1960, carries a narrow statutory purpose and requires clear identity details and documentary grounds for any objection. Instead, the forms being submitted in bulk were allegedly riddled with illegible names, invalid phone numbers and EPIC details, and did not contain verifiable particulars of the objector.

"These actions, if re-

mained unchecked and not taken cognisance of by the commission, will not only embolden the BJP in its efforts to wrongfully gain electoral advantage but will also lead to the disenfranchisement of lakhs of voters, especially those belonging to the backward, marginalised communities, who, as per the media reports, have been made the target of these deletions through Form 7s," Mr. Venugopal said in the letter.

According to the Congress, the pattern first emerged in Rajasthan and subsequently in Gujarat, Madhya Pradesh, Chhattisgarh, Uttar Pradesh, West Bengal, Assam, and Kerala, suggesting that the issue was "neither localised nor isolated". In several cases, he said, individuals listed as objectors turned out to be BJP booth-level agents or denied any knowledge of having filed objections.

### Prelims Pointers

## What is Form 7?

### Form 7 is used to:



Object to an ineligible person's name



Request deletion of one's own name



Request deletion of another's name

### When is Form 7 used?



Death of a registered voter



Permanent shifting to another constituency



Duplicate / Erroneous entries



Ineligibility (underage, non-citizen, wrong constituency)

### Key Points



Filed only by a registered voter



Reason for deletion is mandatory



Ensures accuracy & integrity of electoral rolls

**Q1. Consider the following statements regarding the Economic Survey of India:**

1. It is prepared by the Economics Division of the Department of Economic Affairs under the Ministry of Finance.
2. It is laid before Parliament for discussion and voting after the presentation of the Union Budget.
3. It reviews macro-economic performance and provides an analytical basis for policy priorities and reforms.

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

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

**Answer: b**

**Q2. Consider the following statements regarding pension schemes in India:**

1. Under the Old Pension Scheme, the government guarantees a lifelong post-retirement income, with pension amount linked to the last drawn salary.
2. The National Pension Scheme is a contributory scheme in which both employees and the government contribute.
3. Under the National Pension Scheme, the entire pension corpus can be withdrawn tax-free as a lump sum at the time of retirement.

**Which of the statements given above is/are correct?**

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

**Answer: a**

**Q3. Consider the following statements:**

1. Headline inflation excludes food and fuel prices in order to capture long-term inflationary trends in the economy.
2. Core inflation reflects the overall cost of living by covering all goods and services, including food and fuel.

**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: d**

**Q4. Consider the following statements regarding the Labour Codes enacted in India:**

1. The Labour Codes mandate a statutory national floor wage and ensure equal pay for equal work across establishments.
2. Under the Labour Codes, the role of labour inspectors has been completely abolished to improve ease of doing business.
3. The Labour Codes provide for higher thresholds for layoff, retrenchment and closure, along with provisions for direct hiring and fixed-term employment.

**How many of the statements given above is/are incorrect?**

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

**Answer: a**

**Q5. Form 7 under the Representation of the People framework is used in which of the following situations?**

1. Death of a registered voter.
2. Permanent shifting of a voter to another constituency.
3. Correction of spelling errors in the voter's name.
4. Presence of duplicate or erroneous entries in the electoral roll.
5. Inclusion of a person who is underage or otherwise ineligible.

**Select the correct answer using the codes given below.**

- a) 1, 2, 4 and 5 only
- b) 1, 3 and 4 only
- c) 2, 3, 4 and 5 only
- d) 1, 2, 3, 4 and 5

**Answer: a**







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## **Institute for IAS Examination**

A unit of Vajiram & Ravi IAS Study Centre LLP

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9-B, Bada Bazar Marg, Old Rajinder Nagar,  
New Delhi - 110060 • Ph.: 41007400, 41007500

New No. 62, P Block, 6th Avenue, Anna Nagar,  
Chennai - 600040 • Ph.: 044-4330-2121

Visit us at : [www.vajiramandravi.com](http://www.vajiramandravi.com)