



# APTI PLUS

Academy for Civil Services Pvt. Ltd.

CREATING CIVIL SERVANTS FOR THE NATION

# PRELIMS XPRESS

## FOR UPSC CSE 2025



CAPSULE MODULE FOR  
**LAST MINUTE  
REVISION**

### Topics covered:

- Monetary and Financial Policies
- Taxation and Financial Regulations
- Stock Markets and Investment
- International Trade and Finance
- Economic Development and Indices
- Agriculture & Allied Sectors
- Labour and Employment
- Insurance and Financial Institutions
- Intellectual Property and Legal Framework
- Infrastructure and Development
- Sectoral Developments and Regulations
- Digital Finance and Payments



# ECONOMY

## **Prelims Express 2025: Maximize Your Score with High-Probability Topics**

---

As you gear up for **UPSC CSE Prelims 2025**, **Prelims Express 2025** is your strategic companion, meticulously crafted to give you an edge in the final leg of your preparation. It is not a compilation of current affairs or textbook summaries, but **a focused resource covering high-probability topics**. Designed to **plug critical gaps**, it brings together scattered yet essential content into one accessible guide. Use it as **a smart supplement** that strengthens your preparation to **boost your score** and **move closer to your goal**.

Wishing you all the best!



 **Index  
ECONOMY**

<b>01</b>	Monetary and Financial Policies	Page <b>04</b>
<b>02</b>	Taxation and Financial Regulations	Page <b>08</b>
<b>03</b>	Stock Markets and Investment	Page <b>12</b>
<b>04</b>	International Trade and Finance	Page <b>16</b>
<b>05</b>	Economic Development and Indices	Page <b>21</b>
<b>06</b>	Agriculture & Allied Sectors	Page <b>21</b>
<b>07</b>	Labour and Employment	Page <b>22</b>
<b>08</b>	Insurance and Financial Institutions	Page <b>24</b>
<b>09</b>	Intellectual Property and Legal Framework	Page <b>24</b>
<b>10</b>	Infrastructure and Development	Page <b>24</b>
<b>11</b>	Sectoral Developments and Regulations	Page <b>24</b>
<b>12</b>	Digital Finance and Payments	Page <b>24</b>

# MONETARY AND FINANCIAL POLICIES

## ■ Variable Rate Repo (VRR)

➤ RBI injected ₹25,000 crore into the banking system through VRR tool to address a liquidity deficit.

VRR is a market-determined rate, typically lower than the **Repo Rate** but above the **Reverse Repo Rate** and is used for loans with durations of more than one day, usually up to 14 days. It allows banks to borrow at a rate determined by market conditions when they are reluctant to borrow at

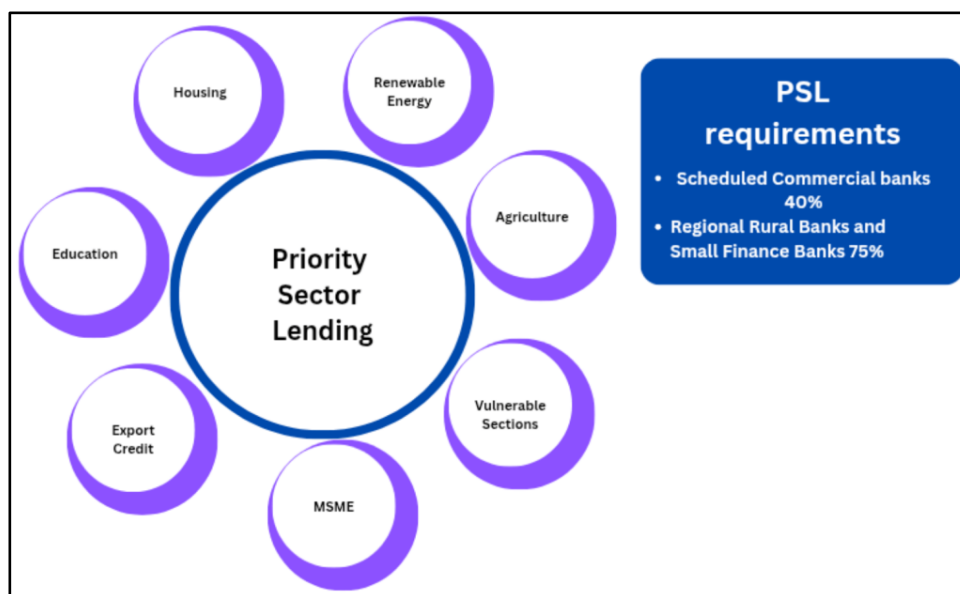
the fixed Repo Rate, which is set by the **Monetary Policy Committee**. VRR is a tool to inject short-term liquidity into the banking system, while the **Variable Rate Reverse Repo (VRRR)** is used to absorb excess liquidity.

## ■ Priority Sector Lending (PSL) guidelines

➤ The **RBI recently revised the Priority Sector Lending (PSL) guidelines** to encourage small loans in economically disadvantaged districts with low average loan sizes.

The **revised norms** introduce an **incentive framework**, giving **125% weight** to fresh priority sector loans in districts with low loan availability (less than ₹9,000 per person) starting from FY25. Conversely, a **disincentive framework** applies in districts with high loan availability (more than ₹42,000 per person), where loans will have only **90% weight**. All other districts will retain the current weight of **100%**. Additionally, loans to **Micro, Small and Medium Enterprises (MSMEs)** will now be fully classified under PSL. **Priority**

**Sector Lending (PSL)** refers to sectors deemed crucial for national development, ensuring access to credit for vulnerable sections and underdeveloped areas. Formalized in 1972, PSL aims to promote economic inclusion. Committees like the **Gadgil (1969)** and **Ghosh (1982)** Committees played pivotal roles in its evolution. **PSL Certificates (PSLCs)** are tradable instruments that help banks meet PSL targets by purchasing them if they fall short or selling them if they have a surplus.

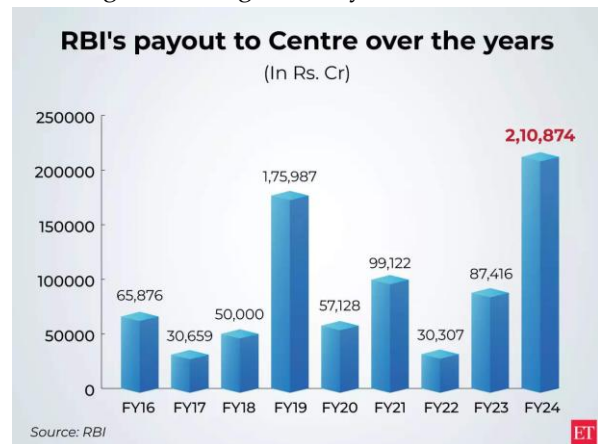


## ■ RBI's payout to Centre

➤ The Reserve Bank of India (RBI) recently approved its highest-ever surplus transfer of ₹2.11 lakh crore to the government for FY24, more than double the previous year's ₹86,416 crore.

A **surplus** refers to the excess of income over expenditure and in RBI's case, its total expenditure is about one-seventh of its net interest income, which leads to a significant surplus. The transfer is governed by **Section 47 of the RBI Act, 1934**, which mandates the RBI to transfer its profits to the government. This was further formalized by the **Bimal Jalan Committee's Economic Capital Framework (ECF)**, which sets guidelines for surplus transfer based on **realized equity** and **economic capital**. According to the framework, the **realized equity** must be between 5.5% and 6.5% of the balance sheet and **economic capital** (including the **Currency & Gold Revaluation Account - CGRA**) should range between 20.8% and 25.4%. Any excess is transferred to the government.

Additionally, the **Financial Benchmarks India Pvt Ltd (FBIL)**, established in 2014, is responsible for administering benchmarks related to India's money market, government securities and foreign exchange and is regulated by the RBI.



## ■ Ways and Means Advances (WMA)

➤ The RBI recently increased the WMA limit for States and Union Territories to ₹60,118 crore from ₹47,010 crore to address temporary cash flow mismatches.

**WMA** refers to advances provided by the RBI to States/UTs to meet short-term liquidity gaps. It includes **Normal WMA** and **Special WMA** (now called **Special Drawing Facility - SDF**), with the latter offering a lower interest rate. States are first given Special WMA and once exhausted, they move to Normal WMA. Interest rates on WMAs are linked to the **Repo Rate**. Along with WMA, **SDF** and **Overdraft (OD)** facilities are available,

with the latter being used when a State exceeds its WMA and SDF limits. These facilities are governed under the **RBI Act, 1934** and are secured against collaterals such as the **Consolidated Sinking Fund (CSF)** and **Guarantee Redemption Fund (GRF)**. States can avail overdraft for up to **14 consecutive days**, with possible RBI relaxation.

## ■ Credit-Deposit (CD) Ratio

➤ In 2023, RBI expressed concerns over the high CD ratio, which peaked at 78.8%, the highest since 2005.

The **Credit-Deposit (CD) Ratio** is a financial metric that represents the percentage of loans issued by a bank relative to its total deposits. It indicates how much of the bank's deposits are being lent out. A higher CD ratio suggests that a significant portion of the bank's resources is allocated to loans, which can stimulate economic growth but also increases risk. Over 75% of the

banks with a CD ratio above 75% are private sector banks. Key reasons for this rise include higher credit growth, particularly in retail and MSME loans and slower deposit growth as customers shift funds to capital markets. A high CD ratio can pressure **Net Interest Margins (NIM)**, increase **liquidity risk** (making it harder

for banks to meet obligations) and escalate **credit**

**risk** (increased likelihood of borrower defaults).

## ■ Financial Inclusion Index (FI-Index)

➤ The RBI announced that the **FI-Index** rose to **64.2** in March 2024, up from **60.1** in March 2023.

The FI-Index is a comprehensive measure that tracks the extent of financial inclusion across India, incorporating aspects of **banking, investments, insurance, postal services** and the **pension sector**. The index is calculated on a scale from **0 to 100**, where **0** represents complete

exclusion and **100** represents full inclusion. The index is divided into three key parameters: **Access** (35%), **Usage** (45%) and **Quality** (20%). The FI-Index is published annually in July, providing insights into the progress of financial inclusion in the country.

## ■ Reserve Bank - Integrated Ombudsman Scheme (RB-IOS)

➤ The **Annual Report of the Ombudsman Scheme 2022-23** is the first stand-alone report under **RB-IOS**, highlighting its effectiveness in grievance redressal.

The **RB-IOS**, launched in 2021, aims to provide **cost-free** redressal for customer complaints related to services provided by **Regulated Entities** under the RBI. The scheme covers **commercial banks, Regional Rural Banks, Co-operative Banks, Non-Banking Financial Companies (NBFCs)** and other financial institutions like **Payment System Participants** and **Credit Information Companies**. The scheme is governed by the **Banking Regulation Act, 1949**,

**RBI Act, 1934** and the **Payment and Settlement Systems Act, 2007**. The **RBI Ombudsman** and **Deputy Ombudsman** are appointed to handle customer complaints, with the Ombudsman serving for a term of up to three years. Complaints are processed through **24 Offices of the RBI Ombudsman (ORBIOs)** and the **Centralized Receipt and Processing Centre (CRPC)**.

## ■ Eligibility Criteria for Small Finance Banks to Transition into Universal Banks

➤ The **RBI** has established eligibility criteria for **Small Finance Banks (SFBs)** to transition into **Universal Banks (UBs)** under the **on-tap licensing** scheme.

Universal banks offer a broader range of financial services, including commercial banking, investment banking and insurance, while SFBs were initially focused on basic banking activities for underserved sections. To qualify for the transition, SFBs must meet several criteria: a minimum **net worth** of ₹1,000 crore, be a **scheduled bank** with a satisfactory track record of at least **5 years** and maintain strong **financial health** with net profits over the last two years and **low NPAs** (Gross NPA ≤ 3%, Net NPA ≤ 1%). Additionally, their shares must be **listed** on a recognized stock exchange and there should be no changes to the promoter structure or shareholding plan during the transition. SFBs with a **diversified loan portfolio** are given preference and these

criteria are aimed at ensuring the stability and capability of banks moving to the universal banking model.

**Small finance banks (SFBs)** are niche banks in India that focus on **financial inclusion** by providing **banking services** to underserved sections like **small business units, marginal farmers, micro industries** and those in the **unorganised sector**. They are governed by the **Reserve Bank of India (RBI)** under the **Banking Regulation Act, 1949** and must ensure that **75% of net credits** go towards **priority sector lending** and **50% of loans** are less than **₹25 lakh**. Promoters must contribute at least **40% of equity capital**, which reduces to **26%** within **12 years**. They are required to maintain a **capital adequacy**

ratio of 15%, with Tier I capital of at least 7.5%. The minimum paid-up equity capital is ₹200 crore. These banks must list on the stock exchange once their net worth reaches ₹500 crore. They can engage in basic banking activities like accepting deposits and providing credit, but cannot set up subsidiaries for non-banking financial services.

The banks must also have 25% branches in unbanked rural areas and adhere to foreign shareholding limits of 74% as per the FDI rules. Through these provisions, SFBs contribute significantly to financial inclusion and economic growth in India.

### ■ Urban Cooperative Banks (UCBs)

➤ RBI has directed UCBs to discontinue the practice of setting up a Dividend Equalisation Fund (DEF).

DEFs are created by UCBs by appropriating profits to pay dividends in years when profits are insufficient or when the bank experiences a loss. However, the current rules prohibit using previously accumulated profits or reserves for such payments. As a one-time measure, the RBI also allowed UCBs to transfer the DEF money to general reserves, which will provide better treatment for regulatory capital purposes. UCBs are registered as cooperative societies under either the State Cooperative Societies Act or the Multi-State Cooperative Societies Act, 2002 and are regulated by both the RBI and State/Central Registrars of Cooperative Societies. They are mandated to achieve a priority sector lending target of 75% by March 2026 and are authorized to lend for agricultural purposes. To strengthen UCBs, the RBI implemented the Banking

Regulation (Amendment) Act of 2020, granting it powers to supersede their boards. UCBs are also given greater flexibility to expand by opening new branches without prior RBI approval. Furthermore, the National Urban Cooperative Finance and Development Corporation Limited (NUCFDC) functions as an umbrella organization for UCBs, offering liquidity, capital support and technology platforms. Additionally, the RBI has introduced a Prompt Corrective Action (PCA) framework for Primary Urban Cooperative Banks, which will replace the existing Supervisory Action Framework from April 2025. The PCA framework will monitor key areas such as capital, asset quality and profitability and will help address the financial health of UCBs more precisely.

### ■ Prompt Corrective Action (PCA)

➤ The RBI has issued a new PCA framework for Primary Urban Cooperative Banks to address their financial health with greater precision and flexibility.

The framework will be effective from April 1, 2025, replacing the existing Supervisory Action Framework (SAF). It will apply to all UCBs in tier 2, tier 3 and tier 4 categories, excluding those under All Inclusive Directions (AID). The key areas for monitoring under the PCA framework will include capital, asset quality and

profitability of UCBs. A financially unsound and ill-managed UCB can be brought under PCA if it breaches the defined risk thresholds. However, a UCB can exit from PCA and have its restrictions withdrawn if there are no breaches in the risk thresholds across any parameters for four successive quarterly financial statements.

### ■ Microfinance Institution (MFI)

➤ The Self Employed Women's Association (SEWA) Bank, India's first Microfinance Institution (MFI), recently celebrated 50 years since its establishment in 1974.

Microfinance offers financial services like small-value loans to marginalized and poor individuals

who lack access to formal banking services. These loans, which are typically collateral-free, are

granted to **low-income households** with an annual income up to ₹3,00,000, as per **RBI** guidelines. MFIs generally charge higher interest rates compared to **commercial banks**. The concept of modern MFIs was pioneered by **Nobel Laureate Muhammad Yunus** with the establishment of the **Grameen Bank** in **Bangladesh** in 1976. In India, the **RBI** is the regulatory body for MFIs and its **Malegam Committee** (2010) recommended a regulatory framework for **NBFC-MFIs**. The Indian government has implemented several initiatives to promote microfinance, including the **Pradhan Mantri Mudra Yojana (PMMY)**, which provides loans up to ₹10 lakh to non-corporate, non-farm

small and micro enterprises through commercial banks and **NBFCs**. In the **2024 Union Budget**, the **loan limit** under **Tarun** was increased to ₹20 lakh for those who have successfully repaid previous loans. The **RBI** has also recognized **Microfinance Institutions Network (MFIN)** and **Sa-Dhan** as **Self-Regulatory Organizations (SROs)** since 2014. Additionally, the **SHG-Bank Linkage Program**, launched by **NABARD** in 1992, has become one of the largest microfinance programs globally, providing financial services to underserved poor households, with **Regional Rural Banks** and **Scheduled Commercial Banks** supporting **Self-Help Groups (SHGs)**.

## ■ Non-Banking Financial Companies (NBFCs)

➤ Recently, the **RBI** banned four **NBFCs** from granting loans, exercising its powers under **Section 45 L (1)(b) of the Reserve Bank of India Act, 1934**.

A **NBFC** is a company registered under the **Companies Act, 1956/2013**, primarily engaged in **lending activities**, but excludes institutions involved in **agriculture, industrial activity, trading goods** (except securities), or the **sale/purchase/construction of immovable property**. **Regulation** of **NBFCs** in India is spread across various entities: the **National Housing Bank** regulates **Housing Finance Companies**, **SEBI** supervises **Merchant Banks, Venture Capital Funds** and **stock exchanges**, while the **Insurance Regulatory and Development Authority** regulates **Insurance companies**. State governments regulate **Chit Fund Companies** and the **Ministry of Corporate Affairs** oversees **Nidhi**

**Companies**. **NBFCs** differ from **banks** in several ways: they cannot accept **demand deposits**, they do not participate in the **payment and settlement system** and they cannot issue cheques. Moreover, the **deposit insurance facility** provided by the **Deposit Insurance and Credit Guarantee Corporation (DICGC)** is not available to **NBFCs** depositors. The **DICGC** insures deposits of commercial banks up to ₹5 lakh. To ensure appropriate regulation, **NBFCs** are subject to **Scale-based Regulation (SBR)**, where they are segregated into four tiers based on **size, activity** and **risk profile**, with **differential regulations** tailored for each tier.

## ■ Financial Stability Report (FSR)

➤ **RBI's** biannual **FSR** highlights the improvement in **Non-Performing Assets with the Gross NPAs and Net NPAs** ratios of scheduled commercial banks reaching multi-year lows of **2.8%** and **0.6%** respectively as of **March-end 2024**.

An **NPA** refers to a loan or advance that remains overdue for more than **90 days**. **GNPAs** are the sum of all loans classified as **NPAs**. To tackle the **NPA** issue, several measures have been implemented, including the **SARFAESI Act, 2002**, which allows secured creditors to take possession of collateral in case of a repayment default and the

**Insolvency and Bankruptcy Code (IBC), 2016**, aimed at reorganizing and resolving insolvency of corporate entities. The **National Asset Reconstruction Company Limited (NARCL)** was established to resolve stressed assets above ₹500 crore. The **PRAVAAH** portal, a web-based platform, facilitates regulatory authorizations.

Additionally, **RBI** revised **NPA Provision Norms** for **Co-operative Banks**, which mandates provisions for **Bad & Doubtful Debt Reserve (BDDR)** under **Income Recognition, Asset Classification and Provisioning (IRACP)** norms. As part of **Co-lending/Co-origination**, multiple

lenders, such as **banks** and **NBFCs**, can jointly provide loans to **priority sectors**, reducing risk for individual lenders, with **20% credit risk** borne by the **NBFCs** and the rest by the **banks**. However, **banks** cannot enter into co-lending arrangements with **NBFCs** from the same **promoter group**.

## ■ Wilful Defaulters (WD)

➔ The **RBI** recently issued directions regarding the treatment of **WD** and **Large Defaulters** under the **RBI Act, 1934**, **Banking Regulation Act, 1949** and **Credit Information Companies (Regulation) Act, 2005**.

A **Wilful Defaulter** is a borrower with an outstanding amount of ₹25 lakh or more who defaults on repayment despite having the capacity to pay, diverts or siphons off funds, disposes of assets secured for the loan, or fails to infuse equity when able to do so. **Large Defaulters**, on the other hand, are those with defaults of ₹1 crore or more, where a suit has been filed or the account has been classified as doubtful or in loss. Lenders are required to establish an **Identification Committee** to examine evidence of **wilful default**. Additionally, the **Financial Stability and Development Council (FSDC)**, set up in 2010, aims to maintain financial stability,

enhance inter-regulatory coordination and promote financial sector development. The **FSDC** is chaired by the **Finance Minister** and includes heads of financial regulators like the **RBI**, **SEBI**, **PFRDA** and **IRDAI**, along with other key economic officials. In related news, **Inter Creditor Agreements (ICA)** have been used in cases of default, like by **Rashtriya Ispat Nigam (RINL)**. These agreements outline the terms and collateral allocation between lenders in the event of a default, ensuring decisions made by 75% of lenders by credit value and 60% by number are binding on all lenders.

## ■ Insolvency and Bankruptcy Code, 2016

➔ **IBBI** issued new guidelines to streamline the process of appointing **Insolvency Professionals (IPs)**

The **Insolvency and Bankruptcy Code (IBC), 2016** is India's comprehensive bankruptcy law that consolidates the existing insolvency framework into a single legislation. It aims to ensure a **time-bound resolution** for distressed businesses, improve **creditor recovery rates** and provide an **exit mechanism** for financially troubled entities. **Insolvency** refers to a financial state where an entity cannot pay its debts, while **bankruptcy** is the legal process following insolvency. The **IBC** operates through key pillars: **Insolvency Professionals (IPs)**, who manage insolvency and liquidation processes under the supervision of **Insolvency Professional Agencies (IPAs)**; **Information Utilities (IUs)**, which collect and verify financial data; and **Adjudicating Authorities (AAs)**, including the **National**

**Company Law Tribunal (NCLT)** for corporate insolvency and the **Debt Recovery Tribunal (DRT)** for individual and partnership insolvency. The **Corporate Insolvency Resolution Process (CIRP)** must be completed within **180 days**, extendable to **330 days**, while debt recovery under **DRT** must conclude within **180 days**. Appeals against **NCLT** and **IBBI** orders go to the **National Company Law Appellate Tribunal (NCLAT)**, with further appeals to the **Supreme Court**. The **Pre-Packaged Insolvency Resolution Process (PPIRP)**, introduced in 2021, is a hybrid mechanism for **MSMEs** facing financial stress, allowing voluntary initiation by the debtor for defaults above **₹10 lakh**, with resolution within **120 days**. The **IBC**, along with **PPIRP**, has strengthened India's insolvency framework,

ensuring efficient debt resolution, economic

stability and enhanced creditor confidence.

## ■ Asset Reconstruction Companies

➔ RBI has issued master Direction - RBI (Asset Reconstruction Companies) Directions, 2024 under (SARFAESI) Act, 2002.

Asset Reconstruction Companies (ARCs) play a crucial role in India's financial system by acquiring **Non-Performing Assets (NPAs)** from banks and financial institutions, helping them clean up their balance sheets. Established under the **SARFAESI Act, 2002**, ARCs are regulated by the **Reserve Bank of India (RBI)**, with the **Narasimham Committee-II (1998)** initially proposing their framework. Recently, the **RBI issued the Master Direction - RBI (Asset Reconstruction Companies) Directions, 2024**, strengthening corporate governance, financial requirements and operational guidelines. ARCs must resolve acquired assets within **eight years** and maintain a **capital adequacy ratio of at least 15%**. To operate, they need a **minimum Net Owned Fund (NOF) of ₹300 crore** and must secure an **RBI Certificate of Registration (CoR)**.

Leadership roles are subject to an **age limit of 70 years** for MDs/CEOs, with a **maximum tenure of 15 years**. ARCs are **prohibited from raising money via deposits**, must conduct **internal audits** and report **irregularities** by **CAs, advocates and valuers** to the **Indian Banks' Association (IBA)**. RBI has also mandated that ARCs become members of at least one **Credit Information Company (CIC)**, such as **TransUnion CIBIL**, which collects financial data to enhance transparency. Additionally, RBI has **increased credit reporting frequency** from **monthly to fortnightly**, ensuring better financial oversight. Strengthened **corporate governance norms** require the **board chair and at least half of the directors to be independent**, reinforcing ARCs' credibility in managing distressed assets and supporting financial stability.

**APTI PLUS**  
Academy for Civil Services Pvt. Ltd.  
CREATING CIVIL SERVANTS FOR THE NATION

**अभ्युदय**  
**ABHYUDAY**

**UPSC  
Mains test  
Series cum  
Guidance  
Program  
2025**

Comprehensive Coverage: Master Every Subject  
1:1 Online Feedback Sessions  
Mains Enrichment Classes enhancing your Skills  
Daily Answer Writing Practice

Call: 8820341777, 9938386166

# TAXATION AND FINANCIAL REGULATIONS

## ■ Household Savings Rate

➤ RBI Deputy Governor stated that household savings will be the economy's top net lenders for decades.

**Household Savings Rate** is a key indicator of economic health, representing the ratio of household savings to GDP. Recently, the RBI Deputy Governor highlighted that household savings will continue to be the **primary net lenders** to the economy in the coming decades. Household savings are classified into **financial savings** (currency, deposits, life insurance funds, etc.) and **physical savings** (real estate, gold and

silver). A **decline in financial savings** can pose challenges for the **banking sector** in maintaining **liquidity and managing credit risk**. In India, the **household sector generally generates surplus savings**, which are lent to other sectors, including government borrowings. A stable and increasing **household savings rate** is crucial for ensuring financial stability, economic growth and sustained investment in the economy.

## ■ Inverted Duty Structure (IDS)

➤ Recently, the **Ministry of Commerce and Industry** recommended certain items to the **Ministry of Finance** to address this issue.

**Inverted Duty Structure (IDS)** occurs when **import duties on raw materials or inputs are higher than on finished goods**, leading to **higher GST on purchases than on sales**. IDS negatively impacts **domestic industries** by making **inputs expensive**, raising **production costs** and **reducing export competitiveness**. It also leads to **working**

**capital constraints** as businesses accumulate **Input Tax Credit (ITC)**, which remains **blocked in GST electronic credit ledgers**, causing **refund delays** and liquidity issues under the **GST regime**. Addressing IDS is crucial for **boosting domestic manufacturing** and **improving ease of doing business**.

## ■ Long-Term Capital Gains (LTCG) tax

➤ The **Finance Bill, 2024**, passed in **Lok Sabha**, has amended **LTCG tax provisions on immovable properties**.

It has notably **abolished indexation benefits** for properties acquired after **July 23, 2024**. However, under the **grandfather clause**, properties purchased before this date can still **benefit from indexation**. Taxpayers can choose between **two schemes**: the **old scheme** (20% LTCG tax with indexation) or the **new scheme** (12.5% LTCG tax without indexation). For properties acquired after the cutoff date, only the **new scheme applies**. Additionally, the **LTCG exemption limit on listed equity, equity-oriented mutual funds and**

**business trust units** has increased from **₹1 lakh to ₹1.25 lakh**, while the **LTCG tax on these assets has risen from 10% to 12.5%**. **Indexation**, defined under **Section 48 of the Income Tax Act, 1961**, adjusts the **purchase price of an asset for inflation** using the **Cost Inflation Index (CII)**. This mechanism helps taxpayers **reduce tax liability** by ensuring that **capital gains taxation reflects real economic gains rather than inflation-driven price increases**.

## ■ Inheritance Tax

➤ The World Inequality Lab has released a paper titled 'Towards Tax Justice & Wealth Redistribution in India', proposing the introduction of **wealth tax and inheritance tax** to address **growing inequality** in India.

**Inheritance tax** is levied on assets passed on after an individual's death, distinct from **estate tax**, which applies to the **entire estate's value**. Countries like **Japan, South Korea and the USA** impose inheritance tax, citing benefits such as **increased revenue, reduced wealth inequality and intergenerational equity**. However, concerns include **potential tax evasion, discouraging savings and double taxation**.

Historically, **India had an estate duty (1953-1985)**, but its **high tax rate (up to 85%)** led to its abolition. **Gift tax (abolished in 1998) and wealth tax (abolished in 2015)** were also discontinued,

though **gift tax was reintroduced in 2004** with exemptions for **inheritance, donations and gifts from close relatives**.

The **World Inequality Lab's report (2023)** highlights that **India's top 1% controls over 40% of total wealth, while the bottom 50% holds just 6.4%**. **Inequality declined post-independence, surged in the 1980s and skyrocketed post-2000**. The **Commitment to Reducing Inequality (CRI) Index 2024** ranks **India 127th out of 164 countries**, lagging behind **Nepal (115) and Sri Lanka (118)**, raising concerns over **India's wealth distribution policies**.

## ■ Advance Pricing Agreements

➤ The **Central Board of Direct Taxes** has signed a record **125 Advance Pricing Agreements (APAs)** in FY 2023-24, the highest ever in a financial year.

APAs are agreements between taxpayers and tax authorities to determine **arm's length pricing (ALP)** for international transactions in advance, ensuring tax certainty for up to **five future years** with a **rollback provision extending it to nine years**. Introduced in 2012 under **Sections 92CC & 92CD of the Income Tax Act, 1961**, APAs help resolve **transfer pricing disputes** by specifying pricing methods, ensuring that **related-party transactions** are priced like transactions between

**unrelated parties**. Administered by **CBDT under the Ministry of Finance**, APAs can be **unilateral** (between the taxpayer and Indian tax authorities) or **bilateral** (involving tax authorities of both countries under **Double Taxation Avoidance Agreements - DTAA**). As a **voluntary mechanism**, APAs enhance **tax predictability, reduce litigation** and strengthen **India's investment climate**.

## ■ Duty Drawback

➤ The **Central Board of Indirect Taxes and Customs** will electronically disburse **duty drawback amounts**.

It will be **disbursed** directly to exporters' bank accounts via the **Public Finance Management System**. **Duty Drawback**, under **Section 75 of the Customs Act, 1962**, provides a **rebate on customs duty** for imported or excisable materials used in manufacturing export goods, helping exporters

offset costs in the **supply and value chain**. **CBIC**, under the **Department of Revenue, Ministry of Finance**, formulates policies and administers **Customs, Central Excise, Central GST, IGST and anti-smuggling measures**.

## ■ Windfall Tax

➤ The **Centre has reduced the windfall tax on domestically produced crude oil**.

A **windfall tax** is imposed on industries experiencing **exceptionally high profits** due to

**favorable economic conditions**, rather than their own efforts. It aims to **redistribute excess profits**

to fund **social welfare programs** and is justified on the grounds that such profits arise from

**external factors** rather than business strategies alone.

## ■ Digital Public Infrastructure (DPI)

➤ The '**Report of India's G20 Task Force on Digital Public Infrastructure (DPI)**' was recently released.

DPI refers to a set of shared digital systems that are secure, interoperable and built on open standards to deliver equitable access to public and private services at societal scale, governed by legal frameworks that promote innovation, trust, competition and the protection of human rights, while excluding mere digitization of existing processes that do not foster private innovation—though complementary interventions like connectivity infrastructure are considered supportive. In India, DPI is embodied by the **India Stack**, which comprises an identity layer

(e.g., Aadhaar), a payment layer (e.g., UPI) and a data governance layer (e.g., DigiLocker). Global initiatives to advance DPI include the **One Future Alliance** proposed by the G20 India Presidency to build capacity in low and middle-income countries, the launch of a **Global DPI Repository (GDPIR)** with an associated Social Impact Fund announced at the G20 virtual leaders' summit in 2023 and collaborative steps with the **EU Trade and Technology Council (TTC)** to accelerate DPI development and deployment worldwide.

# STOCK MARKETS AND INVESTMENT

## ■ Foreign Venture Capital Investor

The **SEBI** issued the **Foreign Venture Capital Investors (FVCI) (Amendment) Regulations, 2024**, amending the existing **SEBI (FVCI) Regulations, 2000**.

A **Foreign Venture Capital Investor (FVCI)** is an investor incorporated outside India and registered under **FVCI Regulations**. FVCIs invest in **venture capital funds (VCFs)** registered with **SEBI** or **venture capital undertakings** in India, which are companies not listed on major stock exchanges. A **VCF** is a high-risk, high-return investment vehicle that provides funding in exchange for equity stakes, governed by **SEBI (VCF) Regulations, 1996**. The **new regulations** require an **FVCI applicant** to obtain a **registration certificate** from a **Designated Depository Participant (DPP)**—a bank authorized by **SEBI** to issue such

certificates—before engaging in **FVCI** activities. Additionally, the **eligibility criteria** have been broadened to include **Resident Indians, Non-Resident Indians (NRIs) and Overseas Citizens of India (OCIs)**, allowing them to contribute to the **FVCI corpus** without exercising control over it.

READ ALL ABOUT SEBI: <https://www.iasgyan.in/daily-current-affairs/securities-and-exchange-board-of-india-sebi#:~:text=Functions%20of%20SEBI,checking%20for%20price%20rigging%2C%20etc.>

## ■ Settlement Cycle

**SEBI** introduced a **beta version of the T+0 rolling settlement cycle** on an optional basis, alongside the existing **T+1 settlement cycle** in stock markets.

The **Settlement Cycle** refers to the period within which **securities and funds** are delivered and settled after a trade is executed between a buyer and a seller. In **2023**, Indian exchanges

transitioned from a **T+2 settlement cycle** to a **T+1 settlement cycle**, reducing the settlement period to one day. The **T+0 Settlement Cycle** allows for the **same-day settlement of trades** after market

closure, further enhancing liquidity and efficiency

in the stock market.

## ■ National Stock Exchange (NSE)

The SEBI has approved a **tenfold increase in the NSE authorized share capital to ₹500 crore.**

Headquartered in **Mumbai**, the NSE was incorporated in **1992**, recognized as a **stock exchange** by SEBI in **1993** and began operations in **1994**. A **stock exchange** is a **centralized marketplace** where **securities** such as **stocks, bonds and derivatives** are traded. As **India's largest stock exchange by market capitalization**, NSE manages the **Nifty 50**, its flagship **stock**

**market index**, which includes **50 diversified stocks** from various economic sectors. A **pioneer in technology**, it was **India's first exchange to implement electronic/screen-based trading**. Additionally, NSE Indices launched **India's first Electric Vehicle (EV) index**, the **Nifty EV & New Age Automotive Index**, to track the performance of companies within the **EV ecosystem**.

## ■ Co-location or Proximity Hosting

**SEBI has disposed of proceedings against the NSE in the alleged co-location case.**

**Co-location or Proximity Hosting** allows **brokers to place their servers** within **stock exchange premises** for a fee, benefiting from **faster price feeds and quicker trade execution**, which can lead to **significant profits**. To regulate this, **SEBI**

released **co-location guidelines** in **2015** and later introduced **measures** in **2018** to strengthen the **Algorithmic Trading and Co-location framework**.

## ■ Financialization

**India must be cautious about excessive financialization, warns the Chief Economic Advisor.**

**Financialization** refers to the increasing influence of **financial markets, institutions and elites** over **economic policy and outcomes**. It also signifies a shift from **traditional physical assets like real estate and gold** to **financial assets like mutual funds**. Excessive **financialization** raises concerns such as **increased inequality**, where financial income is concentrated among the **top 1%** through **equity ownership**. It can **distort the economy** by making profits dependent on

**financial investments** rather than **trade in goods and services**, causing the **stock market to overshadow employment and living standards**. Additionally, **rising household debt** may emerge due to **stagnant real wages**, increasing reliance on **loans**—a trend observed in the **U.S. economy**. It can also negatively impact **policy decisions**, encouraging **predatory lending, excessive risk-taking** and the **erosion of worker protections**.

## ■ Derivative markets

The SEBI has introduced **stricter regulations for derivative trading to curb speculative activities.**

**Derivative markets** involve **financial contracts** whose value is derived from an **underlying asset** such as **securities, commodities, bullion, or currency**. These contracts can be traded on an **exchange** like the **National Stock Exchange (NSE)** or in the **over-the-counter (OTC) market**,

where trades occur via a **broker-dealer network** without being **exchange-listed**.

**Uses of Derivatives:**

- **Hedging (Risk Management):** Helps participants **mitigate price fluctuations** and **interest rate risks**.

- **Speculation:** Investors bet on **price movements** of underlying assets, assuming risks for potential rewards.
- **Leverage a Position:** Allows investors to **control larger positions** with **smaller upfront investments**, potentially leading to **higher returns or increased risks**. Leverage refers to **borrowed funds used to maximize returns**, while **position** denotes the amount of security or shares owned (or sold short).
- **Regulation in India:**
  - **Trading in Derivatives** is governed by the **Securities Contracts (Regulation) Act (SCRA), 1956** and the **SEBI Act, 1992**.
  - **SCRA 1956** aims to prevent **undesirable transactions** in securities.
  - **Recent Amendments to Securities Contracts (Regulation) Rules (SCRR), 1956** facilitate the **direct listing of securities** by **Indian public companies** on **International Financial Service Centres (IFSCs)**.
  - **Derivative exchanges/segments** act as **Self-Regulatory Organizations (SROs)**, with **SEBI** serving as the **oversight regulator**.

## ■ InvITs

**SEBI's amended regulations for 2024** now allow **privately placed InvITs** to issue **subordinate units** exclusively to **sponsors** when **acquiring infrastructure assets**.

This change aims to **bridge valuation gaps** between **sponsors (sellers)** and **InvITs (buyers)**. **Infrastructure Investment Trusts (InvITs)** function like **mutual funds** but focus on **infrastructure projects** such as **toll roads, power lines and pipelines**.

**Sponsors (infrastructure companies)** establish **InvITs** under **SEBI regulations** and are recognized as **borrowers under the SARFAESI**

**Act, 2002**. Key stakeholders in an **InvIT** include the **trustee, sponsor, investment manager and project manager**. **InvITs** generate revenue through **tolls, rents, interest, or dividends**, which is **distributed as taxable income** to investors. Their significance lies in their **low-ticket size**, allowing **small investments** and **high liquidity**, as they are **listed on stock exchanges**, enabling easy exit.

## ■ Investor Education and Protection Fund Authority (IEPFA)

**IEPFA** has launched a new **toll-free number 14453** to address complaints.

The **Investor Education and Protection Fund Authority (IEPFA)**, under the **Ministry of Corporate Affairs**, was established under the **Companies Act, 2013**, to manage the **Investor Education and Protection Fund (IEPF)**. It plays a crucial role in **safeguarding investor interests** by

facilitating the **refund of shares, unclaimed dividends and matured deposits/debentures**. To enhance accessibility, **IEPFA** has launched a new **toll-free number - 14453** to assist investors with their queries.

## ■ Front- Running

Recently, a **Mutual Fund** was alleged to have indulged in **Front- Running**.

**Front Running** refers to the **illegal practice** of using **non-public information** to trade securities or enter into options or futures contracts **before a substantial order is executed**, giving an unfair advantage. This practice **undermines market confidence** and creates an **uneven playing field** for investors. In India, **front running** is

**prohibited** and in 2022, **SEBI** amended the **Securities and Exchange Board of India (Mutual Funds) Regulations, 1996**, to strengthen measures against it. Recently, a **mutual fund** was alleged to have engaged in **front running**, bringing renewed attention to the issue.

## ■ India Volatility Index (VIX)

The recent surge of **India VIX above 21** signals **heightened uncertainty in the Indian stock market**.

**India Volatility Index (VIX)** is a key measure of **expected market volatility** over the next **30 days**, based on **NIFTY index option prices**. A **higher VIX** indicates **greater expected fluctuations**,

while a **lower VIX** suggests **market stability**. It follows the **Chicago Board of Options Exchange (CBOE) methodology**, which first introduced a **volatility index for US markets in 1993**.

## ■ Perpetual Bonds

**India's first additional Tier I (AT-1) perpetual bond was issued**.

**Perpetual Bonds** are **fund-raising instruments** with **no maturity date**, unlike regular bonds. They offer investors **fixed interest (coupon) payments indefinitely**. However, the principal can only be recovered if the **issuer redeems the bond** or if the investor sells it in the **secondary market**. These bonds are commonly used by banks to raise

capital, particularly **Additional Tier I (AT-1) bonds**, which help meet regulatory capital requirements. They come with a higher risk since issuers are not obligated to repay the principal and can even defer interest payments under certain conditions.

## ■ Participatory Notes (P-Notes)

**FPIs domiciled at GIFT IFSC can now issue P-notes**.

**P-Notes** are **financial instruments** issued by **registered Foreign Portfolio Investors (FPIs)** to **overseas investors**, allowing them to invest in the **Indian stock market** without direct SEBI registration. These act as **proxies for Indian**

**shares**, offering **anonymity** and **easier access** to India's capital markets. While they enhance foreign investments, concerns remain over **regulatory oversight** and **potential misuse** for money laundering.

## ■ India International Bullion Exchange (IIBX)

**State Bank of India has become the first trading-cum-clearing member of IIBX**.

The **IIBX**, established in **2022** at **GIFT IFSC, Gandhinagar, Gujarat**, is India's first **international bullion exchange**, regulated by the **IFSC Authority (IFSCA)**. It facilitates **transparent bullion trading**, providing direct access to imported gold and silver. **State Bank of India**

**(SBI)** has become the first **trading-cum-clearing member** of IIBX. The exchange is promoted by major market infrastructure institutions like the **National Stock Exchange (NSE)** and the **Multi Commodity Exchange (MCX)**, aiming to enhance India's role in global bullion markets.

## ■ Carry Trade

Recently, the **Yen carry trade** has gained attention amid a **sell-off in US technology stocks**, highlighting its impact on global financial markets.

The **Carry Trade** is a financial strategy where investors **borrow in a low-interest-rate currency** (such as the Japanese Yen) to **invest in a higher-yielding currency or asset**. It is commonly used in

**foreign currency trading** and can generate profits from the **interest rate differential**. However, it carries **high risks** due to potential **currency fluctuations** and **interest rate changes**.

# INTERNATIONAL TRADE AND FINANCE

## Trade Deficit

➤ India recorded a trade deficit with 9 out of its top 10 trading partners in FY 2023-24.

India's Trade Deficit refers to the situation where the value of imports exceeds exports, leading to a negative trade balance. A higher trade deficit can have negative impacts such as depleting forex reserves, currency depreciation and widening the current account deficit, which may affect

credit ratings and raise borrowing costs. However, it also has positive aspects, including access to a diverse range of goods and higher domestic investment through capital goods imports.

## FDI

➤ India's FDI inflows contracted by 3.49% to \$44.42 billion in 2023-24.

The Department for Promotion of Industry and Internal Trade (DPIIT) is the nodal authority for FDI policy formulation. FDI can be routed through the Automatic route (no government approval required) or the Government route (approval required). It includes Foreign Currency Convertible Bonds (FCCBs), Foreign

Institutional Investment (FII) under certain conditions and Global Depository Receipts (GDRs) and is considered a non-debt capital flow. However, FDI is prohibited in sectors like lottery business, gambling and betting, chit funds, Nidhi companies and trading in Transferable Development Rights (TDRs).

### Differences Between FDI and FPI

Parameters	FDI	FPI
<b>Definition</b>	FDI refers to the investment made by foreign investors to obtain a substantial interest in the enterprise located in a different country.	FPI refers to investing in the financial assets of a foreign country, such as stocks or bonds available on an exchange.
<b>Role of investors</b>	Active Investor	Passive Investor
<b>Type</b>	Direct Investment	Indirect Investment
<b>Degree of control</b>	High Control	Very low control
<b>Term</b>	Long term investment	Short term investment
<b>Management of Projects</b>	Efficient	Comparatively less efficient
<b>Investment has done on</b>	Physical assets of the foreign country	Financial assets of the foreign country
<b>Entry and exit</b>	Difficult	Relatively easy
<b>Leads to</b>	Transfer of funds, technology, and other resources to the foreign country	Capital inflows to the foreign country
<b>Risks Involved</b>	Stable	Volatile

## Internationalization of the Indian Rupee

➤ The RBI has introduced measures like Special Non-Resident Rupee (SNRR) Accounts and Special Rupee Vostro Accounts (SRVA) to promote the internationalization of the Indian Rupee (INR) by facilitating foreign investment.

An international currency is one that is widely used and held beyond the issuing country's

borders, such as the US Dollar (USD) and Euro (EUR). However, challenges like exchange rate

volatility, external shocks and the Triffin Dilemma pose risks to INR's global adoption. To address this, India has taken steps such as **partial capital account convertibility**, **INR trade settlements with 22 countries via SVRAs** and its **potential inclusion in Continuous Linked Settlement (CLS)**, a **global foreign currency transaction system**. Other measures include **internationalizing UPI**, **establishing bilateral currency swap agreements**, **designating INR as a**

**foreign currency in Sri Lanka** and **issuing Masala Bonds**. Additionally, global discussions on **currency stability** highlight differences between **gold-backed currencies**, like Zimbabwe's recently introduced **ZiG**, which has a fixed value linked to gold and **fiat currencies**, which derive value from government backing and market demand, offering greater monetary policy flexibility.

## ■ Extended Fund Facility (EFF)

➤ **The International Monetary Fund (IMF) has completed the Extended Fund Facility (EFF) review for Egypt.**

The EFF supports long-term reforms to correct **structural imbalances** and stabilize economies. The IMF's **lending** focuses on financial support for crisis-hit nations rather than funding specific projects. Its instruments include the **General Resources Account (GRA)**, offering **non-concessional loans at market rates** and the **Poverty Reduction and Growth Trust (PRGT)**, which provides **zero-interest concessional**

**financing for low-income countries**. Additionally, the **Resilience and Sustainability Trust (RST)** supports **vulnerable middle-income countries** in building resilience against external shocks. The **Gold Tranche (Reserve Tranche)** represents a credit facility provided to IMF member nations.

*ALL ABOUT IMF: <https://www.iasgyan.in/daily-current-affairs/international-monetary-fund-imf>*

## ■ World Bank Group Guarantee Platform

➤ **World Bank Group Guarantee Platform (WBG - GP) went live for business.**

The **World Bank Group Guarantee Platform (WBG-GP)**, launched in 2024, consolidates all **guarantee products** and experts under the **Multilateral Investment Guarantee Agency (MIGA)** to enhance financial support for infrastructure projects. It aims to **increase the World Bank Group's annual guarantee issuance to \$20 billion by 2030**. The platform provides **credit guarantees for public and private sector loans**, **trade finance guarantees** and **political risk**

**insurance** to mitigate non-commercial risks in **private sector projects and public-private partnerships**. These guarantees help attract private investment by addressing **sovereign and political risks** while ensuring **long-term financing** for large-scale infrastructure developments.

*ALL ABOUT WORLD BANK : <https://www.iasgyan.in/daily-current-affairs/world-bank>*

## ■ Marrakesh Agreement

➤ **In 2024, it marked its 30th anniversary.**

The **Marrakesh Agreement**, signed in 1994 by **123 countries in Marrakesh, Morocco**, marked the conclusion of the **Uruguay Round** and led to the formation of the **World Trade Organization (WTO) in 1995**, replacing GATT as the global trade body. It serves as the foundational framework for **trade relations** among WTO

members, expanding its scope beyond goods to include **trade in services and intellectual property**. The agreement also established a **modern multilateral trading system**, enhancing **negotiations, dispute resolution and economic cooperation** to facilitate global trade.

## ■ Public Stockholding (PSH)

➤ The WTO's 13th Ministerial Conference in Abu Dhabi concluded without a permanent solution to the PSH issue.

PSH enables governments to **procure crops from farmers at MSP**, store and distribute food grains to the poor. Under the **Agreement on Agriculture (AoA)**, subsidies should not exceed **10% for developing countries** and **5% for developed countries**, based on the **1986-88 reference price**. Developing nations demand **higher de minimis limits** and amendments in subsidy calculations,

while developed nations argue that PSH **distorts markets** and should not lead to **export restrictions**. The **Peace Clause**, introduced at **MC9 (Bali)**, temporarily shields PSH programs from WTO challenges. However, **India** seeks a **permanent solution**, advocating for **higher subsidies** to **safeguard poor farmers** and ensure **food security**.

## ■ TRIPS Agreement

➤ 30<sup>th</sup> anniversary of TRIPS Agreement.

The **TRIPS Agreement**, part of the **Uruguay Round of GATT**, came into force on **January 1, 1995**, as an annex to the **Marrakesh Agreement** that established the **WTO**. It is the most **comprehensive multilateral agreement on intellectual property rights (IPR)**, covering **copyrights, trademarks, patents, geographical indications, industrial designs and integrated circuit layouts**. It sets **minimum protection standards**, incorporates provisions from **WIPO's**

**Paris and Berne Conventions** and allows for **compulsory licensing** to facilitate access to essential products. **India joined TRIPS in 1995**, amending its **Patents Act, 1970** through the **Patents (Amendment) Act, 2005**. The **Doha Declaration (2001)** reaffirmed that **TRIPS should not prevent members from protecting public health**, allowing flexibility in patent rules for **affordable medicines**.

# ECONOMIC DEVELOPMENT AND INDICES

## ■ Gross Fixed Capital Formation (GFCF)

➤ The sluggish growth of private Gross Fixed Capital Formation (GFCF) as a percentage of GDP has been a significant challenge for the Indian economy.

GFCF, also known as **investment**, has evolved over time – from around **10% of GDP in the 1980s** to a peak of **27% in 2007-08**, before declining to **19.6% in 2020-21** and then gradually recovering. Despite India's status as a **high-saving economy**, capital formation does not always lead to a proportionate increase in output due to a **high capital-output ratio**. GFCF refers to the **growth in fixed capital**, including investments in **machinery, equipment, plants and human capital**. Currently, GFCF estimates are prepared using the **1999-2000 base year**. **Private GFCF** is investment by the private sector, while **Public**

GFCF includes government investments in **infrastructure, education and intellectual property**. However, **public investment may crowd out private investment**, a phenomenon where increased government spending raises interest rates, reducing private sector borrowing and investment. **Gross Capital Formation (GCF)** consists of **GFCF, changes in stock (CIS) and net acquisition of valuables** like gold and precious stones. In contrast, **Net Capital Formation (NCF)** accounts for **depreciation, obsolescence and accidental damage to fixed capital**, distinguishing it from GCF.

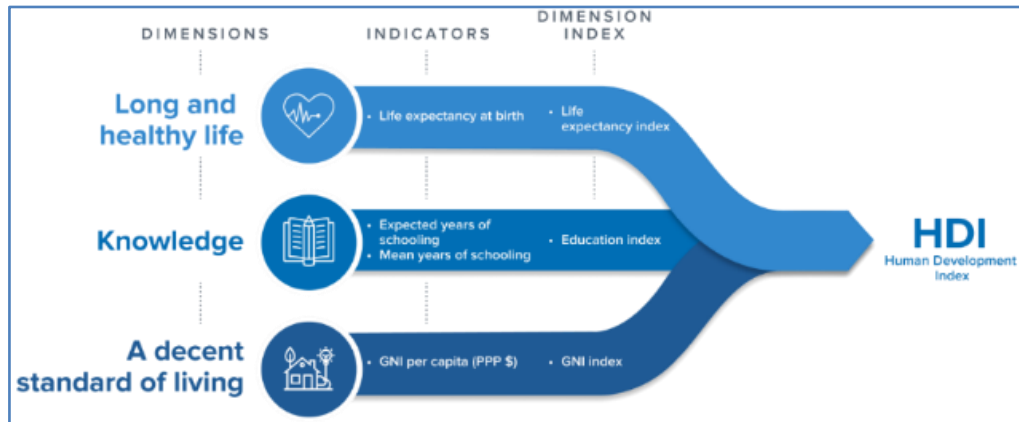
## ■ Human Development Report (HDR)

➤ **Human Development Report (HDR) 2023-2024**, released by UNDP, is titled "*Breaking the Gridlock: Reimagining Cooperation in a Polarized World*".

It highlights the **Democracy Paradox**, where people support democracy but favor leaders who weaken it.

### India's Key HDI Findings

- **HDI Value:** Increased to **0.644** (from 0.633 in 2021).
- **HDI Rank:** Improved to **134** in 2022 (from 135 in 2021 and 130 in 2018).
- **Comparison:** Ranks below China (75), Sri Lanka (78), Maldives (87), Bhutan (125), Bangladesh (129); but **above** Myanmar (144), Nepal (146), Pakistan (164) and Afghanistan (182).



- **Category:** Medium human development.

### Other UNDP Indices for Human Development

- **Gender Inequality Index (GII):** India improved **14 places** to **108** in 2022 (from 122 in 2021).
- **Gender Development Index (GDI):** Shows **high gender disparity**, with over **10% deviation** from parity.
- **Inequality-adjusted HDI (IHDI):** India's rank declined by **6 places** to **140th**.
- **Planetary Pressures-adjusted HDI:** India ranks **127th**, showing **3% deviation** from HDI value due to environmental factors.

## ■ Global Multidimensional Poverty Index (MPI)

➤ **The Global Multidimensional Poverty Index (MPI) Report 2024**, jointly published by the **United Nations Development Programme (UNDP)** and **Oxford Poverty and Human Development Initiative (OPHI)**, highlights that **1.1 billion people (~18%)** across **112 countries** live in acute multidimensional poverty.

India, with **234 million people**, has the highest number of individuals in extreme poverty. The World Bank's 'Poverty, Prosperity and Planet: Pathways out of the Polycrisis' report notes that global poverty reduction and prosperity gap have stalled over the past five years due to a 'polycrisis'—a combination of **slow economic growth, increased fragility, climate risks and heightened uncertainty**. The MPI measures poverty based on deprivations in **education, health and living standards**, identifying individuals as 'MPI poor' if they lack **one-third or more of the weighted indicators**. Introduced in

2010, the MPI aligns with Sustainable Development Goal 1—ending poverty in all its forms everywhere. India's National MPI (NMPI), introduced by NITI Aayog in 2021, uses National Family Health Survey (NFHS) data while retaining 10 original global MPI indicators and adding two more: **Maternal Health and Bank Account**. The NMPI value is calculated by multiplying the **Headcount Ratio (H)**—the percentage of people living below the poverty line—and the **Intensity of Poverty (A)**, which measures the **average deprivations experienced by multidimensionally poor individuals**.

## ■ Middle Income Trap

➤ The World Bank's 'World Development Report 2024: The Middle Income' warns that several countries, including India, risk falling into the middle-income trap.

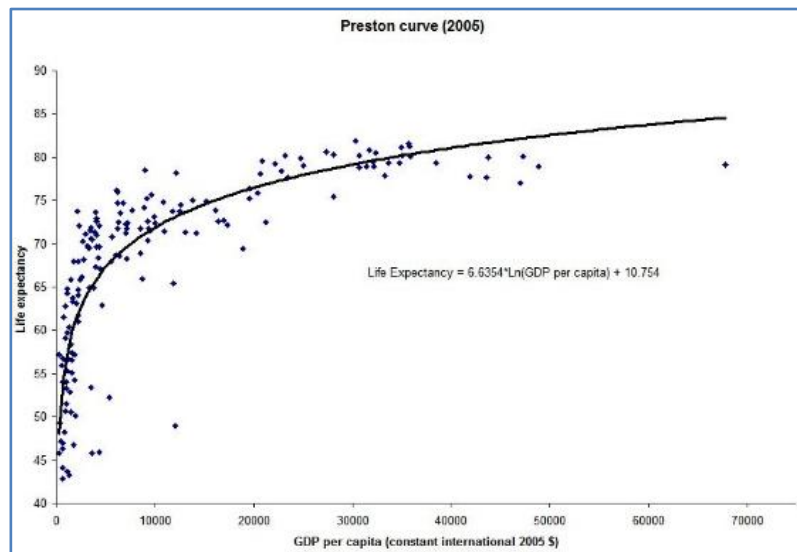
The Middle Income Trap occurs when rapidly growing economies stagnate at middle-income levels and fail to transition into high-income economies. Coined by the World Bank in 2007, the term applies to Middle-Income Countries (MICs)—economies with a per capita Gross National Income between \$1,135 and \$13,846. India's per capita GDP stands at approximately \$2,500. Over the past decade, the chances of MICs

advancing to high-income status have declined. The World Bank recommends the '3i strategy'—Investment, Infusion of Global Technologies and Innovation—to escape this trap. However, achieving this transition requires Creative Destruction, a process where new innovations replace outdated industries, technologies, or products, driving economic transformation.

## ■ Preston Curve

➤ India's growth story is often analyzed through the lens of the Preston Curve, first proposed by American sociologist Samuel H. Preston in 1975.

The curve illustrates that while an increase in per capita income initially leads to a significant rise in life expectancy—due to improved nutrition, sanitation and healthcare access—this effect diminishes beyond a certain point. In poorer countries, economic growth has a strong impact on life expectancy, but in wealthier nations, further income growth does not proportionally enhance longevity, as other factors like lifestyle diseases and healthcare quality become more significant.



## ■ Nobel Prize in Economics

➤ The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel 2024 has been awarded.

It has been given to Daron Acemoglu, Simon Johnson and James A. Robinson for their research on how institutions shape economic prosperity. Established in 1968 by Sveriges Riksbank (Sweden's central bank), the Nobel Prize in Economics is not one of the original Nobel Prizes founded by Alfred Nobel in 1895. The first recipients were Ragnar Frisch and Jan Tinbergen in 1969, while Amartya Sen became the first Indian laureate in 1998 for his work in welfare

economics and social choice theory. Their research highlights the role of societal institutions in economic development, distinguishing between extractive institutions, which were designed to exploit resources and suppress long-term investments and inclusive institutions, which encouraged investment, innovation and economic growth in colonies with a significant European settler presence.

## AGRICULTURE & ALLIED SECTORS

### ■ Agriculture & Allied Sector

➤ The Union Cabinet has approved seven major schemes aimed at improving farmers' livelihoods with a total outlay of ₹14,235.30 crore.

According to the NSO's Statistical Report (2011-12 to 2022-23):

- The agriculture and allied sector contributed 18.2% to India's Gross Value Added (GVA) in 2022-23.

- Output trends (2011-12 to 2022-23):
  - Crop sector share declined from 62.4% to 54.3%.
  - Forestry, livestock and fishing sectors increased steadily.

### ■ Horticulture Sector

➤ The Union Cabinet has approved a scheme for the sustainable development of horticulture and the Clean Plant Programme under the Mission for Integrated Development of Horticulture (MIDH).

Horticulture, which involves the cultivation, production, processing and marketing of fruits, vegetables, flowers and ornamental plants, accounts for 13.1% of India's gross cropped area and contributes 33% to Agriculture GVA. India ranks 2nd globally in fruit and vegetable production (after China) and 1st in bananas, mangoes and papayas, while its export ranking stands at 14th in vegetables and 23rd in fruits. To boost this sector, the government has introduced several initiatives, including MIDH, a centrally sponsored scheme supporting holistic growth through sub-schemes like the National

Horticulture Mission, Horticulture Mission for North East and Himalayan States, National Horticulture Board, Coconut Development Board and the Central Institute for Horticulture in Nagaland. Additionally, the CHAMAN programme leverages remote sensing, GIS and field surveys for better assessment and planning. The Cluster Development Programme - SURAKSHA, a component of the National Horticulture Board's Central Sector Scheme, facilitates instant subsidy disbursement to farmers via e-RUPI vouchers, ensuring efficient resource allocation and financial assistance.

### ■ Krishi Vigyan Kendra (KVK).

➤ The Indian Council of Agricultural Research (ICAR) celebrated the Golden Jubilee of the Krishi Vigyan Kendra.

KVKs, the only institutions at the district level providing technological backstopping, function as Knowledge and Resource Centres within the National Agricultural Research System (NARS). The idea of Farm Science Centres (KVKs) was first proposed by the Dr. Mohan Singh Mehta Committee, leading to the establishment of the

first KVK in 1974 at Puducherry under the Tamil Nadu Agricultural University (TNAU), Coimbatore. These centres are 100% financed by the central government, ensuring continued support for agricultural innovation and knowledge dissemination.

### ■ Digital Agriculture

➤ Digital Agriculture Mission, an umbrella scheme based on Digital Public Infrastructure (DPI) approved to enhance farmers' livelihoods.

Digital Agriculture involves the application of Precision Agriculture and Smart Farming,

integrating web-based data platforms, farm networking and Big Data analytics. Examples

include the **use of drones to combat locusts** and **YuktixGreenSense** for remote monitoring. The mission is built on two pillars: **Agri Stack (Kisan ki Pehchaan)**, which includes a **Farmers' Registry (Farmer ID)**, **Geo-referenced village maps** and a **Crop Sown Registry** and the **Krishi Decision Support System (DSS)**, which integrates **remote sensing and geospatial data** using **RISAT-1A** and

**VEDAS** for real-time insights. Additionally, **Soil Profile Mapping** through the **Digital General Crop Estimation Survey (DGCES)** will improve yield predictions. The mission aims to create **digital identities for 11 crore farmers** in three years and launch a **nationwide Digital Crop Survey** within two years.

## ■ Approval in Livestock Sector

➤ **Sustainable Livestock Health and Production Scheme** with an outlay of **₹1,702 crore** to strengthen the livestock sector.

Key challenges include **high economic losses** due to diseases like **Foot and Mouth Disease (FMD)** and **Brucellosis**, **antimicrobial resistance**, with India ranking **4th globally in antibiotic use in animals** and **low productivity**, as India's average **cattle productivity (1,777 kg/animal/year)** is below the global average (**2,699 kg/animal/year, 2019-20**). Major initiatives include the **Unified**

**Genomic Chip ('Gau Chip' for cattle and 'Mahish Chip' for buffaloes)** for genetic improvement, **indigenous sex-sorted technology** for affordable female calf production, **National Animal Disease Control Program (NADCP)** to eradicate **FMD and Brucellosis** and **Rashtriya Gokul Mission** to conserve and enhance indigenous bovine breeds.

## ■ White Revolution 2.0

➤ **The Ministry of Cooperatives** has released **Standard Operating Procedures (SOPs) for 'White Revolution 2.0'** during the **Diamond Jubilee celebration** of the **National Dairy Development Board (NDDB)**.

Established in **1965** by **Dr. Verghese Kurien**, **National Dairy Development Board** played a pivotal role in India's **White Revolution** through **Operation Flood (1970-1996)**, making India the world's largest producer of milk. **White Revolution 2.0** aims to **increase milk procurement by 50% over the next five years**, targeting **1,000 lakh kg per day by 2029** and expanding **dairy cooperatives in uncovered areas**. The initiative is integrated into the **National Programme for Dairy Development (NPDD) 2.0**, which provides **financial assistance for dairy infrastructure**, including **milk**

**procurement and chilling facilities**. It also focuses on **financial inclusion**, expanding the **'Cooperation among Cooperatives'** initiative, offering **interest-free cash credit** via **RuPay-Kisan Credit Cards** and deploying **micro-ATMs** to dairy cooperatives.

The **National Dairy Development Board (NDDB)** is a **statutory body** established by an Act of Parliament and recognized as an **Institution of National Importance**. It operates under the **Ministry of Fisheries, Animal Husbandry and Dairying** and is headquartered in **Gujarat**.

## ■ Agriculture Infrastructure Fund (AIF)

➤ **The Union Cabinet** has approved the **progressive expansion of the Agriculture Infrastructure Fund (AIF)** to make it more **attractive, impactful and inclusive**.

AIF is a **medium to long-term debt financing facility** that supports **investment in post-harvest management infrastructure and community farming assets** through **interest subvention and**

**credit guarantee support**. Under this scheme, **₹1 lakh crore** is provided as loans by banks and financial institutions, with an **interest subvention**

of 3% per annum and credit guarantee coverage under CGTMSE for loans up to ₹2 crore.

The recent expansion of AIF includes:

- **Viable Farming Assets:** All eligible beneficiaries can now create **community farming infrastructure** under viable projects.
- **Integrated Processing Projects:** The scope has been expanded to include **primary and secondary processing projects**.

- **PM-KUSUM Convergence:** The scheme now allows the integration of **PM-KUSUM Component-A**, benefiting farmers, FPOs, cooperatives and panchayats.
- **Extended Credit Guarantee Coverage:** Apart from CGTMSE, NAB Sanrakshan (a subsidiary of NABARD) will now provide **credit guarantee coverage** to FPOs under AIF.

## ■ MSP

➤ The Government has recently increased the **Minimum Support Price (MSP)** for wheat and five other rabi crops to support farmers and ensure remunerative prices.

MSP is the **minimum price** at which the government procures crops from farmers to prevent **distress selling** and covers **22 crops**, including **14 Kharif crops** (such as paddy, maize and cotton), **6 Rabi crops** (such as wheat and barley) and **2 commercial crops** (jute and copra). The **Commission for Agricultural Costs and Prices (CACP)** recommends MSP based on **input costs, demand-supply and market trends**, while the **Cabinet Committee on Economic Affairs**

(CCEA), chaired by the **Prime Minister**, makes the final decision. MSP is **announced at the beginning of the sowing season** to help farmers plan their crops. The **Food Corporation of India (FCI)**, along with state agencies, ensures **procurement at MSP**, maintaining **price stability** and **food security**. This MSP revision is expected to **boost farmers' incomes**, improve **agriculture sustainability** and reduce **market price volatility**.

## ■ Agricultural Export Policy

➤ India's **Agricultural Export Policy, 2018** aimed to achieve **\$60 billion in exports by 2022**.

Agricultural exports saw an **8% decline in 2023-24**, falling short of this target of **\$60 billion**. Both **agricultural exports and imports** registered a decline during the year. **Rice** accounted for **21%** of total exports, followed by **marine products (15%)** and **spices (9%)**, while **vegetable oil**

dominated imports at **45%**, followed by **pulses (11%)** and **fruits & vegetables (8%)**. According to the **WTO's Trade Statistical Review (2023)**, India's share in **global agricultural exports and imports** stood at **2.4%** and **1.9%**, respectively, ranking **9th among global agricultural exporters**.

## ■ World's Largest Grain Storage Plan in the Cooperative Sector

➤ The **Prime Minister** recently inaugurated a **pilot project under the World's Largest Grain Storage Plan in the Cooperative Sector**, covering **11 Primary Agricultural Credit Societies (PACS) across 11 States**.

Launched under the **Ministry of Cooperation (MoC)**, the initiative aims to establish **decentralized storage facilities** at the PACS level, alongside **warehouses, custom hiring centers and processing units**. PACS can avail **subsidies and interest subvention benefits** for constructing **godowns and other agricultural infrastructure**, ensuring **better price realization** for farmers. The

plan integrates **various schemes**, such as the **Warehousing (Development and Regulation) Act, 2007**, **e-NWRs (Electronic Negotiable Warehouse Receipts)** by WDRA and the **Private Entrepreneur Guarantee (PEG)** scheme to boost storage capacity. Other key initiatives include **Grameen Bhandaran Yojana**, **PM Kisan Sampada Yojana** and **Anna Darpan System** for

modernizing the Food Corporation of India's (FCI) supply chain. The FCI, established in 1965 under the Food Corporation Act 1964, plays a crucial role in grain procurement and distribution. Additionally, from August 1, 2024,

states can purchase rice directly from FCI under the Open Market Sale Scheme (OMSS) - Domestic, which facilitates controlled grain prices through e-auctions to curb inflation and ensure market stability.

## ■ National Mission on Edible Oils - Oilseeds (NMEO-Oilseeds) for 2024-25

➤ The Union Cabinet has approved the National Mission on Edible Oils - Oilseeds (NMEO-Oilseeds) for 2024-25 to 2030-31, aiming to boost domestic edible oil production and reduce dependence on imports.

By 2030-31, the mission targets increasing oilseed production to 69.7 million tonnes (from 39 million tonnes in 2022-23) and domestic edible oil production to 25.45 million tonnes, meeting 72% of the projected demand along with NMEO-Oil Palm. It plans to expand oilseed cultivation by 40 lakh hectares by utilizing rice and potato fallow lands. The mission focuses on boosting key oilseeds like rapeseed-mustard, groundnut, soybean, sunflower and sesamum, while enhancing extraction efficiency from secondary sources like cottonseed, rice bran and tree-borne oils. Key features include the SATHI Portal for seed authentication and a 5-year rolling seed

plan, along with the development of 600 Value Chain Clusters to provide farmers with high-quality seeds, training and advisory services. However, challenges such as low yield per hectare, rainfed cultivation (72%) and regional concentration of production persist. Other initiatives for self-sufficiency include NFSM-OS&OP (2018-19) for seed and technology support, NMEO-OP (2021-22) to expand oil palm cultivation, PM-AASHA for MSP assurance and the Yellow Revolution (1986-87), which initially boosted edible oil production, particularly from mustard and sesame.

## ■ SPICED (Sustainability in Spice Sector through Progressive, Innovative and Collaborative Interventions for Export Development) Scheme.

➤ The Union Ministry of Commerce and Industry has approved the SPICED (Sustainability in Spice Sector through Progressive, Innovative and Collaborative Interventions for Export Development) Scheme.

Aim: to enhance cardamom cultivation, export promotion, capacity building and skill development. It focuses on productivity improvement, post-harvest quality enhancement, market expansion, trade promotion, technology interventions and research and will be implemented during the remaining term of the 15th Finance Commission (2023-24 to 2025-26). Cardamom, cultivated for its dried fruits, is of two types: small cardamom, indigenous to the Western Ghats (mainly Kerala, Karnataka and Tamil Nadu), requiring loamy soil, shade and an elevation of 600-1500m and

large cardamom, grown in the Sub-Himalayan region, needing high precipitation (3000-3500 mm) and temperatures between 6-30°C. India, the world's largest producer, consumer and exporter of spices, mainly produces chilli, cumin, turmeric, ginger and coriander, which account for 76% of total spice production. In 2022-23, spice exports stood at US\$ 3.73 billion, with major destinations including China, the USA and Bangladesh. The largest spice-producing states include Madhya Pradesh, Rajasthan, Gujarat, Andhra Pradesh, Telangana and Karnataka.

## ■ Pulse imports

### ➤ Status of pulse imports.

India's pulses imports surged by 84% in fiscal 2024, reaching 4.65 million metric tons, the highest in six years.

## ■ Jute

### ➤ India's jute production is expected to decline by 20% in FY 2024-25 due to natural calamities

India is the world's leading producer of jute goods, contributing 70% of global production, with West Bengal accounting for 73% of the industry. To support the sector, the government has undertaken initiatives like the National Jute Board Act, 2008, the National Jute Development Programme and the Jute Diversification Scheme (JDS) under the PLI framework to enhance

global competitiveness. The Jute Corporation of India (JCI), established in 1971, provides price support and implements Jute I-CARE to promote mechanization and advanced retting. Additionally, the Jute Packaging Materials Act, 1987, mandates the compulsory use of jute for packaging commodities, further ensuring demand for jute products.

## ■ Second All India Rural Financial Inclusion Survey (NAFIS) 2021-22

### ➤ The Second All India Rural Financial Inclusion Survey (NAFIS) 2021-22, released by NABARD.

It provides insights into rural livelihoods and financial inclusion, covering aspects like loans, insurance and pensions. NAFIS, first launched in 2016-17, also serves as the basis for NAFINDEX, a measure of financial inclusion.

NABARD, established in 1982 based on the B. Sivaramman Committee's recommendations, was created through the National Bank for Agriculture and Rural Development Act, 1981. It consolidated entities like the Agricultural Credit

Department (ACD), Rural Planning and Credit Cell (RPCC) of the RBI and Agricultural Refinance and Development Corporation (ARDC). Operating under the Ministry of Finance, NABARD acts as the apex regulator for Regional Rural Banks (RRBs) and apex cooperative banks, playing a crucial role in ensuring the stability of rural financial institutions.

## ■ Primary Agriculture Credit Societies (PACS)

### ➤ To modernize PACS, the government has launched a computerization drive covering 18,000 PACS.

Primary Agriculture Credit Societies (PACS) are the grassroot-level institutions of India's short-term cooperative credit structure, registered under the Cooperative Societies Act and regulated by the State Registrar of Cooperative Societies (RCS). Unlike SCBs (State Cooperative Banks) and DCCBs (District Central Cooperative Banks), which are also regulated by the RBI,

PACS remain outside the purview of the Banking Regulation Act, 1949 and are refinanced by NABARD through DCCBs and SCBs. They primarily provide short-term credit and input services like seed, fertilizer and pesticide distribution to farmers, with 41% of KCC loans in 2022 disbursed through PACS, of which 95% benefited small and marginal farmers.

## ■ Central Silk Board

### ➤ Central Silk Board (CSB) recently celebrated its platinum jubilee.

India is the **second-largest silk producer in the world**, accounting for **42% of global production (2023)** with **Karnataka leading at 32%**, followed by **Andhra Pradesh**. The country is unique in

producing all four major silk varieties – **Mulberry, Eri, Tasar and Muga**—supporting a vast sericulture sector that plays a crucial role in rural employment and economic.

## ■ Indian Council of Agricultural Research (ICAR)-National Institute of Secondary Agriculture (NISA)

➔ The ICAR National Institute of Secondary Agriculture (NISA) recently celebrated **100 years of its establishment**.

Originally founded in **1924** as the **Indian Institute of Natural Resins and Gums** in **Ranchi, Jharkhand**, it was renamed **ICAR-NISA** in **2022** and operates under the **Ministry of Agriculture and Farmers' Welfare**. The institute plays a key role in **secondary agriculture**, which involves **value addition** to primary agricultural products and other allied activities like **beekeeping, poultry farming and agri-tourism**. The Indian

**Council of Agricultural Research (ICAR)**, established in **1929** based on the **Royal Commission on Agriculture (1928)**, is the **apex body** responsible for **coordinating, guiding and managing agricultural research and education** in **horticulture, fisheries and animal sciences** across India. It operates as an **autonomous organization** under the **Department of Agricultural Research and Education (DARE)**, Ministry of Agriculture.

## LABOUR AND EMPLOYMENT

### ■ Periodic Labour Force Survey (PLFS)

➔ The PLFS reported an **unemployment rate of 3.1% for 2023**, significantly lower than the **global unemployment rate of 5.1%**.

Launched in **2017**, PLFS provides crucial insights into **employment and unemployment trends** in India. Key indicators used in the survey include the **Worker Population Ratio (WPR)**, which measures the percentage of employed persons in the population and the **Labour Force Participation Rate (LFPR)**, which represents the percentage of individuals engaged in or seeking employment. The **Unemployment Rate (UR)**

indicates the proportion of unemployed individuals among the labor force. Additionally, **Activity Status** is classified based on reference periods: **Usual Status** (365 days) and **Current Weekly Status (CWS)** (7 days). These indicators help assess workforce dynamics, guiding policy decisions on employment and labor market reforms.

### ■ Gig Economy

➔ **Karnataka govt. published Karnataka Platform-based Gig Workers (Social Security and Welfare) Bill**.

Various initiatives have been introduced to support gig workers. The **Code on Wages, 2019** ensures a **universal minimum wage** across sectors, while the **Code on Social Security, 2020** aims to provide **social security protections** through a **Social Security Fund** and a **National Social Security Board**. The **E-Shram Portal**,

launched by the **Ministry of Labour & Employment** facilitates access to **social security schemes** for unorganized workers. Additionally, under the **PM Suraksha Bima Yojana**, gig workers are eligible for **accidental insurance coverage of ₹2 lakh per year**.

## ■ Living Wage

➔ The government has sought technical assistance from the **International Labour Organization** to develop a framework for a **living wage** in India.

Currently, India follows a **minimum wage** system, which has remained stagnant since 2017. The **Minimum Wages Act, 1948**, provides guidelines but does not specify a uniform minimum wage. The **Code on Wages (2019)** proposed a **universal wage floor**, applicable to all states once implemented.

However, wage

determination for certain jobs falls under both the **Minimum Wages Act, 1948** and the **Contract Labour (Regulation and Abolition) Act, 1970**, causing ambiguity. Additionally, the lack of enforceability of the **national wage floor** across states results in wage payment discrepancies.

**What are the differences between minimum wages & living wages set voluntarily by employers?**

The two concepts are sometimes used interchangeably, but there are some differences:

<b>Minimum wage</b>	<b>Living wage</b>
<ul style="list-style-type: none"> <li> Sets <b>legal and regulatory wage floors</b>: employers <b>must</b> pay at least the minimum wage</li> <li> Accounts for <b>both workers' needs and economic factors</b></li> <li> Adjustments are often <b>discretionary policy decisions</b></li> </ul>	<ul style="list-style-type: none"> <li> For employers that <b>voluntarily</b> commit to go <b>further than paying a mandated minimum wage</b></li> <li> <b>Only concerned with workers' needs</b> - based on research identifying the cost of a basic, acceptable living standard</li> <li> Always updated through <b>automatic indexation mechanisms</b></li> </ul>

**OECD**  
Centre on Well-being, Inclusion, Sustainability and Equal Opportunity (WISE)

# INSURANCE AND FINANCIAL INSTITUTIONS

## ■ Domestic Systemically Important Insurers

➔ IRDAI has identified Life Insurance Corporation of India, General Insurance Corporation of India and New India Assurance Company as D-SIIs.

D-SIIs are insurers whose failure could disrupt the domestic economy due to their size, market influence and interconnectedness, making them **'too big to fail' (TBTF)** and subject to additional regulations. IRDAI has played a key role in transforming India's insurance sector, with insurance **penetration rising to 4.2% in 2021-22 from 2.71% in 2001-02** and insurance **density increasing to \$91 from \$11.5 in the same period**. Additionally, IRDAI's **'Insurance for All' by 2047** initiative aims to ensure comprehensive insurance coverage for every citizen, strengthening financial security across the country.

The **Insurance Regulatory and Development Authority of India (IRDAI)** is an independent

**statutory body** established under the **IRDA Act, 1999**, operating under the **Ministry of Finance**. It regulates and licenses **insurance and reinsurance industries** in India, ensuring the protection of **policyholders' interests** and the growth of the insurance sector. Headquartered in **Hyderabad, Telangana**, since 2001, IRDAI comprises **10 members**, including a **chairman, five full-time and four part-time members** appointed by the government. Its key objectives include **ensuring fair treatment of policyholders, maintaining financial stability in the insurance industry and formulating clear regulatory standards** to eliminate ambiguity.

## ■ (B-Ready) Index

➤ The **World Bank** has launched the first edition of its **Business-Ready (B-Ready) Index**, which is in a three-year rollout phase (2024-2026).

It currently assesses 50 economies, **excluding India**. It replaces the discontinued **Ease of Doing Business (EoDB) rankings**, which faced data irregularities and ethical concerns. The **2024 Business Reform Action Plan** rankings by **DPIIT** will incorporate some **B-Ready** indicators. This

new index serves as a **global assessment tool** for the **business and investment climate**, focusing on **Reform Advocacy** (benchmarking and policy dialogue), **Policy Guidance** (recommendations for reforms) and **Analysis & Research** (detailed data for private sector development).

## ■ Bharat Startup Knowledge Access Registry (BHASKAR)

➤ The **Ministry of Commerce and Industry** has launched the **Bharat Startup Knowledge Access Registry (BHASKAR)**.

Aim: to enhance India's **startup ecosystem** by centralizing and streamlining collaboration among **startups, investors and other stakeholders**. Under the **Startup India program**, it aims to create the **world's largest digital registry** of startup ecosystem participants. India ranks as the **third-largest startup ecosystem globally**, with **67 unicorns** as per the **Global Unicorn Index 2024**. The **Department for Promotion of Industry and Internal Trade**

(**DPIIT**) officially recognizes startups, facilitating access to funding sources such as **venture capital, angel investors and Alternative Investment Funds (AIFs)**. Key government initiatives include **MAARG portal (mentorship), Fund of Funds for Startups (FFS), NIDHI Program (startup grants), SAMRIDH (IT startup acceleration) and Pradhan Mantri Mudra Yojana (PMMY) for micro-enterprise loans**, reinforcing India's robust startup landscape.

## ■ Global Innovation Index (GII)

➤ The **Global Innovation Index (GII) 2024** was recently released by **WIPO, Cornell University and INSEAD Business School**.

The theme for 2024 is "**Unlocking the Promise of Social Entrepreneurship**". The index evaluates innovation based on factors like **institutions, human capital, research, infrastructure, credit, investment** and the creation, absorption and diffusion of knowledge.

**Key Findings:**

- **Switzerland** ranks first, followed by **Sweden, the US and Singapore**.
- **India** has improved its position to **39th** (from 40th in 2023) among 133 countries, with a score of **38.3**.

- India holds the **top rank** in lower-middle-income economies and the **Central and Southern Asia** region for **Knowledge and Technology Outputs, Creative Outputs, Institutions and Business Sophistication**.
- Major **Indian cities** like **Bengaluru, Delhi, Chennai and Mumbai** are among the top 100 **Science and Technology (S&T) clusters** globally.

In related news, the **International Intellectual Property (IP) Index** by the **US Chamber of Commerce** ranked **India** at **42nd** among 55 economies, unchanged from previous years.

Join our social platforms and stay updated for Civil Services Exam Prep.



## INTELLECTUAL PROPERTY AND LEGAL FRAMEWORK

### Treaty on Intellectual Property, Genetic Resources and Associated Traditional Knowledge

The Treaty on Intellectual Property, Genetic Resources and Associated Traditional Knowledge, recently adopted by the World Intellectual Property Organization (WIPO).

This is the first of its kind to address the interface between intellectual property (IP), genetic resources (GRs) and traditional knowledge (TK). This treaty, which aims to enhance the efficacy and transparency of the patent system and prevent erroneous patents, was adopted by 150 countries, including India and will come into effect once ratified by 15 parties. It acknowledges the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP). In India, several measures have been implemented to protect traditional knowledge and genetic resources,

such as the Traditional Knowledge Digital Library (TKDL) to prevent bio-piracy, the Patent Act of 1970, which requires the disclosure of genetic resources and traditional knowledge in patents and the Biological Diversity Act, 2002, which ensures fair benefit sharing. Furthermore, the Geographical Indications Act, 1999 and recognition by UNESCO for practices like Yoga as Intangible Cultural Heritage highlight India's commitment to safeguarding its rich traditional knowledge and resources.

## INFRASTRUCTURE AND DEVELOPMENT

### ■ PM Gati Shakti National Master Plan (PMGS NMP)

➤ The PM Gati Shakti National Master Plan (PMGS NMP), launched in 2021, recently completed three years and has emerged as a significant initiative for infrastructure development in India.

It is driven by seven engines: Railways, Roads, Ports, Waterways, Airports, Mass Transport and Logistics Infrastructure. The plan is developed using a Digital Master Planning tool by the BISAG-N (Bhaskaracharya National Institute for Space Applications and Geoinformatics), utilizing a GIS platform. Hosted on Meghraj, the Government of India's cloud, it integrates ISRO

satellite imagery and Survey of India basemaps to create a comprehensive database of ongoing and future projects from various ministries, including initiatives like Bharatmala, Sagarmala, inland waterways, dry ports and UDAN. The plan aims to boost connectivity, improve logistical efficiency and provide streamlined development of India's infrastructure.

### ■ Asset Monetization (AM)

➤ Recently, the National Highway Authority of India (NHAI) raised its highest-ever monetization value of Rs. 15,624.9 Crore through the Infrastructure Investment Trust (InvIT) mode.

Asset Monetization (AM) refers to the process of unlocking the economic value of underutilized or unutilized public assets, such as properties, airports, pipelines, etc., to create new revenue

sources for the government and its entities. The concept was first recommended by the Vijay Kelkar Committee in 2012 and was formally introduced in the Union Budget 2021-22 through

the **National Monetisation Pipeline (NMP)**. The process typically involves the license or lease of government-owned assets to private sector entities for a defined period in exchange for payments. This is governed by a **concession agreement**, ensuring balanced risk-sharing between the public and private sectors. As part of the NMP, the government has identified **13**

sectors for asset monetization, with **roads, railways, power, oil and gas pipelines and telecom** accounting for around **83%** of the total pipeline. Additionally, the **National Land Monetization Corporation** has been set up to oversee the monetization of surplus land owned by **Central Public Sector Enterprises (CPSEs)** and other government agencies.

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

➤ **NaBFID** has been recently notified as a **Public Financial Institution (PFI)** under the **Companies Act, 2013** by the central government.

A Public Financial Institution (PFI) is defined as an institution either established under a central or state act or whose **at least 51%** of the paid-up share capital is held by the central or state government.

NaBFID was established as an **infrastructure-focused Development Financial Institution (DFI)** under the **National Bank for Financing Infrastructure and Development Act, 2021**. Its main objective is to support the development of

**long-term non-recourse infrastructure financing** in India, which includes the development of **bonds and derivatives markets**. NaBFID is regulated by the **Reserve Bank of India (RBI)** as an **All India Financial Institution (AIFI)** under sections 45L and 45N of the **RBI Act, 1934**. Currently, the **Government of India** holds the entire shareholding of NaBFID, underlining its strong governmental backing.

## ■ **Vadhvan Port**

➤ **Foundation stone of Vadhvan Port** laid in **Maharashtra's Palghar district**.

Located near **Dahanu town**, this port will become the **13th major port** in India and is poised to be the country's **largest container port** and one of its largest **deep-water ports**. The port will follow the **landlord port model**, where private entities manage operations while the port authority acts as a **regulator and landlord**.

India's port sector is divided into **major and minor ports**. Major ports are directly administered by the central government and are governed by the **Major Port Authorities Act, 2021**, which provides for the regulation, operation and planning of these ports. They are managed under the **landlord port model**, where private sector participation is allowed for specific projects through a concession agreement. After the concession period expires, the asset is handed

back to the port authority. Non-major ports, on the other hand, are under the jurisdiction of state governments and are regulated by the **Indian Ports Act, 1908**. These ports operate under the purview of state maritime boards or state departments and follow a **Public-Private Partnership (PPP)** model for their development and operation.

The **Indian maritime sector** plays a vital role in the economy, contributing **95% of India's trade by volume** and **70% by value**.

**Mumbai Port** is India's largest natural harbor, while **Kamarajar Port** in Tamil Nadu is the only corporatized port. The **World Bank's Logistics Performance Index** ranks India **22nd** in international shipment, with an impressive **turnaround time of 0.9 days**.



## SECTORAL DEVELOPMENTS AND REGULATIONS

### ■ Antitrust Laws

➤ **Competition Commission of India (CCI)** found that **Amazon** and **Flipkart** violated local antitrust laws.

The companies were accused of offering **exclusive launches**, favoring **select sellers** and prioritizing certain **listings** on their platforms.

The **Competition Act, 2002** (amended in 2023) serves as the primary antitrust framework in India. Its objective is to foster competition, protect against anti-competitive practices, prevent abuse of dominant market positions and regulate combinations (mergers, amalgamations and acquisitions).

**Restrictions on e-commerce operations** include:

- **Exclusive selling:** E-commerce platforms are prohibited from allowing vendors to sell their products exclusively on their platform. All

vendors must be treated in a **fair and non-discriminatory manner**.

- **Vendor purchases:** Any vendor purchasing **25% or more** of their inventory from a platform's **group company** is considered to be controlled by the e-commerce company, making them ineligible to sell on that platform.

The CCI, established under the **Competition Act, 2002**, aims to prevent practices detrimental to competition, promote market competition, protect consumer interests and ensure **freedom of trade**. The Commission consists of a **Chairperson** and **6 members**, appointed by the **Central Government**.

## ■ Coal Sector

### ➤ Many steps taken to boost coal sector.

India's high dependence on **coal imports**, especially for **high gross calorific value (GCV)** coal, which is crucial for industries like **iron and steel**. **Domestic coking coal** is not suitable due to its high **ash content**. CIL dominates the sector, contributing over 80% of production, limiting competition and innovation. To enhance coal production, key initiatives have been introduced, such as the **Coal Mines (Special Provisions)**

**CMSP Act of 2015**, which allows private companies to auction coal mines for **commercial use** and the **Mines and Minerals (Development and Regulation) Amendment Act of 2021**, which improves **transparency** and **efficiency** in mining operations. The government has also approved **100% FDI** in coal mining and introduced a **Revenue Sharing Model (RSM)** under a **Public-Private Partnership (PPP)** model.

## ■ Offshore Minerals in India

### ➤ In 2024, the **Offshore Areas (Existence of Mineral Resources) Rules, 2024**, under the **Offshore Areas Mineral (Development and Regulation) Act, 2002** was introduced.

**Aim:** To regulate the exploration and extraction of offshore minerals in India's **Exclusive Economic Zone (EEZ)** of over two million square kilometers. These rules define exploration stages – **Reconnaissance Survey (G4)**, **Preliminary Exploration (G3)**, **General Exploration (G2)** and **Detailed Exploration (G1)**—and establish rigorous standards for assessing and developing offshore mineral resources sustainably. They also adopt the **United Nations Framework**

**Classification (UNFC)** and the **Committee for Mineral Reserves International Reporting Standards (CRIRSCO) Template** for classifying and reporting mineral reserves. Additionally, the **Offshore Areas Mineral Conservation and Development Rules, 2024**, notified in December 2024, focus on systematic development, safety measures and environmental protection during offshore mining operations.

## ■ Steel Sector

### ➤ The Government recently set a target of **500 million tonnes of steel production by 2034**.

Steel is an **alloy of iron and carbon** containing less than 2% carbon, with small amounts of other elements like manganese, silicon, phosphorus, sulphur and oxygen. It is a vital material for various industries, but its production is highly reliant on **coal**, used as a **reducing agent** to extract iron from iron ore and provide the necessary **carbon content**.

#### Major Challenges for the Steel Sector in India

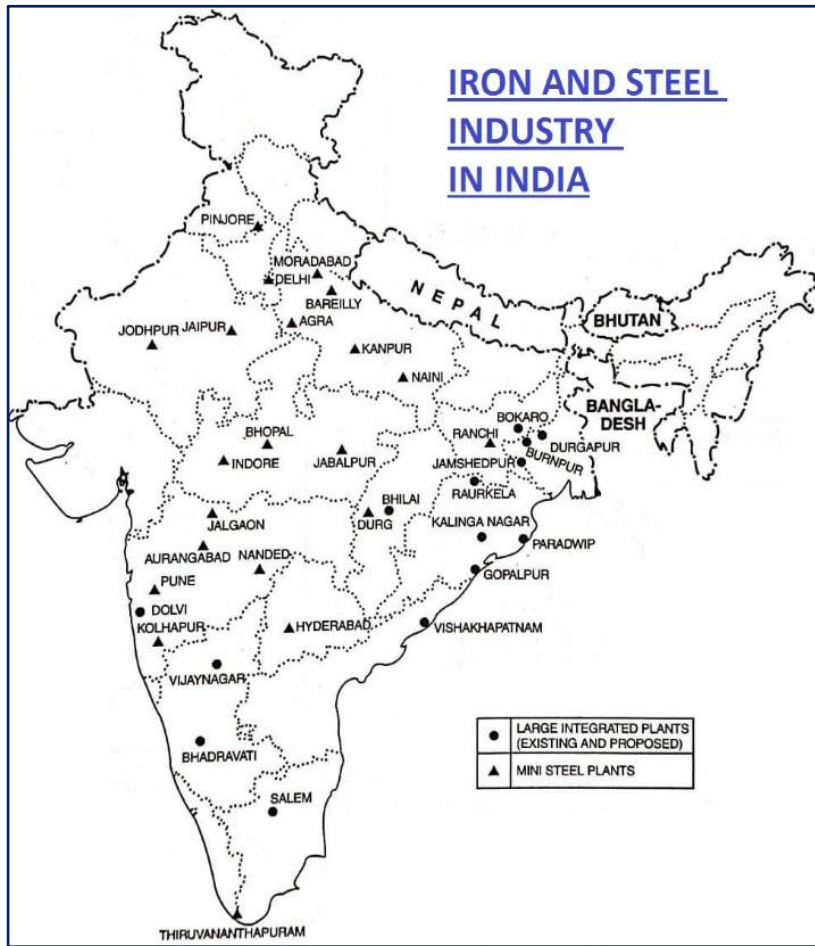
- **Lack of Raw Material:** India fulfills a significant portion of its **coking coal** needs through costly imports from **Australia**.
- **Low per capita consumption:** India's **per capita finished steel consumption** was 97.7 kg in 2023-24, significantly lower than the **world average** (219.3 kg) and **China's** (628.3 kg).
- **Energy-Intensive Industry:** The steel sector is one of the largest **carbon-emitting** industries globally. India's major **iron and steel exports** to the **European Union (EU)** will face challenges due to the **carbon tax** ranging from 19.8% to 52.7%.
- **Other Issues:** High **logistics costs**, **lack of capital** and **cyclical steel demand**.

#### Initiatives for the Steel Sector

- **National Steel Policy, 2017:** Targets 300 million tonnes steel-making capacity and 160 kg per capita steel consumption by 2030-31.
- **'Make in India'** initiative, supported by the **PM Gati-Shakti National Master Plan**, aims to increase steel usage across key sectors like **Railways**, **Defence** and **Housing**.

- **Production-Linked Incentive (PLI) Scheme for Specialty Steel:** Stimulates domestic production of specialty steel and reduces imports.
- **Mission Purvodaya:** Focuses on the accelerated development of eastern India (Odisha, Jharkhand, Chhattisgarh, West Bengal and Andhra Pradesh) by establishing an integrated steel hub in Kolkata.
- **Revamped Steel Import Monitoring System (SIMS) 2.0:** Designed to monitor steel imports more effectively and address domestic concerns.

India is the **world's second-largest producer of crude steel**, with 125.32 million tonnes (MT) of crude steel and 121.29 MT of completed steel production in FY23.



## ■ Space Economy

➤ In the 2024-25 budget, India announced a **₹1,000 crore venture capital fund** to bolster its **space economy**, aiming to increase its global market share from 2% to 10% by 2030.

Key organizations fostering private sector involvement include the **Indian National Space Promotion and Authorization Centre (IN-SPACe)**, which recently launched a **₹500 crore Technology Adoption Fund** to support early-stage space technologies and reduce reliance on imports; the **Indian Space Association (ISpA)**, established in 2020 as a non-profit industry body; and **NewSpace India Limited (NSIL)**, a public sector company under the Department of Space, responsible for commercializing ISRO's activities. The **Indian Space Policy 2023** enables end-to-end

participation of **Non-Government Entities (NGEs)** in all space activities, complemented by the **SpaceTech Innovation Network** and the **Atal Innovation Mission's ATL Space Challenge**, which encourage innovation among startups and students. Additionally, the government has liberalized **Foreign Direct Investment (FDI)** rules, allowing up to **74% automatic route investment in satellite manufacturing and operations and up to 49% in launch vehicles and associated systems**, to attract global players and boost the domestic space industry.

## ■ National Electricity Plan (Transmission)

➤ The **Union Ministry of Power** has launched the **National Electricity Plan (Transmission)**, developed by the **Central Electricity Authority (CEA)** as mandated by the **Electricity Act of 2003**.

This plan outlines the expansion of India's transmission infrastructure to support the integration of **renewable energy sources**, aiming for **500 GW by 2030** and over **600 GW by 2032**. It proposes adding over **191,000 circuit kilometers (ckm)** of transmission lines and **1,270 GVA** of transformation capacity between **2022 and 2032**, including **33 GW of high-voltage direct current (HVDC) bi-pole links**. The plan also emphasizes

the development of **47 GW of Battery Energy Storage Systems** and **31 GW of Pumped Storage Plants** to enhance grid reliability. Additionally, it addresses the need for transmission systems to deliver power to **green hydrogen** and **green ammonia** manufacturing hubs at coastal locations such as **Mundra, Kandla, Gopalpur, Paradeep, Tuticorin, Vizag and Mangalore**.

## ■ Index of Eight Core Industries (ICI)

➤ The ICI recorded a **6.7% increase** in February 2024 compared to February 2023.

The ICI measures the performance of eight key industries: **Fertilizers, Cement, Natural Gas, Crude Oil, Coal, Electricity, Steel and Petroleum Refinery Products**, which together contribute **40.27%** of the weight in the **Index of Industrial Production (IIP)**. Among them, **Petroleum**

**Refinery Products** have the highest weight (**28.04%**), followed by **Electricity (19.85%)**. The **Office of the Economic Adviser, Ministry of Commerce & Industry**, is responsible for releasing the ICI.

## ■ Indian Renewable Energy Development Agency (IREDA) ; Solar Energy Corporation of India (SECI)

➤ The **Navratna status** has been granted to **IREDA and SECI** by the **Department of Public Enterprises**.

IREDA, established in **1987**, operates under the **Ministry of New and Renewable Energy** as a **Non-Banking Financial Institution (NBFI)**, while SECI is a **Central Public Sector Enterprise (CPSE)** under the same ministry. To qualify for **Navratna**

**status**, a CPSE must first be a **Miniratna-I** and must have received an **'excellent' or 'very good' MoU rating** in at least three of the last five years, along with a **composite score of 60 or above** in selected performance indicators.

## ■ GIFT IFSC

➤ An **Expert Committee** has submitted its report to **IFSCA on developing GIFT IFSC** as a **Global Finance & Accounting Hub**.

The committee was formed after the **Ministry of Finance** classified services like **book-keeping, taxation and financial crime compliance** as **'financial services'** under the **IFSC Act, 2019**. **GIFT City**, operational since **2015** in Gujarat, is

India's first **International Financial Services Centre (IFSC)**, catering to global financial flows. The **IFSCA**, a statutory body, is responsible for regulating financial products, services and institutions in IFSCs.

## ■ World Gold Council (WGC)

➤ The **World Gold Council (WGC)** has raised India's **gold consumption projection to 850 tonnes in 2024**.

Established in **1987**, WGC is a leading authority on gold markets and research. The **top gold exporters** in 2022 included **Switzerland, the United States and the UAE**, while **Switzerland, China, the UAE, the UK and India** were major

importers. **China** remains the **largest gold producer**, followed by **Australia and Russia**, while India ranks **second** in global gold consumption, with major domestic gold resources

in Bihar (44%), Rajasthan (25%) and Karnataka (21%).

## ■ Nidhi Companies

➤ The Ministry of Corporate Affairs has taken action against Nidhi Companies violating regulations.

These companies, governed under the Companies Act, 2013, operate as mutual benefit societies, accepting deposits and lending exclusively to their members. They must comply with the Nidhi Rules, 2014, ensuring a minimum of 200

members and maintaining Net Owned Funds (NOF) of at least ₹10 lakh. The objective of Nidhi Companies is to promote thrift and savings among members.

## ■ ISI mark

➤ The GOI has made the ISI mark mandatory for stainless steel and aluminium kitchen utensils under a Quality Control Order.

Developed by the Bureau of Indian Standards (BIS), the ISI mark ensures product quality and safety and is compulsory for various goods, including electrical appliances, cement, steel and medical equipment. The BIS, India's National

Standard Body, was established under the BIS Act, 2016 and also oversees certifications like the Hallmark (for gold purity) and Eco Mark (for eco-friendly products).

## ■ 'Green Shoot'

➤ RBI has highlighted that India's rural economy is acting as a 'Green Shoot' for the Fast-Moving Consumer Goods sector.

Green Shoots refer to early signs of economic recovery after a downturn. The FMCG sector, characterized by high turnover consumer packaged goods, includes detergents, toiletries

and cosmetics. Growth in rural demand is boosting this sector, contributing to India's overall economic recovery.

## ■ Enhanced Integrated Framework (EIF)

➤ Finland is supporting Least Developed Countries (LDCs) through projects funded by the EIF.

The EIF is the only multilateral partnership assisting LDCs in using trade for economic growth, sustainable development and poverty reduction. It has 51 partner countries and is

backed by organizations like the World Bank and WTO, with the United Nations Office for Project Services (UNOPS) serving as the Trust Fund Manager.

## ■ Digital Bharat Nidhi (DBN)

➤ The Department of Telecommunications (DoT) has notified the Telecommunications (Administration of Digital Bharat Nidhi) Rules, 2024.

Under the Telecommunications Act, 2023, Digital Bharat Nidhi (DBN) is being operationalized. DBN aims to fund telecom projects in underserved rural areas and replaces

the Universal Service Obligation Fund (USOF), which was created under the Indian Telegraph Act, 1885 and funded through a 5% Universal Access Levy on telecom operators.

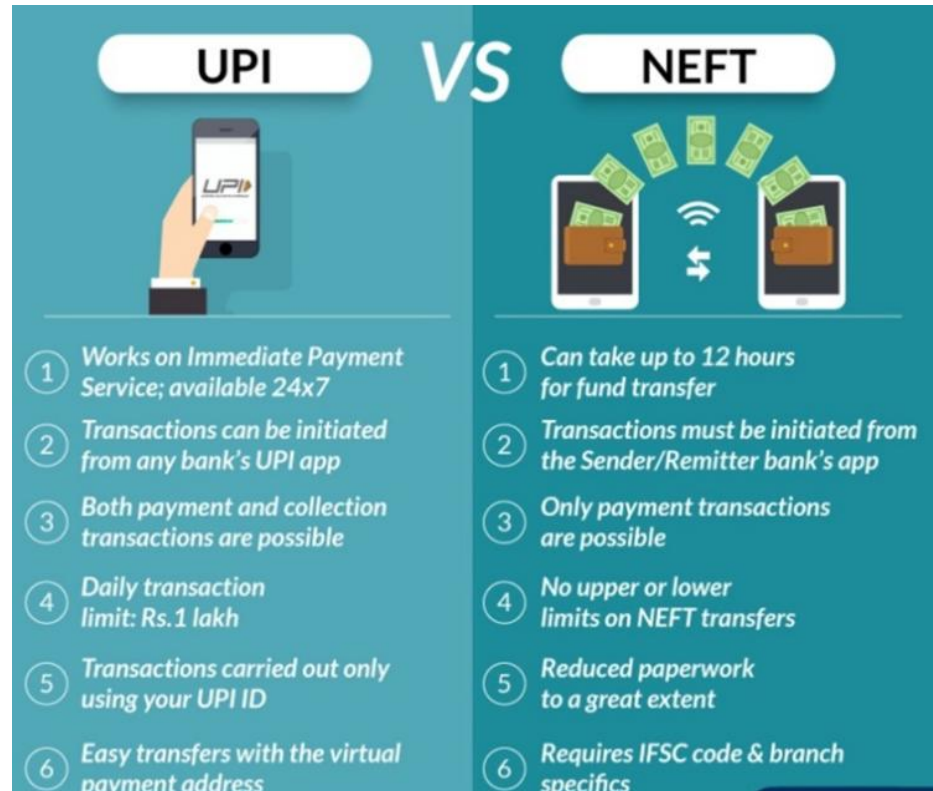
## DIGITAL FINANCE AND PAYMENTS

### ■ Unified Payments Interface (UPI)

➤ The **NPCI International Payments Limited (NIPL)** has partnered with Trinidad and Tobago to develop a UPI-like payments system.

UPI has support in countries such as Sri Lanka, Mauritius, France, UAE, Singapore, Bhutan and Nepal. Launched in 2016 by the **National Payments Corporation of India (NPCI)**—an organization incorporated in 2008 under the **Payment and Settlement Systems Act, 2007**—UPI is an instant real-time payment system that consolidates multiple bank accounts into a single mobile application, enabling seamless fund routing, merchant payments and even **peer-to-peer** collect requests.

The system recently saw its per-transaction limit increased from **₹1 lakh to ₹5 lakh** by the **RBI**. Variants like **UPI123Pay**, introduced in **March 2022** to cater to feature phone users across **12 languages**, have seen their limits raised from **₹5,000 to ₹10,000**, while **UPI Lite** facilitates low-value transactions without requiring a UPI PIN, with a per-transaction limit enhanced to **₹1,000** and an overall wallet limit of **₹5,000**. Initiatives for international expansion include the establishment of **NIPL** in 2020, the **UPI Global Acceptance** for international merchant payments, the **Foreign Inward Remittance (FIR)** facility for direct remittances to UPI-linked accounts, inclusion of **Non-Resident Indians (NRIs)** through NRE/NRO accounts and **UPI One World**, which enables seamless transactions for travelers in India.



### ■ Project Nexus

➤ The **Reserve Bank of India (RBI)** has joined **Project Nexus**.

**Project Nexus** is a multilateral international initiative designed to enable instant cross-border retail payments by interlinking domestic Instant Payments Systems (IPS) like the **Unified Payments Interface (UPI)**, which facilitate near-instant inter-bank fund transfers. Conceptualized by the Innovation Hub of the **Bank for**

**International Settlements (BIS)**—established in 1930 in Basel, Switzerland and owned by 63 central banks including the RBI—Project Nexus aims to connect the IPS of India with those of four ASEAN countries (Malaysia, Philippines, Singapore and Thailand) and is expected to go live by 2026. This initiative is aligned with the

G20 targets of making cross-border payments cheaper, faster, more transparent and more

accessible.

## ■ Finternet

➤ Infosys co-founder, envisioned the "Finternet" as the future of the financial system.

Finternet, proposed by Nandan Nilekani, envisions a **seamlessly interconnected financial ecosystem**, much like the internet, where individuals and businesses are at the center of their financial activities. It facilitates the **instant transfer of any financial asset, in any amount, at**

**any time, from any device.** By reducing barriers between financial services, it aims to **simplify clearing and messaging chains** while **eliminating system frictions**, making financial transactions more **efficient and inclusive.**

**APTI PLUS**  
Academy for Civil Services Pvt. Ltd.  
CREATING CIVIL SERVANTS FOR THE NATION

**उत्कृष्टि 360**  
Utkrishi 360

**Test Series  
Cum Guidance  
Programme  
For  
UPSC CSE  
Mains 2025**

**ONLINE & OFFLINE**

**8** GS Sectional Test **12** GS FL Tests **5** Essay Tests **5** Simulator Tests