

UPPSC PRELIMS

QRS

 QUICK
REVISION
SERIES*Last-Minute Revision Notes*

INDIAN ECONOMY

*Banking • Fiscal • External Sector • Agriculture***01** Economic Concepts, National Income & Inflation**02** Money, Banking & Monetary Policy**03** Budget, Taxation, GST & Public Debt**04** External Sector, Trade & IFIs**05** Financial Markets, SEBI, Insurance**06** Planning & Agriculture**07** Industry, Infrastructure & Services**08** Human Capital, Employment, Poverty**09** Economic Survey 2025-26 & Union Budget 2026-27**10** Uttar Pradesh Economy & UP Budget 2026-27**11** Current Affairs 2026 & Macro Dashboard**12** Master Tables, Committees & Static Facts

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CHAPTER 01

Basic Microeconomics and Economic Systems

Scarcity, Choice and Opportunity Cost

- Economics studies how scarce resources with alternative uses are allocated to satisfy unlimited wants; three central questions: what to produce, how to produce, for whom to produce
- Scarcity: land, labour, capital and enterprise are limited, wants are unlimited, so choice is unavoidable
- Opportunity cost = value of the next best alternative forgone; a commodity provided free by the government shifts the opportunity cost from consumers to the tax-paying public (UPSC 2018)
- Production possibility frontier (PPF): shows maximum combinations of two goods an economy can produce with given resources and technology; points inside = underutilisation; outside = unattainable; outward shift = growth
- Four factors of production and their rewards: land (rent), labour (wages), capital (interest), entrepreneur/organisation (profit)
- Economic Survey 2018-19 treated data as a new factor of production; firms holding large datasets get a market advantage

Branch	Studies	Example
Microeconomics	Individual households, firms, markets, price determination	Demand, supply, elasticity, costs
Macroeconomics	Aggregates: output, employment, inflation, money, trade	GDP, inflation, fiscal and monetary policy

- Macroeconomics emerged as a separate branch after J.M. Keynes, *The General Theory of Employment, Interest and Money* (1936), following the Great Depression

Economic Systems

System	Who decides	Feature	Example
Market (capitalist) economy	Price mechanism; private sector	Minimal state role, profit motive, consumer sovereignty	USA (broadly)
Command (socialist) economy	State planning	State owns resources; aims at equality; lacks efficiency	Erstwhile USSR, North Korea, Cuba
Mixed economy	Both private sector and state	Private enterprise plus public sector and welfare role	India, France, UK

- India: mixed economy under the Industrial Policy Resolution 1948 and 1956; after 1991 liberalisation, public sector's role was narrowed to strategic areas while private sector expanded
- DBT and the JAM trinity (Jan Dhan, Aadhaar, Mobile) use market-style efficiency tools to meet welfare goals: money flows straight to beneficiaries, cutting leakage

Consumer Behaviour

- Utility: satisfaction from consuming a good; total utility (TU) rises with consumption, marginal utility (MU) = change in TU from one more unit
- Law of diminishing marginal utility: as consumption increases, MU of each additional unit falls (first slice of pizza gives most satisfaction)
- Indifference curve: combinations of two goods giving equal satisfaction; convex to origin; higher curve = more utility; curves cannot intersect
- Marginal rate of substitution (MRS): rate at which a consumer trades one good for another keeping utility constant; MRS diminishes along the curve
- Budget line: combinations affordable with given income: $p_1x_1 + p_2x_2 = M$; budget set = all points on or below the line
- Consumer's optimum: point where the budget line is tangent to the highest attainable indifference curve

Demand

- Law of demand: other things equal, quantity demanded falls when price rises; demand curve slopes downward

- Determinants of demand (shift the curve): income, prices of related goods, tastes, expectations, population

Type of good	Behaviour	Example
Normal good	Demand rises with income	Most goods
Inferior good	Demand falls as income rises	Coarse cereals, cheap rice (UPSC 2021)
Giffen good	Demand rises when price rises (inferior good with no substitute and large budget share)	Staple like bread, rice in poor households
Veblen good	Demand rises as price rises (status symbol)	Rolex watch, Rolls-Royce
Substitutes	Rise in price of one raises demand for other	Tea and coffee
Complements	Joint demand; fall in price of one raises demand for other	Bread and jam, tea and sugar

- Speculative effect: expectation of further price rise increases demand (stock markets)
- Market demand = horizontal sum of individual demand curves
- Movement along curve = change in price (extension/contraction); shift of curve = change in other factors (increase/decrease)

Elasticity

- Price elasticity of demand (E_d) = % change in quantity demanded ÷ % change in price

Type	Value of E_d	Meaning
Perfectly elastic	Infinity	Infinite change in quantity for tiny price change (horizontal curve)
Relatively elastic	Greater than 1	Large change in quantity for small price change (luxuries)
Unitary elastic	Equal to 1	Proportionate change
Relatively inelastic	Less than 1	Small change in quantity for large price change (necessities)
Perfectly inelastic	Zero	No change in quantity (vertical curve)

- Income elasticity: response of quantity demanded to income change (positive for normal goods, negative for inferior goods)
- Cross elasticity: response of quantity of one good to the price of another (positive for substitutes, negative for complements)
- Elasticity of supply: responsiveness of quantity supplied to price; agricultural goods are supply-inelastic in the short run
- Total expenditure rule: if demand is inelastic, a price rise raises total revenue; if elastic, a price rise lowers it. This is why governments tax goods with inelastic demand (petrol, tobacco, liquor)

Supply, Production and Costs

- Law of supply: other things equal, quantity supplied rises with price; supply curve slopes upward
- Supply shifts with input costs, technology, taxes and subsidies, number of sellers
- Production function: $Q = f(L, K)$; short run: at least one input (capital) fixed; long run: all inputs variable
- Total product (TP), average product (AP), marginal product (MP)
- Law of diminishing marginal returns / variable proportions: stages of increasing, diminishing and negative returns
- Returns to scale (long run): increasing (output rises more than inputs), constant (proportionately), decreasing (less than proportionately)
- Costs: fixed cost, variable cost, total cost, average cost, marginal cost; long run: economies of scale lower per-unit cost
- Profit maximisation: firm produces where marginal cost (MC) = marginal revenue (MR)

Market structure	Sellers	Product	Price power
Perfect competition	Many	Homogeneous	Price taker; free entry and exit; perfect information
Monopoly	One	No close substitute	Price maker

Market structure	Sellers	Product	Price power
Oligopoly	Few	Homogeneous or differentiated	Interdependent pricing; possible collusion (cartel such as OPEC)
Monopolistic competition	Many	Differentiated	Some price control (toothpaste, soaps)

- Monopsony: a single buyer; duopoly: two sellers
- Market equilibrium: quantity demanded = quantity supplied at the equilibrium price; excess demand pushes price up; excess supply pushes it down
- Free entry and exit: abnormal profits attract entrants until only normal profit remains

ICOR (Incremental Capital Output Ratio)

ICOR = $\Delta K / \Delta Y$: additional capital needed to produce one extra unit of output; lower ICOR = higher capital efficiency
 India's ICOR is higher than China's, so India needs a higher investment rate for the same growth
 Growth rate $\approx$ investment rate $\div$ ICOR (Harrod-Domar logic); Economic Survey links lower ICOR with infrastructure and technology investment

Public Goods and Market Failure

- Public goods are non-rival and non-excludable (national defence, street lights, lighthouse); free-rider problem makes the market under-supply them
- Merit goods are provided by the state for social benefit (education, health); demerit goods are discouraged (tobacco, alcohol)
- Externalities: positive (education, vaccination, research) and negative (pollution); remedy: Pigouvian tax, subsidy, regulation, tradable permits
- Common-pool resources (fisheries, groundwater) are rival but non-excludable; "tragedy of the commons"
- Market failures justify state intervention: monopoly, externalities, public goods, information asymmetry
- Price controls: price ceiling (maximum price, e.g., drug price control, rent control, LPG price), price floor (minimum price, e.g., MSP, minimum wages)
- Subsidy and taxes: ad valorem tax (percentage), specific tax (fixed per unit); incidence of a tax depends on elasticity

Other Concepts Often Tested

- Types of unemployment: structural, frictional, cyclical, seasonal, disguised (agriculture; marginal productivity zero)
- Economic growth = sustained rise in real output; economic development = growth plus improvement in health, education and living standards
- Stagflation = high inflation with stagnant output and high unemployment; deflation; disinflation; reflation
- Black economy, shadow economy, informal economy: activities outside official records
- Gini coefficient and Lorenz curve measure inequality (0 = perfect equality; 1 = perfect inequality)
- Kuznets curve: inequality first rises and then falls with development; Environmental Kuznets curve for pollution
- Phillips curve: inverse relation between inflation and unemployment in the short run
- Laffer curve: relation between tax rates and tax revenue
- Trickle-down hypothesis, Say's law ("supply creates its own demand"), Keynesian multiplier
- Sectors: primary (agriculture, mining), secondary (manufacturing, construction), tertiary (services), quaternary (knowledge: IT, R&D), quinary (top decision making)
- Four-sector structure: India's agriculture share in GVA about 14-15% but employs over 45% of workers

Macroeconomics: Core Models

- **Aggregate demand (AD)** = $C + I + G + (X - M)$. AD slopes downward because of wealth effect, interest-rate effect and exchange-rate (trade) effect.
- **Aggregate supply (AS)**: short-run AS slopes upward (sticky wages/prices); long-run AS is vertical at potential (full-employment) output.
- AD shift right (tax cut, higher G, easy money) raises output and prices; supply shock (oil price rise) causes **stagflation** (higher prices with lower output).
- **Multiplier**: $k = 1/(1 - MPC) = 1/MPS$. Tax multiplier = $-MPC/(1 - MPC)$. Balanced-budget multiplier = 1.
- **Keynesian cross**: equilibrium where $Y = C + I + G$; paradox of thrift – higher saving can lower income.

Model	Idea	Key point
IS curve	Goods-market equilibrium ($I = S$)	Downward-sloping: lower interest rate raises investment and income
LM curve	Money-market equilibrium ($L = M/P$)	Upward-sloping: higher income raises money demand and interest rate
IS-LM	Joint equilibrium of goods and money markets	Fiscal expansion shifts IS right; monetary expansion shifts LM right
Liquidity trap	LM horizontal at very low interest	Monetary policy ineffective; fiscal policy works fully
Crowding out	Government borrowing raises interest rate	Private investment falls
Mundell-Fleming	IS-LM for an open economy	Under floating rates monetary policy is effective, fiscal is not
Phillips curve	Short-run inflation-unemployment trade-off	Long-run vertical at natural rate (Friedman-Phelps)
Okun's law	1% rise in unemployment lowers GDP about 2-3%	Link of output gap to unemployment

Impossible trinity (Trilemma)

A country cannot have all three: fixed exchange rate, free capital movement and independent monetary policy. India: managed float, partially open capital account, independent monetary policy (inflation targeting) – hence RBI intervenes in the forex market. China chose fixed-ish rate and monetary control with capital controls.

Business Cycle and Policy Mix

- Phases: expansion – peak – contraction (recession) – trough – recovery. Recession is commonly two consecutive quarters of negative growth; depression is a prolonged deep fall.
- ****Countercyclical fiscal policy:**** deficit in slump, surplus in boom. ****Automatic stabilisers:**** progressive taxes, unemployment benefits, MGNREGS.
- ****Fiscal drag, fiscal dominance, Ricardian equivalence**** (deficits financed by bonds do not change demand if people expect future taxes).
- ****Types of unemployment:**** frictional, structural, cyclical, seasonal, disguised (zero marginal productivity – typical of Indian agriculture), technological, open.
- ****Types of inflation:**** demand-pull, cost-push, structural, imported; ****core inflation**** excludes food and fuel; ****headline**** includes all.

Term	Meaning
Disinflation	Fall in the rate of inflation (prices still rise)
Deflation	Fall in general price level (negative inflation)
Reflation	Deliberate policy to raise prices after deflation
Skewflation	Sharp rise in prices of select items (term used by RBI Governor)
Stagflation	High inflation with stagnant output and high unemployment
Hyperinflation	Extremely high inflation (above 50% per month by Cagan)
Base effect	Inflation distortion because of the previous-year base
Greedflation	Firms raising margins above cost increases

Growth Theories

Theory	Proponent	Core idea
Classical	Adam Smith, Ricardo	Division of labour, capital accumulation, free markets

Theory	Proponent	Core idea
Harrod-Domar	Harrod, Domar	Growth = s/v (saving rate ÷ capital-output ratio); base of Indian First Plan
Solow-Swan	Solow, Swan (1956)	Exogenous technology; convergence; steady state
Endogenous growth	Romer, Lucas	Growth from human capital, R&D and knowledge spillovers
Big Push	Rosenstein-Rodan	Simultaneous large investment in many sectors
Balanced / unbalanced growth	Nurkse / Hirschman	Linkages; leading sectors
Dual economy	Arthur Lewis	Surplus labour moves from subsistence to modern sector
Take-off	Rostow	Five stages: traditional, pre-conditions, take-off, drive to maturity, mass consumption
Vicious circle of poverty	Nurkse	Low income – low saving – low investment – low income
Capability approach	Amartya Sen	Development as freedom; basis of HDI
Creative destruction	Schumpeter	Innovation drives growth (2025 Nobel: Mokyr, Aghion, Howitt)

- ****ICOR**** (incremental capital-output ratio) = investment ÷ change in output; lower ICOR means higher efficiency. India's ICOR is around 4.
- ****Capital formation:**** GFCF is the standard measure; investment rate roughly 31% of GDP, gross domestic saving around 30%.
- ****Kuznets curve:**** inequality first rises then falls with income. ****Gini**** measures inequality; ****Lorenz curve**** plots cumulative income share. Palma ratio is top 10% share ÷ bottom 40% share.

International Trade Theories

Theory	Proponent	Idea
Mercantilism	16-18th C. thinkers	Exports good; gold accumulation
Absolute advantage	Adam Smith	Produce what you make with fewer resources
Comparative advantage	David Ricardo	Gains even if one nation is better at everything
Heckscher-Ohlin	Heckscher, Ohlin	Countries export goods using their abundant factor intensively
Leontief paradox	Wassily Leontief	US exported labour-intensive goods, contradicting H-O
Product life cycle	Raymond Vernon	Products move from innovators to developing countries
Linder hypothesis	Staffan Linder	Similar-income countries trade manufactures
New trade theory	Paul Krugman	Economies of scale; intra-industry trade (Nobel 2008)
Prebisch-Singer	Prebisch, Singer	Terms of trade deteriorate for primary exporters
Porter's diamond	Michael Porter	National competitive advantage

- ****Terms of trade:**** net barter = export price index ÷ import price index. ****Dumping:**** selling below cost abroad; anti-dumping duty is a WTO-permitted remedy (India's DGTR recommends).
- ****Protectionism tools:**** tariffs, quotas, subsidies, non-tariff barriers (SPS, TBT), local-content rules. ****Safeguard duty**** is a temporary relief against import surge.

Market Structures

Structure	Sellers	Entry	Product	Example / note
Perfect competition	Very many	Free	Homogeneous	Price taker; $P = MC$ at equilibrium
Monopoly	One	Blocked	Unique	Price maker; Railways, DISCOMs
Monopolistic competition	Many	Free	Differentiated	Soaps, restaurants
Oligopoly	Few	Barriers	Differentiated or identical	Telecom, airlines; kinked demand curve
Duopoly	Two	Barriers	Either	Cournot, Bertrand models
Monopsony	One buyer	-	-	Single large buyer of labour or produce

- ****Natural monopoly:**** falling average cost over the whole market (utilities); regulated by sector regulators. ****Competition Commission of India**** (Competition Act 2002; amended 2023 – deal-value threshold ₹2,000 crore, settlement and commitment) checks abuse of dominance and cartels.
- ****Price discrimination:**** first-degree (perfect), second-degree (quantity based), third-degree (group based).

Welfare Economics and Public Goods

- ****Pareto efficiency:**** no one can be better off without making someone worse off. ****Kaldor-Hicks**** criterion allows compensation test.
- ****Public good:**** non-rival and non-excludable (defence, street lights). ****Club good:**** excludable, non-rival (toll road). ****Common-pool resource:**** rival, non-excludable (fisheries) – Tragedy of the Commons (Hardin); Elinor Ostrom (Nobel 2009) showed community management.
- ****Externality:**** Pigouvian tax corrects negative externality; Coase theorem – bargaining solves externality if property rights are clear.
- ****Merit goods**** (education, vaccination) and ****demerit goods**** (tobacco) – government intervenes. Information asymmetry: adverse selection (Akerlof, lemons) and moral hazard.
- ****Subsidy classification:**** merit subsidy, non-merit subsidy; direct benefit transfer reduces leakage.

CHAPTER 03

National Income Accounting

Circular Flow and Basic Concepts

- Circular flow: households supply factors of production to firms and receive income; firms supply goods and services and receive spending; government (taxes, spending) and the external sector (exports, imports) are added in a four-sector model
- Leakages: savings, taxes, imports; injections: investment, government spending, exports
- Final goods are counted; intermediate goods (flour used by a bakery) are excluded to avoid double counting
- Closed economy: no exports or imports (UPSC 2011); open economy trades with the rest of the world
- Economic Survey: GDP alone is a poor welfare measure because it ignores distribution, non-monetary work, and externalities
- IMF gave India a "Grade C" for national accounts in 2025, citing the outdated 2011-12 base, WPI-based deflators, single deflation and discrepancies between production and expenditure approaches; this prompted the new 2022-23 series

Three Methods of Measuring GDP

Method	Approach	Formula
Product (value added)	Output side	GDP = sum of value added by all firms = output - intermediate consumption
Expenditure	Demand side	GDP = C + I + G + (X - M)
Income	Factor income side	GDP = wages + rent + interest + profits (+ mixed income, depreciation, net indirect taxes)

- Value-added example: farmer sells wheat worth ₹100; baker uses ₹50 of it to make bread worth ₹200; value added: farmer ₹100 + baker ₹150 = ₹250
- India's GDP estimates come mainly from the production approach (GVA) and expenditure approach; the difference is reported as "discrepancies"
- Indian GVA estimation: organised sectors by corporate filings (MCA-21); unorganised sectors by labour-input method using NSS, ASUSE and PLFS data

GDP, GNP, NDP, NNP

Aggregate	Definition	Formula
GDP at market price	Final goods and services within domestic territory in a year	$C + I + G + X - M$
GVA at basic prices	Output at basic prices - intermediate consumption	GDP - net product taxes
GDP at factor cost	GDP at market price - net indirect taxes	GDP(MP) - (indirect taxes - subsidies)
NDP	GDP minus depreciation (consumption of fixed capital)	GDP - depreciation
GNP	Output by normal residents wherever located	GDP + net factor income from abroad (NFIA)
NNP at market price	GNP - depreciation	GNP - D = NDP + NFIA
NNP at factor cost = National Income	Income accruing to factors of production	NNP(MP) - net indirect taxes
Personal income (PI)	Income received by households	NI - undistributed profits - corporate tax - net interest paid by households + transfers
Personal disposable income (PDI)	Income available for consumption and saving	PI - personal tax - non-tax payments

Aggregate	Definition	Formula
National disposable income	Maximum goods and services available	NNP(MP) + other current transfers from rest of world

- Basic price = factor cost + production taxes – production subsidies; market price = basic price + product taxes – product subsidies
- Production taxes/subsidies are independent of the volume of output (land revenue, stamp duty, registration fees; subsidies to railways, farmers via inputs); product taxes/subsidies depend on output (GST, excise, customs; food, fertiliser, petroleum subsidies)
- $GDP = GVA + (\text{product taxes} - \text{product subsidies})$
- Since 2015 (base 2011-12), India's headline growth measure moved from GDP at factor cost to GDP at market prices and GVA at basic prices
- NFIA = factor income earned by residents abroad – factor income earned by non-residents within India; India's NFIA is usually negative, so $GNP < GDP$

Worked example (UPSC style)

American company earns ₹500 crore in India: counted in India's GDP, not in India's GNP/national income

Indian company earns ₹300 crore in USA: counted in India's GNP, not in India's GDP

If $GDP = ₹1,00,000$ crore and depreciation = ₹10,000 crore, then $NDP = ₹90,000$ crore

Basic price = $200 + 10 - 5 = ₹205$ crore; market price = $100 + 10 - 3 = ₹107$

Nominal and Real GDP, Deflator

- Nominal GDP: at current prices; real GDP: at constant (base-year) prices; $\text{real GDP} = \text{nominal GDP} \div \text{deflator} \times 100$
- GDP deflator = $(\text{nominal GDP} \div \text{real GDP}) \times 100$; covers all goods and services produced domestically (not imports), with weights varying with output; CPI is a fixed basket including imports
- Economic Survey notes that PPI is a superior deflator: includes services, avoids double counting and excludes indirect taxes (Ramesh Chand-led group revising WPI to base 2022-23 and building PPI)
- Double deflation: output and input are deflated separately to get real value added; single deflation distorts when input and output prices diverge; the new series uses double deflation in agriculture and manufacturing

New National Accounts Series (Base 2022-23)

- Released by the National Statistics Office (MoSPI) on 27 February 2026; base year moved from 2011-12 to 2022-23, a post-pandemic normal year
- Data sources added: GST returns, UPI transactions, e-Vahan vehicle registrations, MCA-21 filings, PFMS data, ASUSE and PLFS; Supply and Use Tables; COICOP 2018 for consumption
- New series growth: 2023-24 7.2%; 2024-25 7.1%; 2025-26 7.6%; nominal GDP about 3-4% lower than the old series; India's GDP about US\$3.8 trillion in 2025-26
- Q3 2025-26 growth 7.8%; Q1 2026-27 growth 7.8% (31 August 2026 release)

Old vs new series	2011-12	2022-23
Base year	2011-12	2022-23
Deflation	Mostly single deflation	Double deflation in manufacturing and agriculture
Indirect tax data	Budget documents	GST data
Consumption	Commodity flow + NSS	Survey + administrative + COICOP 2018
Agriculture size	Baseline	About 5% larger

National Income Estimation in India

- First national income estimate: Dadabhai Naoroji in "Poverty and Un-British Rule in India" (1867-68); per capita income ₹20; later estimates by William Digby, Findlay Shirras, V.K.R.V. Rao (1931-32; first scientific estimate), R.C. Desai
- First official committee: National Income Committee (1949) under P.C. Mahalanobis; members D.R. Gadgil and V.K.R.V. Rao
- National income was estimated by the Central Statistical Office; the CSO and NSSO were merged to form the National Statistics Office (NSO) in 2019 under MoSPI
- Estimate releases: first advance estimates (early January), provisional estimates (end-May), first revised estimates (end-January of next year), second and third revisions; quarterly estimates 60 days after quarter end
- India's financial year: 1 April to 31 March; Economic Survey is tabled the day before the Union Budget

Per Capita Income and Sector Shares

- Per capita income = national income ÷ population; Net National Income per capita is a common measure
- Sectoral GVA shares (2011-12 series, 2024-25): agriculture and allied about 14-15%, industry about 25-27%, services about 55%
- Services contribute more than half of GVA but employ less than a third of workers; agriculture employs about 45-46% (PLFS 2023-24: 46.1%)
- Nominal GDP rank: IMF April 2026 World Economic Outlook placed India 6th (the fall was attributed to exchange-rate and data effects); earlier projections had India overtaking Japan and Germany by 2027-28
- India world's third largest by PPP (after China and USA)

GDP and Welfare

- Limitations of GDP as welfare measure: income distribution, non-monetised work (domestic work, volunteering, barter), externalities, quality of life; Economic Survey 2024: women's unpaid care work contributes substantially but is outside GDP

Alternative measure	Features
Green GDP	GDP minus environmental degradation and resource depletion; green national accounting integrates environment
Human Development Index (HDI)	UNDP; health (life expectancy), education (mean and expected years of schooling), income (GNI per capita PPP); India rank 130 (HDR 2025: HDI 0.685, 130th among 193)
Gross National Happiness (GNH)	Bhutan's approach: well-being, cultural preservation, environment
Genuine Progress Indicator (GPI)	Adds social and environmental costs to economic activity
Social Progress Index (SPI)	EAC-PM; 12 components in three dimensions (Basic Human Needs, Foundations of Wellbeing, Opportunity); Goa, Puducherry and Lakshadweep outperform larger economies
Multidimensional Poverty Index (MPI)	UNDP-OPHI and NITI Aayog; health, education and living standards
Gender Inequality Index; Happiness Report	UNDP index and World Happiness Report (UN SDSN)
Sustainable Development Goals (SDG) India Index	NITI Aayog; 17 goals; composite score 71 in 2023-24 (up from 57 in 2018)

- Inclusive Wealth Index (UNEP) and Human Capital Index (World Bank; India 0.49 in 2020)

CHAPTER 04

Price Indices, Inflation and Core Industries

Consumer Price Index (CPI)

- CPI measures changes in the price of a fixed basket of goods and services bought by households; the headline inflation target for the RBI's inflation-targeting framework is CPI-Combined

CPI series	Measures	Released by	Base
CPI-Combined (rural + urban)	Retail inflation of all households	NSO, MoSPI	2012 until December 2025; 2024 = 100 from January 2026
CPI-IW (Industrial Workers)	Inflation for industrial workers; used for dearness allowance	Labour Bureau	2016
CPI-AL (Agricultural Labourers)	Agricultural labourers	Labour Bureau	1986-87
CPI-RL (Rural Labourers)	Rural labourers	Labour Bureau	1986-87

CPI-Combined weights	Old (2012)	New (2024)
Food and beverages	45.86%	36.75%
Housing	10.07%	17.67%
Clothing and footwear	6.53%	(revised)
Fuel and light	6.84%	(revised)
Miscellaneous	30.70%	(revised)

- New CPI (base 2024=100): first data for January 2026 released 12 February 2026; 358 items; 12 COICOP 2018 divisions; 12 online marketplaces tracked; rural house rent included; first print 2.75%
- Weights in the new series are from the Household Consumption Expenditure Survey 2023-24
- Latest CPI inflation: 5.54% in September 2026 (August 4.83%); food 7.74%; onion up 108%
- Consumer Food Price Index (CFPI) tracks food inflation
- Lowest ever CPI inflation in the 2012 series: 0.25% in October 2025 (0.3% as quoted in Economic Survey); April-December 2025 average 1.7%

Wholesale Price Index (WPI) and PPI

- WPI tracks wholesale-level goods prices; released by the Office of the Economic Adviser, DPIIT (Ministry of Commerce and Industry), monthly; excludes services

WPI component	Weight (base 2011-12)
Primary articles	22.62%
Fuel and power	13.15%
Manufactured products	64.23%

- New WPI base 2022-23 is being introduced; WPI will run in parallel with the new Producer Price Index (PPI) for five years before it is dropped; the Ramesh Chand working group drafted the roadmap
- PPI measures selling prices received by domestic producers (output prices) and includes services; India uses WPI as a proxy until PPI is fully adopted
- The RBI uses CPI (not WPI) for the inflation target; WPI is used to deflate GDP, as an indicator of upstream pressure

CPI vs WPI vs GDP deflator

CPI: retail, consumer basket, includes services and imports, fixed weights

WPI: wholesale, goods only, no services; no taxes and transport costs of retail

GDP deflator: all domestically produced goods and services; weights change with output; excludes imports

Index of Industrial Production (IIP)

- IIP measures short-term changes in the volume of production; released monthly by NSO, MoSPI with a six-week lag; new base 2022-23 (from April 2026) replacing 2011-12

IIP sector (base 2011-12)	Weight
Manufacturing	77.63%
Mining	14.37%
Electricity	7.99%

- Use-based classification: primary goods, capital goods, intermediate goods, infrastructure/construction goods, consumer durables, consumer non-durables

Eight core industries (Index of Eight Core Industries)	Weight in IIP
Refinery products	28.04
Electricity	19.85
Steel	17.92
Coal	10.33
Crude oil	8.98
Natural gas	6.88
Cement	5.37
Fertilisers	2.63

- Core industries' combined weight in IIP is 40.27%; released by the Office of the Economic Adviser, DPIIT, monthly
- Capital goods and consumer durables indicate investment and demand cycles

Types of Inflation

Type	Cause	Example
Demand-pull	Aggregate demand exceeds supply	Excess liquidity, fiscal expansion
Cost-push	Rise in input costs, wages or imported inputs	Oil price hike, wage-price spiral
Structural	Supply bottlenecks in agriculture, infrastructure	Food inflation (pulses, onion, tomato)
Imported	Rise in prices of imported goods or depreciation	Crude oil, edible oil, gold
Core inflation	CPI excluding food and fuel	Sticky component; guides monetary policy
Headline inflation	Total CPI	Used for targeting
Hyperinflation	Prices rising very rapidly (above 50% a month)	Zimbabwe, Venezuela
Stagflation	Inflation with stagnation	1970s oil shock
Disinflation	Fall in the rate of inflation	Post-2014 India
Deflation	Falling general price level	Japan 1990s
Reflation	Policy-induced reversal of deflation	Stimulus measures
Skewflation	Prices of some items rise much faster than others	Food and vegetables
Greedflation / Shrinkflation	Corporate margin-led price rise; reduced pack sizes at same price	Packaged foods

- Effects: inflation hurts fixed-income groups and creditors, benefits debtors and producers; helps if mild (3-5%), harmful when high

- Measures to control: monetary policy (repo, CRR, SLR), fiscal policy (reduce deficit), supply-side measures (buffer stock, import duty cuts, stock limits, export bans, open-market sales of foodgrains)
- Anti-inflationary tools: Price Stabilisation Fund (PSF) for pulses and onion; Bharat atta, Bharat dal; Kisan Rail; TOP to ALL (tomato, onion, potato) operation greens

Inflation Targeting in India

- Flexible Inflation Targeting (FIT) adopted by the RBI Act amendment 2016 (Finance Act 2016): target 4% CPI with tolerance band $\pm 2\%$; reviewed every five years (first term ran to 31 March 2021; renewed to 31 March 2026)
- Monetary Policy Committee (MPC) set up 27 September 2016: six members, three from RBI (Governor as chair, Deputy Governor in charge of monetary policy, one RBI officer) and three external members appointed by the Centre; Governor has a casting vote in a tie
- The Urjit Patel Committee (2014) recommended the MPC and CPI targeting; Raghuram Rajan era agreement of 2015 between Government and RBI
- If inflation stays outside the band for three consecutive quarters, the RBI must submit a report to the Government explaining reasons, remedial actions and the time to return to target
- MPC meets at least four times a year (six scheduled meetings a year); decisions by majority; rate decisions announced in the Monetary Policy Statement
- Review of the framework (announced 27 March 2026): the Centre retained the 4% CPI target with a $\pm 2\%$ band for the next five years, until 31 March 2031

CHAPTER 05

Economic Thinkers, Schools and Nobel Laureates

Schools of Economic Thought

School / thinker	Key ideas	Works
Mercantilism (16th-18th century)	Wealth = gold and silver; trade surplus; state regulation	Thomas Mun
Physiocrats (France)	Land and agriculture are the source of wealth; laissez-faire	Francois Quesnay (Tableau Economique)
Classical: Adam Smith (1723-90)	Division of labour, invisible hand, free trade, labour theory	The Wealth of Nations (1776)
Classical: David Ricardo	Comparative advantage, rent theory, iron law of wages	Principles of Political Economy (1817)
Classical: Thomas Malthus	Population grows geometrically, food arithmetically	Essay on the Principle of Population (1798)
Classical: J. S. Mill	Utilitarianism, harm principle, stationary state	Principles of Political Economy (1848)
J. B. Say	Say's Law: supply creates its own demand	Treatise on Political Economy
Marxian: Karl Marx	Surplus value, class struggle, capital accumulation	Das Kapital (1867)
Marginalists: Jevons, Menger, Walras	Marginal utility, general equilibrium	Theory of Political Economy
Neoclassical: Alfred Marshall	Demand-supply, elasticity, consumer surplus, partial equilibrium	Principles of Economics (1890)
Keynesian: John Maynard Keynes	Aggregate demand determines output; multiplier, liquidity preference, deficit spending	The General Theory of Employment, Interest and Money (1936)
Monetarism: Milton Friedman	Money supply growth drives inflation; rules over discretion	A Monetary History of the United States
Austrian: Hayek, Mises	Spontaneous order, business cycles from credit	The Road to Serfdom
Supply-side (Laffer)	Tax cuts raise incentives; Laffer curve	Reaganomics
Institutional: Thorstein Veblen, Douglass North, Acemoglu	Institutions determine development	Why Nations Fail (2012)
Development: Rostow, Lewis, Myrdal, Prebisch	Stages of growth, dual economy, cumulative causation, centre-periphery	Stages of Economic Growth
Welfare: Pigou, Pareto, Amartya Sen	Welfare economics, capability, famines	Poverty and Famines
Behavioural: Kahneman, Tversky, Thaler	Bounded rationality, prospect theory, nudge	Thinking, Fast and Slow
Feminist/ecological: Boserup, Ostrom	Women in development; commons governance	Governing the Commons

- Adam Smith: father of economics; canons of taxation: equity, certainty, convenience, economy
- Keynes: Great Depression; Bretton Woods delegate; liquidity trap
- Marshall defined economics as the study of mankind in the ordinary business of life; Lionel Robbins' scarcity definition: science which studies human behaviour as a relationship between ends and scarce means
- Samuelson: economics as study of how societies use scarce resources; Paul Samuelson's Foundations of Economic Analysis

- Phillips curve: inverse trade-off between inflation and unemployment (A. W. Phillips, 1958); Okun's law; Laffer curve; Lorenz curve; Kuznets curve; Engel curve; Coase theorem; Giffen goods; Veblen goods

Indian Economic Thought

- Kautilya (Arthashastra): state economy, taxation, trade, Saptanga theory of state; Dadabhai Naoroji (drain of wealth); R. C. Dutt; M. G. Ranade; Gokhale; Gandhi's Hind Swaraj (swadeshi, village republics, trusteeship); J. C. Kumarappa (Economy of Permanence); Ambedkar (The Problem of the Rupee, 1923; Hilton Young Commission, land fragmentation); Nehru (Fabian socialism, planning); P. C. Mahalanobis (Second Plan model); V. K. R. V. Rao (national income estimate 1931-40); Amartya Sen; Jagdish Bhagwati; C. Rangarajan; Manmohan Singh; Vijay Kelkar; Raghuram Rajan
- Deen Dayal Upadhyaya: Integral Humanism; Vinoba Bhave: Bhoodan; E. F. Schumacher: Small is Beautiful; Subhash Palekar: ZBNF; M. S. Swaminathan; Verghese Kurien
- Amartya Sen: Nobel 1998 for welfare economics; Bharat Ratna 1999; Capability approach and Human Development; famines due to entitlement failure; Development as Freedom (1999)

Nobel Prize in Economic Sciences (Sveriges Riksbank Prize in Memory of Alfred Nobel; since 1969)

Year	Laureate(s)	Work
1969	Ragnar Frisch, Jan Tinbergen	First prize; econometrics
1998	Amartya Sen	Welfare economics (first Asian economist laureate)
2015	Angus Deaton	Consumption, poverty and welfare
2018	William Nordhaus, Paul Romer	Climate economics; endogenous growth
2019	Abhijit Banerjee, Esther Duflo, Michael Kremer	Experimental approach to alleviating global poverty
2021	David Card, Joshua Angrist, Guido Imbens	Natural experiments
2022	Ben Bernanke, Douglas Diamond, Philip Dybvig	Banks and financial crises
2023	Claudia Goldin	Women's labour market outcomes
2024	Daron Acemoglu, Simon Johnson, James Robinson	How institutions shape prosperity
2025	Joel Mokyr, Philippe Aghion, Peter Howitt	Innovation-driven economic growth (creative destruction)

- Elinor Ostrom (2009) the first woman laureate; Claudia Goldin the third woman; Esther Duflo the second woman
- Nobel (not an original Nobel): prize created by Sweden's central bank in 1968

CHAPTER 06

Statistical System, Surveys and Data Releases

Institutional Structure

Agency	Role	Parent
National Statistical Office (NSO)	Merged CSO and NSSO in 2019; GDP, IIP, CPI, PLFS, HCES, national accounts	MoSPI
Ministry of Statistics and Programme Implementation (MoSPI)	Created 1999 (Department merged 1999); MPLADS monitoring; National Statistical Commission support	Government
National Statistical Commission (NSC)	Created 2005 on recommendation of the Rangarajan Commission; advises on statistics policy	Resolution of Government (non-statutory)
Office of the Economic Adviser (DPIIT)	Wholesale Price Index (WPI) and Index of Eight Core Industries	Ministry of Commerce
Labour Bureau	CPI-Industrial Workers (2016=100), CPI-Agricultural Labourers and Rural Labourers	Ministry of Labour
Registrar General and Census Commissioner	Decennial Census; Sample Registration System (SRS)	Ministry of Home Affairs
Directorate of Economics and Statistics	Agricultural statistics, advance estimates	Ministry of Agriculture
IIPS Mumbai	National Family Health Survey (NFHS)	Ministry of Health
Department of Commercial Intelligence and Statistics (DGCIS), Kolkata	Foreign trade statistics	Ministry of Commerce
RBI	Monetary, banking, BoP, flow of funds, Handbook of Statistics, State Finances report, Annual Report	Central bank

- Indian statistical system is decentralised: central, state Directorates of Economics and Statistics, and local; National Statistical Office coordinates; P. C. Mahalanobis founded Indian Statistical Institute (1931) and National Sample Survey (1950); 29 June is Statistics Day (Mahalanobis birth anniversary)

Major Surveys and Their Cycle

Survey	Agency	Latest
Census of India	RGI	Census 2011 (15th); Census 2027 (16th) with houselisting April-September 2026 and population enumeration with reference date 1 March 2027 (1 October 2026 for snow-bound areas); includes caste enumeration decided in April 2025
PLFS	NSO	Quarterly (urban) and annual; monthly bulletin from 2025; See ch80b
HCES (Household Consumption Expenditure Survey)	NSO	2022-23, 2023-24
NFHS	IIPS	NFHS-5 (2019-21); NFHS-6 (2023-24) results released in 2025-26
SRS (Sample Registration System)	RGI	Annual: IMR, MMR, TFR
Agriculture Census	DAC&FW	2015-16 (10th); 2021-22 (11th, ongoing)

Survey	Agency	Latest
Annual Survey of Industries (ASI)	NSO	Organised manufacturing
ASUSE (Annual Survey of Unincorporated Sector Enterprises)	NSO	Replaced NSS enterprise surveys
AISHE	Ministry of Education	Higher education GER 28.4% (2021-22)
UDISE+	Ministry of Education	School data
Time Use Survey	NSO	2019 (first, 2024 second)
Economic Census	MoSPI	7th (2019-20) under CSC e-Governance
NSS rounds	NSO	79th (2022-23) onwards: Comprehensive Modular Survey on Telecom, Education, Health

- GDP: advance estimates released on or before 7 January; first revised estimates 31 January; provisional estimates 31 May with Q4; quarterly estimates 60 days after the quarter
- Index release schedule: CPI on 12th of every month (4 pm); WPI on 14th; IIP on 28th; Eight core industries on 20th; PMI manufacturing on 1st and services on 3rd; GST collections on 1st; Trade data around 15th
- Reserve Bank's DBIE (Database on Indian Economy) portal; Handbook of Statistics on Indian Economy; RBI Bulletin; Currency and Finance

Concepts Used in Statistics

- Measures of central tendency: mean, median, mode; CAGR formula: $(\text{end}/\text{start})^{(1/n)} - 1$
- Base effect: a low (high) base in the previous year inflates (deflates) growth; fiscal-year growth comparisons
- Nominal vs real; chain-linked indices; Laspeyres (base-year weights), Paasche (current-year weights), Fisher's ideal index
- Weighted average; index numbers; deflator; seasonally adjusted data; Moving average
- Sampling: simple random, stratified; NSS two-stage design; Standard error
- Poverty and inequality measures: Lorenz curve, Gini coefficient, Palma ratio

CHAPTER 07

Indian Economy: Growth Phases, Structure and Basic Rankings

Growth History

Phase	Period	Growth	Feature
Colonial stagnation	Before 1947	About 1%	Deindustrialisation and drain
Planning era	1951-80	About 3.5% (Hindu rate of growth)	Public sector led, licence raj
1980s	1980-90	5.6%	Gradual liberalisation, high fiscal deficit
Reforms	1991-2003	5.5-6%	LPG reforms
Acceleration	2003-11	About 8%	Investment boom, global liquidity
Slowdown and recovery	2012-19	About 6.5-7%	Twin balance sheet problem, GST, IBC, demonetisation
Pandemic	2020-21	-5.8% (old series)	Lockdown
Rebound	2021-26	Old series: 9.7% (2021-22), 7.6% (2022-23), 9.2% (2023-24), 6.5% (2024-25), 7.4% (2025-26 estimate)	Capex-led recovery

- New series growth (2022-23 base): 2022-23 base year; 2023-24 7.2%; 2024-25 7.1%; 2025-26 7.6% (see ch11a)
- India is the fastest growing major economy; its nominal rank is contested: some 2025 estimates placed it 4th, while the IMF April 2026 WEO placed it 6th after exchange-rate and data effects (see ch11a)
- Per capita income (net national income per capita): about ₹2.0 lakh in 2024-25; the World Bank classifies India as a lower-middle-income country (GNI per capita US\$2,650 in 2024; threshold for upper middle income US\$4,496 from July 2025)

Sectoral Structure

- Sector shares in GVA (current prices, approximate FY25): agriculture and allied about 17-18%, industry about 27-28% (manufacturing 14-15%), services about 55%
- Employment shares (PLFS 2023-24): agriculture 46%, industry 25%, services 29% (including construction in industry)
- Fisher-Clark classification: primary (agriculture, mining), secondary (manufacturing, construction, utilities), tertiary (services); Quaternary and quinary sometimes added
- Structural transformation in India: services-led, premature deindustrialisation question; manufacturing employment share stagnated
- Public sector, private sector, joint sector, cooperative sector; organised (formal) and unorganised sectors; ESI and EPF coverage

Savings and Investment

- Gross Domestic Savings about 30-31% of GDP; household savings the largest (about 60% of total savings); household financial savings fell to about 5% of GDP in 2022-23 and recovered a bit; physical (real estate) savings are larger
- Gross Fixed Capital Formation about 31% of GDP; investment rate roughly 33%
- Incremental Capital Output Ratio (ICOR) about 4; used to estimate investment for target growth: growth rate = investment rate / ICOR
- Harrod-Domar model: $g = s/v$

Key Rankings and Positions (latest known)

Indicator	Rank / value
GDP (nominal)	6th in IMF April 2026 WEO (about US\$4 trillion); see ch11a
GDP (PPP)	3rd after China and the US
Largest producer	Milk, pulses, spices, jute; second in rice, wheat, sugar, cotton, fruits and vegetables
Forex reserves	Among the top five globally
Remittances	First in the world
Startups	Third largest ecosystem
Mobile data consumption / UPI	World's largest real-time payments ecosystem
Smartphone producer	Second largest
Steel producer	Second largest (crude steel 2025: over 160 million tonnes)
Population	Most populous country since April 2023 (UN); 146 crore (2025 estimate)
Power producer	Third largest
Defence spending	Fourth largest

CHAPTER 08

Money, Payment Systems and Money Supply

Functions and Forms of Money

- Functions: medium of exchange (removes "double coincidence of wants" of barter), unit of account, store of value, standard of deferred payment, universal acceptability
- Fiat money: currency notes and coins accepted because the government orders it; they have no intrinsic value; they are legal tender (cannot be refused for settlement)
- Demand deposits (savings and current accounts, cheques) are not legal tender because a cheque can be refused
- Re 1 note and coins are issued by the Government of India (Ministry of Finance, signed by the Finance Secretary, under the Coinage Act); all other notes (₹2 and above) are issued by the RBI and signed by the RBI Governor
- Coinage Act, 2011: coins up to ₹1,000 denominations; circulating coins: 50 paise, ₹1, ₹2, ₹5, ₹10, ₹20; higher coins are commemorative
- Seigniorage: difference between the face value of money and the cost of producing it
- Minimum Reserve System (1957): RBI keeps ₹200 crore of assets, of which ₹115 crore in gold and ₹85 crore in foreign securities; the rest of note issue is backed by government securities
- Cheque Truncation System (CTS): image-based clearing run by NPCI as the Cheque Processing Centre, with settlement by the RBI
- Overdraft: facility to withdraw beyond balance as a loan; demand deposits can be withdrawn on demand; term deposits only after the stipulated period

Digital instrument	Issued by	Feature
₹ (Central Bank Digital Currency, ₹-R and ₹-W)	RBI	Legal tender in digital form; pilot launched December 2022 (retail); no interest; CBDC tokens used in a food-subsidy pilot in Puducherry (February 2026)
e-RUPI	NPCI	Prepaid voucher via SMS or QR for a specific purpose; not currency
Cryptocurrency	Private, decentralised	Not legal tender; India taxes virtual digital assets at 30% with 1% TDS (Finance Act 2022); losses cannot be set off
NFT	Private	Unique cryptographic token for ownership; non-fungible

- Fungibility: interchangeability of units (₹10 note); real estate and NFTs are non-fungible

NPCI and Payment Systems

- NPCI (National Payments Corporation of India): umbrella organisation for retail payments and settlement; initiative of the RBI and Indian Banks' Association under the Payment and Settlement Systems Act, 2007; not-for-profit company under Section 8 of the Companies Act, 2013

NPCI product	Feature
UPI (2016)	Instant 24×7 mobile payments between bank accounts via virtual payment address; P2P and P2M; international merchant payments in UAE, France, Singapore and other countries (UPI accepted in nine countries as of mid-2026, including Cambodia)
IMPS	Instant 24×7 interbank transfer; ₹1 to ₹5 lakh per transaction
NACH	High-volume, low-value repetitive credit and debit (salaries, subsidies, EMIs)
AePS	Aadhaar Enabled Payment System: transactions through micro-ATM with Aadhaar and biometric
BHIM	App built on UPI

NPCI product	Feature
BBPS	Bharat Bill Payment System for utilities
NETC / FASTag	National Electronic Toll Collection
RuPay	Domestic card network (debit, credit, prepaid), competitor of Visa, Mastercard, China's UnionPay
NFS	National Financial Switch: largest shared ATM network

- UPI in FY 2025-26: about 24,161 crore transactions worth ₹314 lakh crore, up 30% in volume

RBI system	Settlement	Use
RTGS	Real-time gross settlement; minimum ₹2 lakh	Large-value business payments
NEFT	Batch settlement (half-hourly, 24×7); no minimum, even ₹1	Retail

- RBI's Payments Vision 2028 (27 March 2026): user empowerment, fraud protection, cross-border payment reform, ease of doing business
- ATMs: bank ATMs; brown-label ATMs (owned by banks, operated by a third party); white-label ATMs (owned and operated by non-bank firms)
- Merchant Discount Rate (MDR): fee charged to merchants for card transactions, shared among issuing bank, acquiring bank, card network and processor; high MDR discourages PoS adoption; zero MDR on UPI and RuPay debit
- Nostro account: account of an Indian bank in a foreign bank in foreign currency; Vostro: a foreign bank's account with an Indian bank
- Letter of Undertaking / Letter of Comfort: bank guarantee under which a bank allows its customer to raise short-term credit from another bank's foreign branch (Nirav Modi-PNB case); RBI banned LoUs and LoCs for trade credit in 2018
- SWIFT: messaging network for interbank payment instructions

NRI account	Currency	Tax	Repatriation
FCNR(B)	Foreign currency, term deposits only	Interest not taxable	Freely repatriable
NRE	Rupees; current, savings, recurring or fixed	Interest and principal not taxable	Freely repatriable
NRO	Rupees	Interest taxable	Restricted

Demand for Money

- Transaction demand: proportional to real GDP and price level; speculative demand: inversely related to the interest rate (Keynes); precautionary motive
- Bond price and yield move inversely: when bond price falls, yield rises; current yield = annual interest ÷ price
- When interest rates are very low, people expect them to rise (bond prices to fall) and hold cash, so speculative demand is high; at very high rates people buy bonds, so speculative demand is low
- Quantity theory: $MV = PY$ (Fisher); velocity $V = \text{nominal GDP} \div M$
- Liquidity trap: at near-zero interest rates people hoard cash; additional money supply fails to lower interest rates; monetary policy loses effectiveness

Measures of Money Supply

Measure	Components	Notes
Reserve money (M0, high-powered money)	Currency in circulation + bankers' deposits with RBI + other deposits with RBI	RBI's liability; basis for money creation
M1 (narrow money)	Currency with public + demand deposits with banks + other deposits with RBI	Highest liquidity
M2	M1 + savings deposits with post offices	Replaced by RBI in revised definitions
M3 (broad money)	M1 + time deposits with banks	Main aggregate
M4	M3 + total post office deposits (excluding NSC)	Broadest, lowest liquidity

- RBI's new monetary aggregates (since 2018): NM1, NM2 and NM3 based on residency and liquidity of financial instruments; M3 or NM3 growth is a key monetary variable
- Withdrawing ₹1 lakh from a bank turns demand deposits into currency with the public; money supply M1 does not change

Reserve Bank of India

- Established on 1 April 1935 under the RBI Act, 1934; headquarters Mumbai; nationalised on 1 January 1949; Hilton Young Commission (1926) recommended a central bank
- Functions: issuer of currency; banker to the government (agent and debt manager); banker to banks (custodian of cash reserves, lender of last resort); regulator and supervisor of banks; custodian of foreign exchange reserves; controller of credit and money supply; manager of foreign exchange (FEMA 1999); developmental role

Law administered by RBI	Year
Reserve Bank of India Act	1934
Banking Regulation Act	1949
Foreign Exchange Management Act	1999
Government Securities Act	2006
Credit Information Companies (Regulation) Act	2005
Payment and Settlement Systems Act	2007
SARFAESI Act (Chapter II)	2002

- Governor and Deputy Governors: term up to three years as fixed by the Centre (Section 8(4)); eligible for reappointment; appointed on the recommendation of the Financial Sector Regulatory Appointments Search Committee (FSRASC) headed by the Cabinet Secretary; the Act sets no specific qualification; the Centre can remove the Governor
- Governor: Sanjay Malhotra (since 11 December 2024); Section 7 of the RBI Act lets the Centre issue directions to the RBI in public interest after consulting the Governor; there is no constitutional provision on RBI
- Central Board: 21 members including Governor and up to four Deputy Governors; Deputy Governors: four

RBI publication	Frequency
Report on Trend and Progress of Banking in India	Annual
Financial Stability Report	Half-yearly (June and December)
Monetary Policy Report	Half-yearly
Report on Foreign Exchange Reserves	Half-yearly
Bi-monthly Policy Statement	Six times a year
Industrial Outlook Survey; Consumer Confidence Survey	Quarterly

Committee on RBI surplus/capital	Recommendation
Usha Thorat (2004)	Reserves of 18% of total assets
Malegam (2013)	Transfer entire net profit to government
Bimal Jalan (2019)	Economic Capital Framework: Contingency Risk Buffer of 5.5% to 6.5% of balance sheet; surplus transferred only if realised equity exceeds requirement

- RBI paid a record surplus of ₹2.69 lakh crore to the government in May 2025 for FY 2024-25 (as revised under the Economic Capital Framework in May 2025: CRB range 7.5% to 4.5%)
- Key sources of RBI income: interest on government bonds held, foreign currency operations, and charges on currency printing/distribution; buying and selling foreign currency is a source (UPSC 2025)

Deposit Insurance

- DICGC (Deposit Insurance and Credit Guarantee Corporation): established 1978 (from 1961 DIC Act merged with Credit Guarantee Corporation); wholly owned subsidiary of RBI

- Insured amount ₹5 lakh per depositor per bank (since February 2020; earlier ₹1 lakh); covers savings, fixed, current and recurring deposits; premium paid by banks, not depositors
- Covered institutions: all scheduled commercial banks, local area banks, regional rural banks, foreign banks with Indian branches, cooperative banks
- Exempted deposits: of foreign governments, Central/State governments, inter-bank deposits, deposits received abroad, deposits of State Land Development Banks with state cooperative banks



CHAPTER 09

Banking Structure, NBFCs and Priority Sector Lending

Structure of the Banking System

- Commercial banks are governed by the Banking Regulation Act, 1949; scheduled banks are listed in the Second Schedule of the RBI Act, 1934 (paid-up capital and reserves at least ₹5 lakh; operations not detrimental to depositors)

Category	Features
State Bank of India	Largest public sector bank; imperial Bank of India became SBI in 1955; associate banks merged into SBI in 2017
Nationalised banks	14 banks nationalised in 1969 and 6 in 1980; 12 public sector banks after the 2020 amalgamation
Indian private banks	HDFC Bank, ICICI Bank, Axis Bank, Kotak Mahindra Bank; foreign investment up to 74%
Foreign banks	HSBC, Standard Chartered, Citibank; branch or wholly owned subsidiary (WOS) model
Regional Rural Banks (RRBs)	Established 1975 (RRB Act 1976); ownership 50% Centre, 35% sponsor bank, 15% state; focus on agricultural and rural credit

- Foreign banks: branch model has no minimum capital requirement; WOS model needs minimum capital of ₹500 crore and at least 50% Indian directors on the board (UPSC 2024)
- Differentiated banks (Nachiket Mor Committee, 2013 recommendation): small finance banks, payments banks, urban cooperative banks, local area banks, RRBs

Feature	Small Finance Banks	Payments Banks
Examples	Capital SFB, Ujjivan, Utkarsh, AU	Airtel, India Post (IPPB), Fino, Paytm (licence cancelled 24 April 2026), Jio, NSDL
Eligible promoters	Microfinance institutions, NBFCs with 10 years' experience	Resident Indians, NBFCs, mobile companies
Deposit	Yes, no restrictions	Only demand deposits; maximum balance ₹2 lakh per customer
Loans	75% of loans to priority sector; 50% of loan portfolio below ₹25 lakh	Cannot lend; no credit cards
Rural presence	25% of branches in unbanked rural areas	25% access points in rural areas

- Banking Regulation (Amendment) Act, 2020 brought urban and multi-state cooperative banks under RBI supervision

Cooperative bank tier	Level	Regulator
Primary Agricultural Credit Societies (PACS)	Village	State Registrar of Cooperatives
District Central Cooperative Banks (DCCBs)	District; fund PACS	RBI (banking), NABARD (delegated supervision), Registrar (management)
State Cooperative Banks	State	Same dual regulation
Urban Cooperative Banks (UCBs)	Urban/semi-urban	RBI (banking), Registrar (management)
Land Development Banks (Agriculture and Rural Development Banks)	Long-term farm credit	Outside the BR Act

- Short-term cooperative credit structure: PACS → DCCB → State Cooperative Bank (three-tier); long-term: PCARDBs → SCARDBs

- Urban Cooperative Banks: RBI replaced the Supervisory Action Framework with Prompt Corrective Action from 1 April 2025
- Banking Laws (Amendment) Act, 2025: allows up to four nominees per account, raises the "substantial interest" threshold from ₹5 lakh to ₹2 crore and lets cooperative bank directors serve up to 10 years

Development finance institution	Focus
NABARD (1982; Shivaraman Committee)	Agriculture and rural credit; refinance for cooperative banks and RRBs; regulator of RRBs and cooperatives
SIDBI (1990)	Small industries
EXIM Bank (1982)	Foreign trade and export credit
National Housing Bank (1988)	Housing finance
MUDRA (2015)	Micro-finance refinance (under PMMY)
NaBFID (2021)	Long-term infrastructure financing

- Development banks provide long-term credit; the 2021 NaBFID replaced the idea of a development finance institution after IDBI and ICICI converted into commercial banks

Non-Banking Financial Companies (NBFCs)

- NBFCs are companies registered under the Companies Act that lend and invest but cannot accept demand deposits, cannot issue cheques drawn on themselves, do not participate in the payment and settlement system, have no DICGC cover and cannot access the RBI's LAF
- Differences: NBFCs need no banking licence; foreign investment up to 100% in many activities (automatic route); banks create credit and have up to 74% FDI (private)

NBFC type	Description
Asset Finance Company (AFC)	Finances physical assets such as vehicles and machinery
Loan Company	Provides loans, not asset finance
Investment Company	Invests in shares and securities
Infrastructure Finance Company (IFC)	Finances infrastructure projects
Microfinance Institution (NBFC-MFI)	Micro-loans to low-income groups
Core Investment Company (CIC)	Acquires shares and securities of group companies
Housing Finance Company	Regulated by RBI (earlier by National Housing Bank)

Entity	Regulator
Merchant banking, venture capital, stock broking, collective investment schemes	SEBI
Nidhi companies, mutual benefit companies	Ministry of Corporate Affairs
Chit funds	State governments under the Chit Funds Act, 1982 (Concurrent List); SEBI Act excludes them
Insurance companies	IRDAI

- Ponzi schemes promise high returns with no risk and pay old investors from new investors (Saradha scam); banned by the Banning of Unregulated Deposit Schemes Act, 2019
- Scale-Based Regulation (from October 2022) for NBFCs: four layers - Base, Middle, Upper and Top; Upper Layer NBFCs (identified by RBI each year; 15 in 2024-25) face stricter capital, governance and listing norms; April 2026 RBI proposed an asset threshold of ₹1 lakh crore or more for the upper layer
- April 2026: RBI created the "Unregistered Type-I NBFC" with assets below ₹1,000 crore, exempt from RBI registration
- Basel III in India: minimum capital adequacy 9% plus capital conservation buffer 2.5% = 11.5% for banks (RBI norms) against the 10.5% (8% + 2.5%) international minimum; liquidity coverage ratio (LCR) requires high-quality liquid assets to survive 30 days of stress; Net Stable Funding Ratio (NSFR); Tier 1 = equity and retained earnings; Tier 2 = revaluation reserves, hybrid instruments and subordinated debt
- CAMEL (capital adequacy, asset quality, management, earnings, liquidity) evaluates bank performance; SI-NBFCs need CAR of at least 15%

Priority Sector Lending (PSL)

- Banks must direct a share of credit to sectors vital for national development: agriculture, MSMEs, export credit, education, housing, social infrastructure, renewable energy and others

Target category	Target as % of adjusted net bank credit (ANBC) or credit equivalent of off-balance sheet exposure (CEOBE), whichever is higher
Total priority sector	40% (domestic and foreign banks with 20 or more branches)
Foreign banks with fewer than 20 branches	40% (up to 32% for exports, at least 8% for other priority sectors)
Regional Rural Banks and Small Finance Banks	75%
Agriculture	18%
Small and marginal farmers (within agriculture)	10%
Micro enterprises	7.5%
Weaker sections	12%

- Shortfall must be deposited in funds such as RIDF (Rural Infrastructure Development Fund, NABARD; set up 1995-96), Urban Infrastructure Development Fund, SIDBI, MUDRA and NHB
- Priority Sector Lending Certificates (PSLC): banks exceeding targets sell surplus to banks with shortfall; banks can also co-lend with NBFCs and HFCs

Money Creation and Banking Ratios

- Fractional reserve banking: banks keep a fraction of deposits as reserve and lend the rest, creating money through repeated lending; the money multiplier is the number of times an initial deposit expands money supply
- Money multiplier $m = M \div H = (1 + CDR) \div (CDR + RDR)$; higher banking habit (lower currency-deposit ratio) raises the multiplier (UPSC 2019, 2021)
- Currency-deposit ratio (CDR) = currency with public $\div$ demand deposits; reserve-deposit ratio (RDR) = reserves $\div$ deposits (CRR + excess reserves); a rise in CRR lowers the multiplier
- Economic Survey 2025-26: money multiplier 6.21 after the CRR cut to 3.0%
- Bank assets: investments, money at call and short notice, loans and advances, bills discounted; liabilities: deposits (CASA: current and savings accounts are demand liabilities), net worth
- Banks' demand and time liabilities (NDTL) form the base on which CRR and SLR are calculated
- Core banking solutions: Finacle (Infosys) used by banks; E-Kuber is the RBI's core banking platform

CHAPTER 10

Banking Reforms, NPAs and Insolvency

Reform Milestones

Reform / committee	Key idea
Nationalisation (1969: 14 banks; 1980: 6 banks)	Social control; priority sector lending
Narasimham Committee I (1991)	Reduce CRR/SLR; free interest rates; capital adequacy norms; prudential norms; four-tier structure
Narasimham Committee II (1998)	Merge strong banks; reduce government interference; raise capital adequacy to 9%; asset reconstruction company
Verma / Khan / Nayak committees	PSB restructuring; Nayak (2014) suggested Bank Board Bureau
Mission Indradhanush (2015)	7-pronged (ABCDEF&G) PSB reform: Appointments, Bank Board Bureau, Capitalisation (₹70,000 crore), De-stressing, Empowerment, Framework of Accountability, Governance reforms (Gyan Sangam)
Bank Board Bureau	Recommended PSB heads; replaced in 2022 by the Financial Services Institutions Bureau (FSIB)
EASE framework (2018)	Enhanced Access and Service Excellence; PSB reforms agenda
PSB amalgamation (2017-2020)	Associate banks merged with SBI in 2017; Bank of Baroda + Vijaya + Dena (2019); in April 2020 four mergers cut PSBs to 12
Prompt Corrective Action (PCA)	Triggers for capital, asset quality and profitability; restricts branch expansion and dividends (UPSC 2018)

- Nationalisation of 14 banks occurred on 19 July 1969 (those with deposits above ₹50 crore); six more on 15 April 1980
- Twin balance sheet problem: stressed banks and overleveraged corporates (Economic Survey 2016-17); "Four balance sheet challenge" added NBFCs and real estate
- Economic Survey 2025-26 on banks: gross NPA 2.2% and net NPA 0.5% (September 2025), multi-decade lows; bank credit growth 14.5% (December 2025)
- National Financial Reporting Authority (NFRA): independent audit regulator under the Companies Act 2013; investigates listed companies and unlisted companies with paid-up capital ₹500 crore or more or turnover ₹1,000 crore or more
- Serious Fraud Investigation Office (SFIO): under Ministry of Corporate Affairs, on the Naresh Chandra Committee recommendation; investigates white-collar frauds

Non-Performing Assets

- NPA: loan whose interest or principal is overdue for more than 90 days; agricultural loans: overdue for 2 crop seasons (short-duration crops) or 1 crop season (long-duration crops)

SMA category	Overdue period
SMA-0	0-30 days (principal or interest not overdue but early stress)
SMA-1	31-60 days
SMA-2	61-90 days

Asset class	Definition
Standard asset	Timely payments
Sub-standard asset	NPA for 12 months or less
Doubtful asset	Sub-standard for more than 12 months
Loss asset	Identified as irrecoverable but not fully written off
Stressed assets	NPAs + restructured loans + written-off assets

- Wilful defaulter: borrower or guarantor deliberately not repaying, outstanding ₹25 lakh or more; large defaulters: dues ₹1 crore or more classified doubtful or loss
- Net NPA = Gross NPA – provisions; Provision Coverage Ratio (PCR) = provisions ÷ gross NPA
- Written-off loans are removed from the balance sheet but still recoverable; they leave the reported NPA stock
- Interest Coverage Ratio = EBIT ÷ interest expenses; a low ratio signals stress (UPSC 2020)
- NPA ratio of scheduled commercial banks: 11.2% (peak, March 2018); 2.8% (financial stability report cited at 2024); 2.2% (September 2025)

NPA resolution toolkit

3R framework: Rectification (Asset Quality Review), Restructuring (SDR, S4A, Joint Lenders Forum), Recovery (SARFAESI Act 2002, IBC 2016)

SARFAESI Act 2002: banks seize and sell secured assets without court intervention (threshold ₹1 lakh; 60 days' notice)

Debt Recovery Tribunals (DRT, appeals to DRAT) for dues above ₹20 lakh; Lok Adalats; eBkay portal for auctions

Project Sashakt (2018): Inter-Creditor Agreement for loans of ₹50 crore or more with multiple lenders

K.V. Kamath Committee: pandemic-related one-time loan restructuring (2020)

Bad bank: National Asset Reconstruction Company Ltd (NARCL, set up 2021 by PSBs) buys stressed assets above ₹500 crore; India Debt Resolution Company Ltd (IDRCL) manages them; government guarantee ₹30,600 crore for security receipts; PARA was the 2016-17 Economic Survey's proposal

Insolvency and Bankruptcy Code (IBC), 2016

- Based on the T.K. Viswanathan Bankruptcy Law Reforms Committee (2015); time-bound resolution of corporate insolvency
- Trigger: minimum default of ₹1 crore; resolution within 180 days, extendable by 90 days to 270 days; failing resolution, liquidation
- Pillars: NCLT (adjudicating authority for companies), DRT (individuals and partnerships), Insolvency Professionals, Information Utilities (e.g., National e-Governance Services Ltd), IBBI
- Insolvency and Bankruptcy Board of India (IBBI): statutory regulator; members from Ministry of Finance, Ministry of Corporate Affairs and the RBI
- Section 29A bars wilful defaulters and related persons from bidding for stressed assets; Committee of Creditors decides by 66% vote (reduced from 75%)
- Insolvency: inability to pay debts when due; bankruptcy: legal declaration; bail-in uses depositors' funds to stabilise a bank; bail-out is external rescue with public funds (FRDI Bill 2017 was withdrawn in 2018 over bail-in concerns)
- Recent IBC amendments (2025-26) aimed at faster resolution, creditor-initiated insolvency resolution and group insolvency frameworks

Credit Terms and Rating

- Formal credit: banks and cooperatives regulated by RBI; informal: moneylenders, traders, employers
- Terms of credit: interest rate, collateral (asset pledged: land, gold, deposits), documentation, repayment mode
- Teaser loans: low initial interest rate to attract borrowers; linked to sub-prime lending (UPSC 2011)
- Credit rating agencies regulated by SEBI: CRISIL, ICRA, CARE, India Ratings (Fitch group), Brickwork; global: Fitch, Moody's, S&P
- Credit Information Companies (CIBIL/TransUnion CIBIL, Equifax, Experian, CRIF High Mark) regulated under CIC Act 2005
- Bank loan rates: Base Rate (2010), MCLR (April 2016), External benchmark linked lending rate (EBLR, October 2019: linked to repo rate for floating retail and MSME loans)

CHAPTER 11

Monetary Policy: Committee, Instruments and Corridor

Objectives and Types

- Monetary policy: central bank's management of money supply and credit through interest rates and liquidity to achieve macroeconomic goals; in India framed under the RBI Act, 1934
- Objectives: price stability, accelerating growth, exchange-rate stability, balancing savings and investment, employment generation

Type	Objective	Tools	Context
Expansionary (dovish, cheap money)	Raise money supply to boost growth	Cut repo rate, CRR, SLR; buy bonds	Slowdown; 2008 global crisis
Contractionary (hawkish, dear money)	Reduce money supply to curb inflation	Raise repo, CRR, SLR; sell bonds	Overheating; post-COVID rate hikes (May 2022 to February 2023); 7 October 2026 hike

- Stances: accommodative (rates lowered or likely to be lowered), neutral (flexible either way), withdrawal of accommodation / calibrated tightening (hawkish); the RBI moved to "calibrated tightening" on 7 October 2026
- Approaches to monetary policy: exchange-rate targeting (Singapore), multiple indicators (India until 2016), flexible inflation targeting (since 2016)

Monetary Policy Committee (MPC)

Aspect	Details
Legal basis	Section 45ZB of the RBI Act, 1934, inserted by the Finance Act 2016; functional from 27 September 2016
Purpose	Set the policy repo rate to meet the inflation target
Composition	Six members: Governor (chair), Deputy Governor in charge of monetary policy, one RBI officer nominated by the Central Board; three external members appointed by the Centre on the recommendation of a search committee
Voting	Majority vote; each member one vote; Governor has a casting vote in a tie
Tenure of external members	Four years, not eligible for reappointment
Meetings	At least four a year (six bi-monthly meetings are held); quorum four members including the Governor or the Deputy Governor
Minutes	Released on the 14th day after the meeting
Target	CPI-Combined 4% with $\pm 2\%$ tolerance band (2% to 6%); retained for the five years to 31 March 2031
Failure	If inflation stays outside the band for three consecutive quarters, the RBI must report to the Government on reasons, remedial action and time to return to target (UPSC 2017)

- The Urjit Patel Committee (2014) recommended inflation targeting with CPI as the nominal anchor and an MPC; the Government–RBI Monetary Policy Framework Agreement was signed on 20 February 2015
- Inflation above target: RBI may reduce the money supply by selling government securities
- RBI Act amended in 2016 so that the Centre fixes the target in consultation with the RBI every five years

Instruments of Monetary Policy

Instrument	Meaning	Present status (Oct 2026)
Policy repo rate	Rate at which RBI lends against government securities under LAF	5.50% (7 October 2026)
Standing Deposit Facility (SDF) rate	Rate at which RBI absorbs uncollateralised overnight deposits; floor of the LAF corridor, 25 bps below repo; introduced April 2022	5.25%
Marginal Standing Facility (MSF) rate	Overnight penal borrowing by dipping into SLR, up to 1% of NDTL (earlier 2%, since 2020 raised to 3% temporarily); ceiling of corridor, 25 bps above repo	5.75%
Bank rate	Rate at which RBI rediscounts bills; penal rate for shortfall in CRR/SLR; aligned with MSF; Section 49, RBI Act	5.75%
Reverse repo	Rate at which RBI absorbs liquidity against securities; fixed reverse repo (3.35%) stands separate from SDF	Not the floor since April 2022
CRR	Share of NDTL banks keep with RBI as cash; no interest; RBI can set between 3% and 15% (statutory floor removed in 2006)	3.0% (cut by 100 bps in 2025)
SLR	Share of NDTL kept in cash, gold, unencumbered government securities; Section 24 of the Banking Regulation Act; legal range up to 40%; floor 0%	18%
Open market operations (OMOs)	RBI buys or sells government bonds outright or via repo	Purchases used in 2025 for durable liquidity
Market Stabilisation Scheme (MSS)	Government securities issued to absorb surplus liquidity; proceeds kept with RBI	Started 2004
Variable rate repo/reverse repo (VRR/VRRR)	14-day main liquidity management tool, aligned with the CRR maintenance cycle	Used for frictional liquidity
Forex swaps	Buy/sell dollar-rupee swaps to inject or absorb durable liquidity	Sell/buy swaps used in 2026

- Liquidity Adjustment Facility (LAF): operations to inject or absorb liquidity; includes repo, reverse repo, SDF, MSF
- LAF corridor: floor SDF, centre repo, ceiling MSF; width 50 bps
- CRR is calculated on NDTL as on the last Friday of the second preceding fortnight; SLR on the same basis
- Repo and reverse repo definitions (UPSC 2014, 2015): repo injects liquidity (banks sell securities to RBI with promise to repurchase); reverse repo absorbs liquidity
- Government securities (G-secs): treasury bills (less than one year; only Centre issues) and dated securities (more than one year; Centre and states)

Unconventional and Qualitative Tools

Tool	Meaning
Operation Twist	Simultaneous sale of short-term and purchase of long-term securities to flatten the yield curve without changing the money supply; lowers long-term rates
Sterilisation	Offsetting the money-supply impact of forex intervention through OMOs or MSS (UPSC 2022, 2023)
Zero Interest Rate Policy (ZIRP)	Short-term rates near zero; risks liquidity trap
Negative Interest Rate Policy (NIRP)	Nominal rates below zero (Japan, Sweden)
Helicopter money	Direct money creation to fund spending or tax cuts
Quantitative easing	Central bank buys bonds to inject liquidity when rates are near zero

Tool	Meaning
Marginal requirements	Margin between collateral value and loan; raised to curb credit
Selective credit control	Restrict or encourage credit to specific sectors (luxury goods, speculative activity)
Moral suasion	Persuasion of banks without legal force (transmit rate cuts, rural branches, priority lending)

- Quantitative (general) tools: CRR, SLR, repo, OMO, bank rate; qualitative (selective) tools: margins, credit rationing, moral suasion, direct action
- Creation of new money to finance a budget deficit (deficit monetisation) is the most inflationary (UPSC 2013, 2021); since 1997, ad hoc treasury bills were replaced by Ways and Means Advances (WMA), and the FRBM Act 2003 bars RBI from primary subscription to government securities from April 2006

Transmission of Monetary Policy

Channel	Mechanism
Interest rate	Lower policy rate reduces cost of capital, raises investment and consumption
Exchange rate	Lower rates weaken the currency, aiding exports but raising oil import cost
Credit	Easier policy expands bank lending
Asset price	Lower rates raise asset prices and household wealth
Expectations	Clear inflation target anchors expectations

- Bank lending rate benchmarks: Benchmark Prime Lending Rate (till 2010) → Base Rate (2010) → MCLR (April 2016) → External benchmark-linked lending rate (EBLR) from 1 October 2019 for retail floating-rate and MSME loans
- Allowed external benchmarks: RBI repo rate, 91-day T-bill yield, 182-day T-bill yield, any other market rate published by Financial Benchmarks India Pvt. Ltd. (FBIL); most banks chose the repo rate
- Transmission to deposit rates is weak when households shift savings from deposits to equities (Economic Survey 2024-25)

Repo rate path since the pandemic

Reduced to 4.00% (May 2020); reverse repo 3.35% (the lowest); raised from May 2022 to 6.50% (February 2023); held at 6.50% until February 2025
 Cuts of 25 bps (February 2025, April 2025), 50 bps (June 2025: to 5.50%), 25 bps (December 2025: to 5.25%); CRR cut by 100 bps in phases (to 3.0%)
 7 October 2026: repo raised by 25 bps to 5.50% (SDF 5.25%, MSF and Bank rate 5.75%), stance moved from neutral to calibrated tightening (4-2), the first hike since February 2023
 RBI projections: FY2026-27 real GDP 7.1%, CPI inflation 5.2%

CHAPTER 12

Inflation: Speed, Causes and Measures

Classification by Speed

Type	Range	Feature
Creeping	1-4% a year	Slow, manageable, even desirable
Walking	2-10%	Central banks start to raise rates
Running	10-20%	Hurts growth and real incomes
Galloping	20-1000%	Loss of confidence in currency
Hyperinflation	Above 1000% a year (or over 50% a month)	Currency collapse; Germany 1920s, Zimbabwe 2000s, Venezuela 2010s

Causes of Inflation

- Demand-pull (UPSC 2021): fiscal stimulus, lower interest rates, depreciation of the rupee, rising incomes
- Cost-push: wage rise, raw material prices (oil), supply chain disruptions such as COVID-19 (UPSC 2011)
- Monetary inflation: excessive money supply (UPSC 2015); decreased circulation of money helps control inflation
- Imported inflation: rupee depreciation makes crude oil, edible oil and gold costlier
- Structural food inflation: supply constraints in perishables, pulses, edible oils; climate shocks (Economic Survey 2024-25 calls climate change a primary driver of endemic food inflation; temperature now correlates more with food prices than rainfall or reservoir levels)

Terms to remember

Skewflation: skewed price rise in some items while others stay stable (onion spike)

Stagflation: inflation with stagnation and unemployment

Disinflation: fall in the rate of inflation; prices still rise

Deflation: absolute fall in price level

Core inflation: excludes food and fuel; headline inflation includes everything

Base effect: a low (or high) reference-month price level distorts annual inflation

Effects and Measures

- Inflation reduces purchasing power, helps debtors, hurts creditors and fixed-income earners; high inflation erodes savings and competitiveness
- Mild inflation (about 4%) supports growth; Phillips curve shows short-run trade-off with unemployment
- Control measures: monetary (raise repo, CRR; OMO sales), fiscal (cut deficit, higher taxes), supply (import duty cuts, stock limits, buffer stocks, open market sales, export restrictions)
- Anti-inflation schemes: Bharat Atta, Bharat Dal, Price Stabilisation Fund, Kisan Rail, Operation Greens (TOP to TOTAL)
- Recent inflation record (CPI-Combined): 6.7% (FY2022-23); 5.4% (FY2023-24); 4.6% (FY2024-25); about 1.7% average April-December 2025 (lowest in the 2012 series: 0.25% in October 2025); 2.75% January 2026 (first on new 2024 base); 4.83% August 2026; 5.54% September 2026
- UP's CPI inflation fell to -1.71% in October 2025, lowest among major states
- Fall in 2025 was driven by food prices (vegetables, pulses) and GST cuts from 22 September 2025; rise in 2026 driven by onion, edible oil and oil prices

Other Monetary Concepts

- Seigniorage, inflation tax: inflation as a hidden tax on money holders
- Exchange rate pass-through: rupee depreciation raises import costs
- Real interest rate = nominal interest rate – expected inflation; repo less CPI
- Taylor rule: guideline linking policy rate to inflation gap and output gap
- Yield curve: plot of yields against maturity; inverted curve signals recession risk
- Monetary vs fiscal policy: monetary policy by RBI (price stability); fiscal policy by Government (taxes and spending)
- Kinds of money creation: central bank (reserve money) and commercial banks (credit creation by multiplier)

CHAPTER 13

Banking Master Notes: RBI, Banks and Institutions

Reserve Bank of India: Landmarks

Item	Detail
Established	1 April 1935 (Hilton Young Commission 1926 recommended; RBI Act 1934)
First Governor	Sir Osborne Smith; first Indian Governor C. D. Deshmukh (1943)
Nationalised	1 January 1949
HQ	Mumbai (moved from Kolkata in 1937)
Statutory basis	RBI Act 1934; Banking Regulation Act 1949; FEMA 1999; Payment and Settlement Systems Act 2007
Central board	Governor + up to 4 Deputy Governors + directors; MPC has 6 members (3 RBI, 3 Government nominated)
Governor (2026)	Sanjay Malhotra (since 11 Dec 2024)
Publication	Annual Report, Report on Currency and Finance, Financial Stability Report (June/December), Trend and Progress of Banking
Currency	Issues all notes except ₹1 note (issued by the Finance Ministry; signed by Finance Secretary)

- ****Functions:**** monetary authority, issuer of currency, banker to government and banks, regulator and supervisor, manager of forex (FEMA), developmental and promotional role, regulator of payment systems.
- ****Minimum Reserve System**** for note issue since 1957: ₹200 crore assets (₹115 crore gold + ₹85 crore foreign securities).
- ****Currency chest:**** place where notes are stored for banks; ~4,000 chests in India. Security printing: Nashik, Dewas (Government) and Mysuru, Salboni (BRBNMPL).

Bank Nationalisation and Mergers

Event	Year	Detail
Imperial Bank to State Bank of India	1955	SBI Act 1955; Gorwala Committee (All India Rural Credit Survey)
Social control over banks	1967	Announced by Morarji Desai/Indira Gandhi era
First nationalisation	19 July 1969	14 banks with deposits above ₹50 crore
Second nationalisation	15 April 1980	6 banks with deposits above ₹200 crore
Narasimham Committee I	1991	Reduce CRR/SLR; prudential norms; 4-tier banking
Narasimham Committee II	1998	Capital adequacy 9%; merge strong banks
Merger wave	2017	SBI with 5 associate banks and Bharatiya Mahila Bank
Merger wave	2019	Bank of Baroda with Vijaya and Dena
Merger wave	2020	Four mergers: PNB (+OBC, United), Canara (+Syndicate), Union (+Andhra, Corporation), Indian Bank (+Allahabad)
Public sector banks	2026	12 PSBs after 2020 mergers

12 public sector banks (HQ)

State Bank of India – Mumbai | Punjab National Bank – New Delhi | Bank of Baroda – Vadodara
 Canara Bank – Bengaluru | Union Bank of India – Mumbai | Bank of India – Mumbai
 Indian Bank – Chennai | Central Bank of India – Mumbai | Indian Overseas Bank – Chennai
 UCO Bank – Kolkata | Bank of Maharashtra – Pune | Punjab and Sind Bank – New Delhi

Banking Structure and Classification

Category	Examples	Regulator / note
Scheduled commercial banks	PSBs, private banks, foreign banks, SFBs, RRBs	Included in Second Schedule of RBI Act
Private sector banks	HDFC, ICICI, Axis, Kotak, IndusInd, Yes Bank	Old and new generation (post-1993 licences)
Regional Rural Banks	Sponsor bank + Centre 50%, sponsor 35%, State 15%	RRB Act 1976 (Narasimham Working Group); 28 RRBs after consolidation
Small Finance Banks	AU, Equitas, Ujjivan, Jana, Suryoday, Utkarsh, ESAF, Capital, Fincare, North East SFB	Guidelines 2014; 75% priority-sector lending; minimum capital ₹200 crore
Payments Banks	India Post Payments Bank (2018), Airtel, Fino, Paytm (restricted 2024), NSDL, Jio	Cannot lend; deposit cap ₹2 lakh per customer
Local Area Banks	e.g., Coastal LAB	Limited area, few remain
Cooperative banks	UCBs, State and District Co-op banks	RBI + NABARD; Banking Regulation (Amendment) Act 2020
Development banks	NABARD, SIDBI, EXIM Bank, NaBFID, NHB	Specialised finance

- ****Differentiated banks**** (SFBs, payments banks) aim at financial inclusion. ****Universal banking**** allowed by 2000s (ICICI).
- ****Domestic Systemically Important Banks (D-SIBs)****: SBI, HDFC Bank, ICICI Bank (additional CET1 buckets). Global G-SIBs are identified by FSB/Basel Committee.
- ****Wilful defaulters**** and ****fraud**** classification by RBI Master Directions; NPA recognition at 90 days overdue.

Basel Norms and Prudential Rules

Norm	Year	Main idea	India position
Basel I	1988	8% capital to risk-weighted assets, credit risk	Adopted 1992
Basel II	2004	Three pillars: minimum capital, supervisory review, market discipline	Adopted 2009
Basel III	2010 (post-2008 crisis)	CET1, capital conservation buffer, countercyclical buffer, leverage ratio, LCR, NSFR	Phased from 2013; full implementation March 2019 (leverage ratio, LCR in force)
Basel III Endgame	Global	Output floor and revised standardised approach	India phased implementation ongoing

- ****CRAR in India****: minimum 9% (vs 8% Basel) plus conservation buffer 2.5% = 11.5%; CET1 minimum 5.5%, Tier I 7%.
- ****Prompt Corrective Action (PCA)****: triggers on CRAR, net NPA and ROA; restricts dividend, branch expansion.
- ****Expected Credit Loss (ECL)**** framework for provisioning replaces incurred-loss approach (draft norms 2025, proposed from April 2027).
- ****Priority sector lending****: 40% of ANBC for domestic banks (agriculture 18%, MSME 7.5%, weaker sections 12%, housing, education); foreign banks 40% with sub-limits.

Money Supply and Reserve Instruments

Aggregate	Definition
Reserve money (M0)	Currency in circulation + bankers' deposits with RBI + other deposits with RBI
M1	Currency with public + demand deposits + other deposits with RBI
M2	M1 + savings deposits with Post Office savings banks
M3 (broad money)	M1 + time deposits with banks (the most-used measure)
M4	M3 + all post-office deposits (excluding NSCs); discontinued

- ****Money multiplier**** = $M3 \div M0$ (about 5). Credit creation through fractional reserve.
- ****CRR 3%****, ****SLR 18%**** as of October 2026 (SLR floor 18% since 2020 after downward trend; CRR cut to 3% in 2025).
- ****Repo, reverse repo, SDF, MSF, Bank Rate, LAF, OMO, MSS, standing facilities**** – see monetary policy chapter.

Payment Systems Master

System	Operator	Key fact
RTGS	RBI	Real-time, high-value, minimum ₹2 lakh; 24x7
NEFT	RBI	Half-hourly batches, 24x7 since Dec 2019
IMPS	NPCI	24x7 instant interbank
UPI	NPCI	Launched April 2016; largest real-time payment system by volume; cross-border links with Singapore, UAE, Nepal, Bhutan, Sri Lanka, France, Mauritius, Qatar
RuPay	NPCI	Domestic card network; NPCI founded 2008, Mumbai
NACH / AePS / BBPS / NETC	NPCI	Mandates, Aadhaar payments, bill payment, FASTag
e-RUPI	NPCI	Prepaid voucher for DBT
CBDC (e₹)	RBI	Pilot since Dec 2022 (wholesale) and retail (Dec 2022)
Payment Infrastructure Development Fund	RBI	Subsidises acceptance infra in tier 3-6 towns
Digital Payment Intelligence Platform	RBI	Fraud prevention initiative

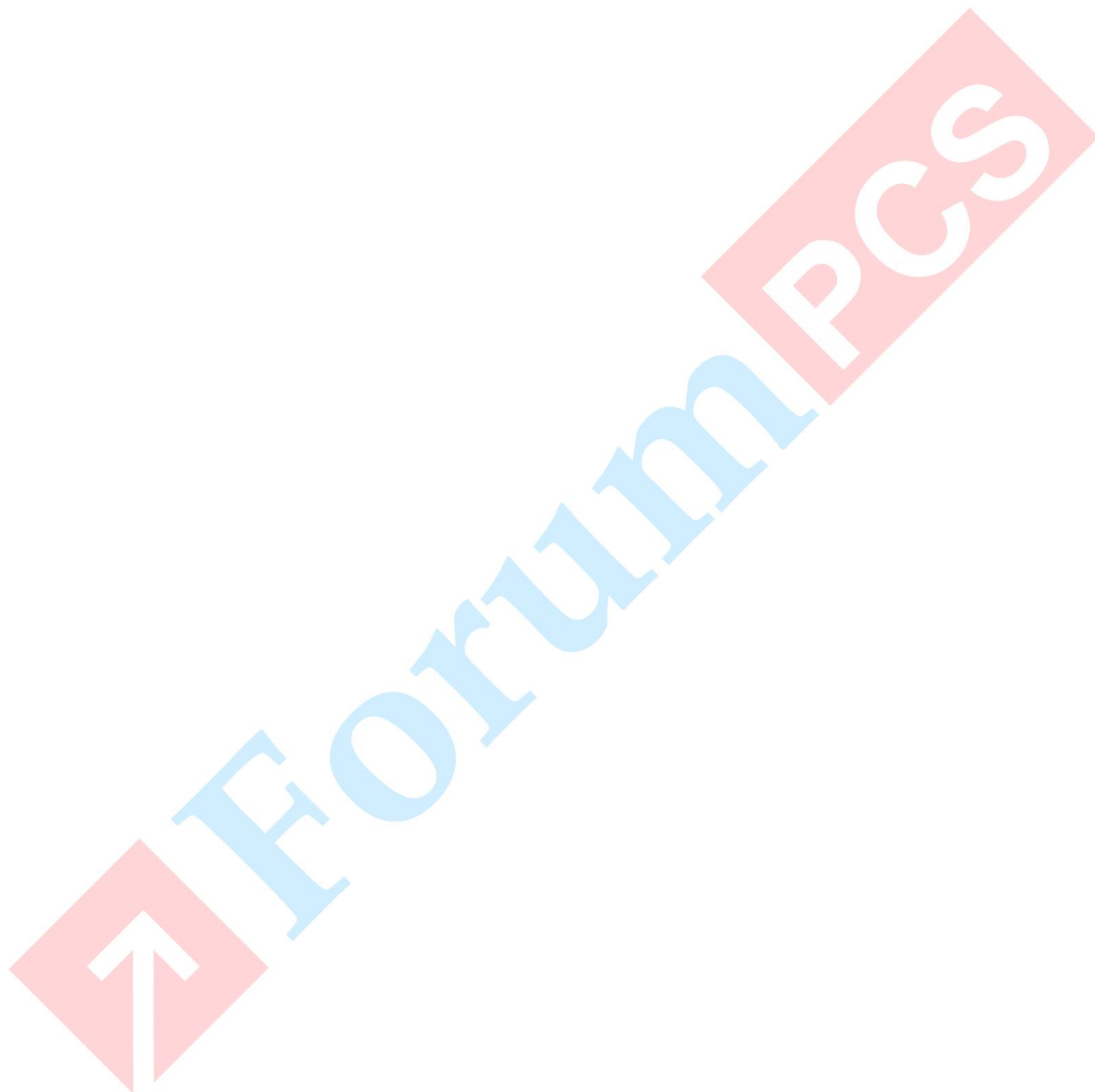
- ****PSS Act 2007**** designates RBI as authority; ****RBI Ombudsman Scheme (Integrated, 2021)**** – one nation, one ombudsman.

NBFC Structure

- ****NBFC**** is a company registered under the Companies Act 2013 carrying on lending, hire-purchase, leasing, chit or investment business; cannot accept demand deposits and not part of payment system; no deposit insurance.
- ****Scale-based regulation (SBR)**** since Oct 2022: Base, Middle, Upper (top 50 NBFCs) and Top layers.
- ****Types:**** Investment and Credit, Infrastructure Finance (IFC), Micro-finance, Housing Finance (HFCs regulated by RBI since 2019), Asset Reconstruction (ARC), Core Investment, Infrastructure Debt Fund, Mortgage Guarantee, NBFC-Factor, NBFC-P2P, NBFC-AA (account aggregator).
- ****ARCs:**** SARFAESI Act 2002; first ARCIL; National Asset Reconstruction Company Ltd (NARCL, bad bank, 2021) with India Debt Resolution Company Ltd.

Term	Meaning
Evergreening	Lending to pay off an old loan to hide NPA
Haircut	Lender's sacrifice of dues under resolution

Term	Meaning
SMA	Special Mention Account – SMA-0 (1-30 days), SMA-1 (31-60), SMA-2 (61-90)
Write-off	Removing NPA from books; recovery continues
Lok Adalat / DRT	Recovery forums (DRTs under RDDBFI Act 1993)
Deposit insurance	DICGC, up to ₹5 lakh per depositor per bank (since 2020)



CHAPTER 14

Government Budget: Structure, Receipts and Expenditure

Constitutional Basis

- Article 112: Annual Financial Statement (the Budget) laid before Parliament for each financial year (1 April to 31 March); Department of Economic Affairs prepares it
- Article 265: no tax without authority of law; Article 266: Consolidated Fund of India, Public Account of India; Article 267: Contingency Fund of India (President's advance for urgent unforeseen expenditure)
- Article 113 (voting on demands, charged expenditure not voted), Article 114 (Appropriation Bill), Article 110 (Money Bill), Article 116 (Vote on Account, Vote of Credit, Exceptional Grant), Article 117 (Finance Bill)
- Budget presented by Finance Minister in Lok Sabha; Rajya Sabha can only recommend amendments to Money Bills; Lok Sabha decides
- Union Budget presented on 1 February since 2017; merged with Railway Budget in 2017; paperless since 2021-22 (Union Budget mobile app)

Account	Consolidated Fund	Contingency Fund	Public Account
Constitutional article	266(1)	267	266(2)
Contents	All revenues, loans raised, repayments received	Corpus for emergencies	Provident funds, small savings, deposits and reserve funds where Government acts as banker
Parliamentary approval	Required for withdrawal	Replenished by Parliament later	Not required for withdrawal
Corpus	--	₹500 crore at Centre (raised from ₹50 crore in 2005)	--

Budget Classification

Feature	Revenue Budget	Capital Budget
Focus	Day-to-day expenses and receipts	Long-term investment and asset creation
Receipts	Taxes, fees, fines, dividends	Borrowing, disinvestment, recovery of loans
Expenditure	Salaries, pensions, interest, subsidies	Infrastructure, loans to states, asset purchase
Objective	Fiscal stability	Growth

- Revenue receipts: do not create liability and are non-redeemable; consist of tax revenue (direct, indirect) and non-tax revenue (interest, dividends and profits, fees, fines, royalties, grants)
- Capital receipts: create liability or reduce assets; loans (internal and external borrowings), disinvestment, recovery of loans (UPSC 2025)
- Debt-creating capital receipts: borrowing; non-debt creating: recovery of loans, disinvestment (DIPAM manages disinvestment in Central PSUs)
- Revenue expenditure: no asset creation; interest payments are the largest item, followed by subsidies, defence revenue, pensions and grants to states
- Capital expenditure: creates assets or reduces liabilities; includes loans and advances to states, investment in shares
- Effective capital expenditure: capex plus grants-in-aid for creation of capital assets (introduced in Budget 2022-23); Budget 2026-27 capex ₹12.22 lakh crore

Rupee comes from / goes to (Budget 2025-26 pattern)

Comes from: Income tax 22%, Corporation tax 17%, GST and other taxes 18%, Excise 5%, Customs 4%, Non-tax receipts 9%, Non-debt capital receipts 1%, Borrowings 24%

Goes to: Interest payments 20%, States' share of taxes 22%, Central Sector Schemes 16%, Centrally Sponsored Schemes 8%, Finance Commission and other transfers 8%, Defence 8%, Subsidies 6%, Pensions 4%, Others 8%

Interest payment is the biggest single claim on the Union Government's rupee

Types of Budget

Type	Meaning	Stance
Balanced	Revenue = expenditure	Neutral
Surplus	Revenue > expenditure	Contractionary
Deficit	Expenditure > revenue	Expansionary

- Other budget types: Zero-Based Budgeting (ZBB, every item justified afresh; used in India from 1986-87 in the Department of Science and Technology), Outcome Budget (since 2005), Gender Budget (since 2005-06; Statement 13), Green Budget, Performance Budget (outputs and outcomes; 1968 onwards), Child Budget (from 2008-09)
- Interim Budget / Vote on Account in election years; full Budget presented again after the new government
- Budget Division of the Department of Economic Affairs prepares the Budget; Annual Financial Statement, Demands for Grants, Finance Bill, Appropriation Bill, Expenditure Budget and Receipt Budget are the main documents

Budget Functions

- Allocation: public goods (non-rival and non-excludable, such as defence, roads)
- Distribution: taxes and transfers to reduce inequality
- Stabilisation: demand management through deficit and surplus
- Growth and development: Financing infrastructure and human capital

Measures of Deficit

Measure	Formula	Meaning
Revenue deficit	Revenue expenditure – revenue receipts	Government dis-saving; borrowing for consumption
Effective revenue deficit	Revenue deficit – grants for capital asset creation	Introduced in 2011-12 Budget, shows non-productive deficit
Fiscal deficit	Total expenditure – (revenue receipts + non-debt capital receipts)	Total borrowing requirement
Primary deficit	Fiscal deficit – interest payments	Borrowing for current needs, excluding past debt service
Budgetary deficit	Total expenditure – total receipts (including borrowings no longer counted)	Replaced by fiscal deficit after 1997

- Fiscal deficit = borrowing = net addition to liabilities (UPSC 2017); a primary surplus means the fiscal deficit is smaller than interest burden
- Worked example (UPSC 2025): revenue expenditure ₹80,000 cr, revenue receipts ₹60,000 cr → revenue deficit ₹20,000 cr; fiscal deficit ₹10,000 cr, interest ₹6,000 cr → primary deficit ₹4,000 cr
- Fiscal deficit is financed by market borrowings (G-Secs, T-Bills), small savings (National Small Savings Fund), external borrowing and use of cash balances
- Gross Primary Deficit = Fiscal deficit – interest payments; non-debt receipts are already accounted

Union Budget 2026-27 deficit numbers

Fiscal deficit 4.3% of GDP (₹16.96 lakh crore); revenue deficit 1.5%; effective revenue deficit 0.3%; primary deficit 0.7% FY2025-26 Revised Estimate fiscal deficit 4.4%; FY2024-25 4.8%; FY2023-24 5.6%; FY2020-21 9.2% (COVID peak)

Debt anchor: central government debt to GDP at 50±1% by 31 March 2031; 55.6% estimated for March 2027 (old GDP series)

Fiscal Policy

- Components: taxation policy, expenditure policy, investment and disinvestment policy, debt management

Type	Aim	Tools
Expansionary	Boost demand, growth and jobs	Raise spending, cut taxes
Contractionary	Control inflation	Cut spending, raise taxes
Pro-cyclical	Amplifies cycle	Spend more in booms, cut in recessions
Counter-cyclical	Stabilises cycle (UPSC 2021)	Spend more in recessions, save in booms

- Fiscal multiplier: change in output per unit of change in spending; higher for capex than subsidies (Economic Surveys)
- Crowding out: government borrowing raises interest rates and reduces private investment
- Automatic stabilisers: progressive taxes and unemployment benefit adjust without legislation
- Fiscal impulse: change in structural deficit; Fiscal stance: whether policy adds to or reduces aggregate demand
- Deficit and inflation: monetisation of deficit by RBI is inflationary; since 1997 ad hoc T-bills were abolished and Ways and Means Advances replaced them; from 2006 the RBI cannot subscribe to primary issues

Subsidies, Cess and Surcharge

- Subsidy: financial support to producers or consumers; explicit (food, fertiliser, LPG) and implicit (low charges for public services); Major subsidies: food, fertiliser, petroleum
- Budget 2026-27 total subsidies ₹4.55 lakh crore (major subsidies about ₹4.11 lakh crore, 1.0% of GDP); fertiliser (₹1.71 lakh crore) and food form the bulk
- Cess and surcharge are not shared with states under Article 270 (Divisible pool excludes them); 15th FC: cess and surcharge limited; the Centre has raised their share in gross tax revenue to about 11-12%, a point of Centre-State friction
- Direct Benefit Transfer (DBT, 2013): cash subsidies transferred to bank accounts; JAM trinity (Jan Dhan, Aadhaar, Mobile) used for leak-proofing

CHAPTER 15

Taxation: Direct Taxes, Reforms and Tax Avoidance

Classification of Taxes

Basis	Types
Nature	Direct (income, corporate, wealth) and indirect (GST, customs, excise)
Rate structure	Progressive (rate rises with income), proportional, regressive
Purpose	Revenue taxes, regulatory (sin taxes, protective customs duties)
Authority	Union list (Entry 82-92C), State list (Entry 45-63), Concurrent
Incidence	Direct tax burden cannot be shifted; indirect tax burden can be passed on

- Article 246A (101st Amendment) gives Parliament and states concurrent power over GST
- Cess, surcharge: Article 270 excludes them from the divisible pool; Article 269 (taxes levied by Union, collected and assigned to states such as inter-state sale tax); Article 268 (duties levied by Union, collected by states, for example stamp duties)
- Tax buoyancy = % change in tax revenue / % change in GDP; buoyancy above 1 means revenue grows faster than the economy; gross tax revenue buoyancy about 1.4 in 2024-25
- Tax-to-GDP ratio: Centre's gross tax revenue about 11.5-12% of GDP; direct tax-to-GDP touched 6.64% in 2023-24 (24-year high); India's combined Centre and states tax ratio about 17-18% of GDP
- Tax expenditure (revenue forgone) is reported in the Receipts Budget

Direct Taxes

- Administered by Central Board of Direct Taxes (CBDT), a statutory body under the Central Board of Revenue Act, 1963, part of the Department of Revenue

Tax	Key points
Personal income tax	Under the new regime (default since 2023-24) no tax up to income ₹12 lakh with section 87A rebate (Budget 2025); standard deduction ₹75,000 for salaried; slabs rationalised
Corporation tax	Domestic companies 22% (section 115BAA) and new manufacturing units 15% (115BAB, ended 2024); base 25% for older regime
Minimum Alternate Tax (MAT)	Introduced by Finance Act 1987 for zero-tax companies; 15% of book profit in the old regime; not applicable to those opting for 115BAA
Capital gains tax	Long-term gains on listed equity 12.5% above ₹1.25 lakh; short-term 20% (rates changed July 2024); rural agricultural land is not a capital asset
Securities Transaction Tax (STT)	Levied on transactions in listed securities since 2004
Dividend Distribution Tax (DDT)	Abolished in Budget 2020-21; dividends taxed in the hands of recipients
Wealth tax	Abolished in 2015-16 and replaced by 2% additional surcharge on super-rich
Equalisation levy	Introduced in 2016 on online advertisement (6%) and e-commerce (2%); withdrawn from April 2025 (online advertisement) and August 2024 (e-commerce) after OECD Pillar One consensus efforts

- Agricultural income is exempt from central income tax (Entry 46, State list); income from poultry, wool rearing in rural areas is also exempt (UPSC 2025)
- Section 80C deductions are only in the old regime; the new regime offers lower rates without exemptions
- Faceless assessment (2020), Taxpayers' Charter (2020), Vivad se Vishwas (2020 and 2024) for dispute resolution; Black Money Act 2015 and Benami Transactions Act 1988 (amended 2016)

New Income-tax Act, 2025

Replaced the Income-tax Act, 1961 with effect from 1 April 2026; the number of sections is about 536 against 819; plain language, 'tax year' replaces 'previous year' and 'assessment year'

Aim: simplification, fewer litigations, digital compliance

Tax Avoidance, Evasion and International Taxation

Point	Tax evasion	Tax avoidance
Legality	Illegal; punishable	Legal use of loopholes (UPSC 2021)
Methods	Underreporting income, hiding assets	Exploiting deductions, offshore structures
Remedy	Penalty, prosecution	GAAR, law reform

- GAAR (General Anti-Avoidance Rules): came into force on 1 April 2017 following Shome Committee (2012) review; targets impermissible avoidance arrangements
- BEPS (Base Erosion and Profit Shifting): OECD/G20 project; 15 action plans; Country-by-Country reporting; Multilateral Instrument (MLI)
- Global Minimum Corporate Tax: Pillar Two sets a 15% minimum for large MNCs; Pillar One re-allocates taxing rights to market jurisdictions
- Transfer pricing: arm's length price for inter-company transactions; Advance Pricing Agreements (APA) since 2012
- DTAA: Double Taxation Avoidance Agreements; relief by exemption or credit method
- PoEM (Place of Effective Management) used to determine tax residence of foreign companies
- Tax haven: low or no tax and secrecy jurisdictions (Cayman Islands, Panama, Bermuda); the Panama Papers (2016) and Pandora Papers (2021) exposed holdings
- Participatory Notes, round-tripping, Mauritius route amended by protocol in 2016 (capital gains taxed at source from April 2017)
- Alternative Minimum Tax (AMT) on non-corporate taxpayers; Securities, Commodity transactions taxes

Tax Reform Committees

Committee	Year	Recommendation
Raja Chelliah	1991	Introduce VAT, rationalise customs, ITC
Kelkar Task Force	2002	Simplify laws, broaden base, abolish exemptions; recommended GST (2003)
Kalyani Menon Sen	2002	Customs and excise reform
Parthasarathi Shome	2012	GAAR safeguards
T. R. Rustagi	2011	Service tax simplification
Arvind Subramanian	2015	Revenue-neutral rate for GST; lower rate, standard rate, demerit rate
Akhilesh Ranjan Task Force	2017-19	Direct Tax Code, new tax regime

- Indirect taxes now outside GST: basic customs duty, petroleum products (crude, petrol, diesel, ATF, natural gas), alcohol for human consumption, electricity duty, stamp duty, property tax, vehicle tax
- Customs Tariff Act 1975; Customs Act 1962; Budget 2025-26 rationalised tariff slabs by removing seven rates; Budget 2026-27 further rationalised customs (see ch91b)

CHAPTER 16

Goods and Services Tax (GST)

Background and Architecture

Aspect	Details
Introduced	1 July 2017, midnight session of Parliament
Constitutional basis	101st Amendment Act 2016 (Articles 246A, 269A, 279A; Sixth Schedule changes)
Origin	Kelkar Task Force (2003); Empowered Committee chaired by Asim Dasgupta; first Constitution Amendment Bill (2011) lapsed; 122nd Amendment Bill passed in 2016
Model	Dual GST: CGST + SGST on intra-state supply; IGST on inter-state supply and imports
Nature	Destination-based consumption tax levied on value added (UPSC 2017)
Administration	GST Council (Article 279A), chaired by the Union Finance Minister; members: Union MoS (Finance) and State Finance/Taxation Ministers
Voting	Centre carries one-third weight and States two-thirds; decisions need three-fourths of the weighted votes
Technology	GSTN (Goods and Services Tax Network), a non-profit company; e-way bill for goods above ₹50,000
Appellate	GST Appellate Tribunal (GSTAT) operationalised in 2025; Principal Bench in New Delhi

- Special category states and Union Territory treatment: UTGST for Union Territories without legislature; IGST apportioned between Centre and states
- Union Territories: Jammu and Kashmir has its own SGST
- GST subsumed: central excise, additional excise, service tax, CVD/SAD, central surcharges and cesses; state VAT, central sales tax, entry tax, luxury tax, entertainment tax, taxes on lottery and advertisement
- Not under GST: petroleum crude, high-speed diesel, motor spirit, natural gas and ATF (until the Council decides), alcohol for human consumption, electricity
- Input Tax Credit (ITC): credit for tax paid on inputs eliminates cascading; inverted duty structure occurs when input tax exceeds output tax
- Composition scheme for small taxpayers; threshold for registration ₹40 lakh (goods) and ₹20 lakh (services) in most states; ₹10 lakh for special category states
- Reverse charge mechanism: recipient pays tax in specified cases
- National Anti-profiteering Authority (2017) wound up in 2022; its functions moved to the Competition Commission of India

GST 2.0 (From 22 September 2025)

Rate	Applied to
5%	Essentials and mass consumption goods (merit rate)
18%	Standard rate for most goods and services
40%	Special de-merit rate for sin and ultra-luxury goods (pan masala, tobacco, aerated drinks, high-end vehicles)
Nil	Individual life and health insurance premiums, many food items such as UHT milk and paneer, books, educational stationery

- Decided at the 56th GST Council meeting on 3 September 2025; the 12% and 28% slabs were merged away; compensation cess was phased out for most goods after loans were repaid (cess remained only for tobacco until ending of cess obligations)
- Aim: simplification, consumption boost, relief for families and MSMEs; several services and white goods moved to 18%

- Outcomes: collections remained firm after cuts due to volume growth; monthly gross collections stayed around ₹1.8-2.0 lakh crore through 2026
- Compensation to states for five years (till June 2022) via Compensation Cess; extended to March 2026 to repay borrowing; cess regime ends after loan repayment

GST important dates

1 July: GST Day; Constitution 101st Amendment received assent on 8 September 2016

GST Council first meeting: 22-23 September 2016; Tax slabs originally 0, 5, 12, 18, 28 (plus cess on demerit goods)

Compensation to states: guaranteed 14% annual growth over 2015-16 base for five years

Other Indirect Taxes and Customs

- Customs duty (Entry 83 of Union List): basic customs duty, Social Welfare Surcharge, IGST on imports, safeguard duty, anti-dumping duty (recommended by Directorate General of Trade Remedies, imposed by Finance Ministry), countervailing duty
- Excise duty remains on petroleum, tobacco (Central excise) and alcohol (state excise)
- Special additional excise duty, Agri Infrastructure and Development Cess (AIDC) on petrol and diesel from 2021-22
- Customs Tariff rationalisation since Budget 2025-26; customs duty slabs reduced, with additional rate adjustments in Budget 2026-27
- Anti-dumping: Antidumping Duty protects domestic producers from dumped imports; WTO Antidumping Agreement; Safeguard duty when imports surge

CHAPTER 17

FRBM, Public Debt and Finance Commission

FRBM Act, 2003

Aspect	Details
Full name	Fiscal Responsibility and Budget Management Act, 2003; in force from 5 July 2004 (rules July 2004)
Objectives	Fiscal discipline, intergenerational equity, medium-term planning, transparency, macroeconomic stability
Original targets	Revenue deficit eliminated and fiscal deficit at 3% of GDP by 2008-09
Statements required	Medium-Term Fiscal Policy Statement, Fiscal Policy Strategy Statement, Macroeconomic Framework Statement, Medium-Term Expenditure Framework Statement
Suspensions	Suspended during 2008-09 crisis and in 2020-21 under escape clause (COVID-19)
Escape clause	Deviation permitted for national security, war, calamity, collapse of agriculture, structural reforms or decline in real output growth

- Amended in 2012 (effective revenue deficit introduced), 2015, and 2018 (Finance Act 2018 introduced debt-to-GDP and Fiscal Responsibility and Budget Management Review Committee suggestions)
- FRBM Review Committee (N. K. Singh, 2016): debt-to-GDP 60% for general government by 2023, 40% for Centre, 20% for states; fiscal deficit anchor 3% by 2020-21; created a Fiscal Council (not accepted)
- 15th Finance Commission glide path: fiscal deficit 6.8% (2021-22) → 4.5% (2025-26); Government announced 4.5% by 2025-26 and moved to a debt anchor
- Fiscal glide path since 2025-26: fiscal deficit reduced to 4.4% in FY2025-26 and 4.3% in FY2026-27; Debt-to-GDP 50±1% by March 2031 (Budget 2025-26 announced a shift from deficit targets to a debt anchor)
- RBI cannot subscribe to government securities at the primary market from 2006 (FRBM)
- States have their own FRBM laws; the Centre allows additional borrowing for power sector reforms and capex loans: fiscal deficit limit for states is 3% of GSDP, with extra 0.5% linked to power reforms

Debt numbers to remember

Centre debt-to-GDP: 56.8% at March 2024 (out of 82.5% general government); Union Budget 2026-27: 55.6% (March 2027, old series)
 General government debt projected to fall to 73.4% by FY31 (RBI)
 India's external debt at June 2025: \$747.2 billion; ratio to GDP 18.9%; USD-denominated 53.8%, rupee 30.6%, yen 6.6%, SDR 4.6%, euro 3.5%

Public Debt

- Public debt: borrowings by the Government to finance deficits; Article 292: Union can borrow on the security of the Consolidated Fund within limits fixed by Parliament; Article 293: states' borrowing (loans from Centre need consent)
- Internal debt: market loans (dated G-Secs), T-bills (91, 182 and 364 days), Ways and Means Advances (WMA), special securities, small savings
- External debt: multilateral (World Bank, IMF, ADB), bilateral, commercial borrowing, NRI deposits, trade credit; India's external debt is dominated by loans (34.8%), currency and deposits (23%), trade credit (17.7%) and debt securities (16.8%)
- Public Debt Management Cell (2016) set up under Department of Economic Affairs to move debt management from RBI; planned Public Debt Management Agency (PDMA) not yet created
- Ricardian equivalence: borrowing and taxation are equivalent because rational households save more for expected future taxes
- Crowding out, intergenerational burden, interest burden; debt sustainability depends on interest-growth differential ($r-g$)
- Monetisation of deficit: central bank creates money to buy government securities (UPSC 2022); deficit financing: any borrowing or money creation to finance deficit
- Small savings: National Small Savings Fund (NSSF) created 1999; interest rates reset quarterly with G-sec yields; includes PPF, NSC, Sukanya Samriddhi, Senior Citizens Savings Scheme, KVP

- Sovereign Green Bonds (issued January 2023, first auction 25 January 2023), Inflation-indexed bonds, FAR (Fully Accessible Route) bonds eligible for index inclusion (JP Morgan GBI-EM from June 2024, Bloomberg Index from January 2025, FTSE from September 2025)
- WMA for states: limit set by RBI; overdraft after WMA exhausted
- Sovereign credit ratings: Standard & Poor's upgraded India to BBB (August 2025, first in 18 years); India's sovereign rating from Morningstar DBRS BBB; Moody's Baa3 stable; Fitch BBB- stable

Finance Commission

Aspect	Details
Constitutional basis	Article 280; appointed every five years by the President
Composition	Chairman and four members
Function	Recommends sharing of net tax proceeds between Centre and States (vertical devolution), allocation among states (horizontal), grants-in-aid under Article 275, and measures to augment State Consolidated Funds for local bodies
Nature	Quasi-judicial; recommendations advisory, laid in Parliament with an Action Taken Report

- 1st Finance Commission 1951, chaired by K. C. Neogy; 14th (Y. V. Reddy) raised devolution from 32% to 42%; 15th (N. K. Singh) set 41% after Ladakh and J&K became Union Territories (1% for UTs), and its report covered 2021-22 to 2025-26
- 16th Finance Commission: constituted on 31 December 2023 under Arvind Panagariya; report submitted on 17 November 2025; recommendations for 2026-27 to 2030-31; tabled with Union Budget 2026-27; retained 41% share of states in the divisible pool
- Criteria for horizontal devolution (15th FC): income distance 45%, population (2011) 15%, area 15%, forest and ecology 10%, demographic performance 12.5%, tax effort 2.5%
- 16th FC terms: examined sharing, grants-in-aid, disaster funds, local bodies, power sector reform incentives, fiscal roadmap for Centre and States
- GST Council, NITI Aayog, Inter-State Council (Article 263) and National Development Council complement Finance Commission in fiscal federalism
- Divisible pool: gross tax revenue minus cess, surcharge and collection costs

CHAPTER 18

Centre-State Financial Relations and State Finances

Constitutional Provisions (Part XII, Articles 264-293)

Article	Provision
268	Duties levied by the Union but collected and appropriated by states (stamp duties, excise on medicinal and toilet preparations; excise abolished after GST)
269	Taxes levied and collected by the Union but assigned to states (inter-state sale of goods; consignment tax); Article 269A: IGST on inter-state supply (GST)
270	Taxes levied and distributed between Union and states (income tax other than agricultural income, central GST, IGST share); cess and surcharge are excluded
271	Surcharge for Union purposes
275	Grants-in-aid to states in need (statutory grants recommended by the Finance Commission); Article 275(1) first proviso for Scheduled Tribes
280	Finance Commission
282	Discretionary grants by Union and states (centrally sponsored schemes, special purpose)
292	Union borrowing (within limits Parliament sets)
293	State borrowing (within India; outside India only with Union consent; Union consent needed when Union loan is outstanding)
300A	Right to property; tax authority of law
301-307	Freedom of trade within India

- Seventh Schedule: Union List Entry 82 (income tax), 83 (customs), 84 (excise on tobacco and goods), 85 (corporation tax), 92C (service tax, now GST); State List Entry 45 (land revenue), 46 (agriculture income tax), 48 (state excise), 49 (taxes on land and buildings), 54 (sale of goods) replaced by GST in part, 62 (luxury); Concurrent: Entry 20 (economic and social planning); Residuary taxation power: Union (Article 248, Entry 97)
- Vertical imbalance: states raise about 40% of revenue but spend about 60% of total government expenditure; Horizontal imbalance across states
- Financial institutions for federal fiscal transfers: Finance Commission, GST Council, NITI Aayog, Inter-State Council (Article 263), National Development Council; Planning Commission abolished (2015)

Fiscal Transfers

Type	Mechanism
Tax devolution	Finance Commission share of divisible pool (41% for 15th and 16th); formula based
Grants-in-aid	Revenue deficit grants, sector-specific and state-specific grants (local bodies, health, disaster), performance-based
Centrally sponsored schemes (CSS)	Centre-state cost sharing 60:40 (general states), 90:10 (NE and Himalayan), 100% for UTs; rationalised in 2021-22
Special Assistance for Capital Investment (SASCI)	50-year interest-free loans to states for capital expenditure; pushes states' capex to about 2.4% of GDP
Special tax devolution	One-time additional instalments

- Transfer of taxes to states in Union Budget 2026-27: ₹15.26 lakh crore (3.9% of GDP); Uttar Pradesh receives the most (₹2,68,911 crore), then Bihar (₹1,51,832 crore)
- Efficient FRBM: central loans linked to reforms (One Nation One Ration Card, Ease of doing business, power reform, urban reforms) under additional borrowing limit of 0.5% of GSDP
- 15th FC: set up the Fiscal Council proposal, composition of grant for health (₹70,000 crore), local bodies (₹4.36 lakh crore), disaster funds (NDRF and SDRF; SDRF share Centre 75%, 90% for NE)
- 16th FC (2026-31): retained 41% devolution; horizontal criteria with greater weight on income distance and demography; fiscal consolidation roadmap; consider cess and surcharge

State Finances

- State governments' combined fiscal deficit about 3.2% of GSDP (2024-25; target 3%); Outstanding liabilities of states about 28% of GDP (2024-25); RBI's 'State Finances: A Study of Budgets' yearly
- States' own tax revenue: SGST, state excise on liquor, stamp duty and registration, motor vehicle tax, taxes on petrol and diesel (VAT), electricity duty; non-tax: royalties, fees
- Subsidies and freebies: RBI's concerns on freebies; cash transfers to women (Ladli Behna, Maiya Samman, Mahalakshmi) raised states' revenue spending; pension liabilities (OPS reversion) concerning
- State Development Loans (SDLs): states' market borrowings at auction every Tuesday; SDL spreads over G-secs; RBI manages debt; cut-off yields
- WMA and overdraft limits for states
- State fiscal health: NITI Aayog Fiscal Health Index 2025 (Odisha ranked first, followed by Chhattisgarh and Goa); highest debt-GSDP states: Punjab, Himachal Pradesh, West Bengal, Kerala; lowest: Odisha, Maharashtra, Gujarat
- State FRBM Acts: Kerala (2003) first; fiscal deficit target 3% of GSDP; debt target 20% (FRBM Review Committee 2017)
- Largest economies by GSDP: Maharashtra, Tamil Nadu, Gujarat, Karnataka, Uttar Pradesh (UP is the third/fourth largest in debate); Per capita NSDP highest: Goa, Sikkim, Delhi, Haryana, Telangana

Local Body Finance

- 73rd and 74th Constitutional Amendments (1992): Panchayats and Municipalities; Articles 243H, 243I (State Finance Commission every 5 years), 243Y; 11th and 12th Schedules (29 and 18 subjects)
- 15th FC grants to local bodies: ₹4.36 lakh crore (basic grants and tied grants for sanitation, drinking water)
- Municipal bonds, property tax, user charges, Smart City SPVs; Central Finance Commission recommends measures to augment State Consolidated Fund to supplement local bodies' resources (Article 280(3)(b) and (c))

Fiscal federalism: key concepts

Vertical imbalance: Centre's greater taxing power vs states' spending; Horizontal imbalance: state-wise disparity; Equalisation: income-distance criterion; Cooperative federalism: GST Council and NITI Aayog; Competitive federalism: state rankings (EoDB, SDG index)

Cess and surcharge share rose to over 11% of Centre's gross tax revenue; states argue they reduce divisible pool; 16th FC examined

Compensation cess on luxury and sin goods ended; GST Compensation loan repaid; GST Council continued the 40% rate for sin goods

CHAPTER 19

Balance of Payments and Exchange Rate

Open Economy and Balance of Payments

- BoP: systematic record of all economic transactions between residents of a country and the rest of the world during a period; double-entry system, so the total always balances (UPSC 2013)
- Trade influences aggregate demand: imports are a leakage; exports are an injection

Account	Contents	Examples
Current account	Visible trade (merchandise), invisibles (services, income, transfers)	Steel export, crude import, software exports, tourism, remittances, interest and dividends, grants
Capital account (India's presentation includes financial account)	FDI, FPI, external commercial borrowings, external assistance, banking capital (NRI deposits), reserves	Equity purchase, ECB loan, NRI deposit
Errors and omissions	Statistical discrepancy	Balancing item

- Current account balance = Trade balance (goods) + net services + net primary income + net secondary income (transfers); CAD = deficit means India borrows from the world
- Invisibles: services (software, travel, transport), income (compensation of employees, investment income), transfers (remittances, gifts, grants)
- Loans are recorded in the capital account; interest on loans in the current account; remittances and gifts in current account transfers
- Autonomous transactions (exports, imports, FDI) are independent of BoP balance; accommodating transactions (RBI reserve changes) cover the gap (UPSC 2013, 2020)
- A BoP crisis happens when reserves cannot cover the deficit; 1991: reserves covered less than three weeks of imports; gold of 67 tonnes pledged; devaluation by 18-19% in July 1991

Current account numbers

CAD: 2.0% of GDP in 2023-24 equivalent to US\$26 billion; 0.6% in 2024-25; 1.1% in April-December 2025 (US\$30.2 billion); Q2 FY26 CAD US\$12.3 billion (1.3% of GDP); Q1 FY26 only 0.2% of GDP

Services exports grew 15.3% and remittances 10.1% year-on-year in April-December 2025 (RBI Annual Report 2025-26)

India's inward remittances: US\$118.7 billion in 2023-24 (RBI sixth survey); the US (27.7%) is the largest source, then UAE (19.2%), UK (10.8%), Saudi Arabia, Singapore, Qatar, Kuwait, Canada, Oman; advanced economies exceed 50% share; GCC share fell to 38% from 47% (2016-17); India is the world's largest remittance recipient (about US\$129 billion in 2024 per World Bank)

Merchandise trade deficit FY2025-26: US\$333.2 billion (against US\$282.5 billion in FY2024-25)

India's share in global merchandise exports about 1.8% and in services about 4.3%; services exports are the main cushion for the current account

Top export destinations: USA, UAE, China and Netherlands; top import sources: China, USA, UAE, Saudi Arabia; crude oil, gold and electronics are the main imports

Capital Account and Investment Flows

Item	Feature
FDI	Lasting interest with management control; 10% or more equity (up to 10% is FPI); Automatic route mostly allowed; net FDI US\$7.7 billion in H1 FY26 against US\$3.4 billion in H1 FY25
FPI	Short-term portfolio; net outflow US\$4.1 billion in H1 FY26 against inflow of US\$20.8 billion a year earlier; FPI flows have been volatile with sell-offs in 2026
ECB	Loans from non-resident lenders; India's low dependence on short-term ECBs is protective (UPSC 2020)
NRI deposits	FCNR(B), NRE, NRO; special schemes in 2013 and 2022

Item	Feature
FCCB	Foreign Currency Convertible Bonds
ADR/GDR	Depository receipts of Indian companies listed abroad (ADR in the US, GDR in Europe)
Masala bonds	Rupee-denominated bonds issued overseas (UPSC 2016); first by IFC in 2014
Participatory notes (P-notes)	Offshore derivative instruments, issued to overseas investors who are not registered with SEBI

- Gross FDI inflows to India: about US\$81 billion in 2024-25; net FDI remains low because of repatriation and outward FDI
- Capital controls: FEMA (Foreign Exchange Management Act, 1999) replaced FERA 1973; non-debt instruments rules (2019) govern FDI; Foreign investment in insurance rose to 100% through the Sabka Bima Sabki Raksha Act 2025
- Hot money: volatile FPI flows; Safe haven flows reverse in crisis

Convertibility

- Current account convertibility: India accepted Article VIII of the IMF in August 1994; rupee fully convertible on current account
- Capital account: partially convertible; Tarapore Committee (1997) on capital account convertibility proposed benchmarks (fiscal deficit 3.5% of GDP, inflation 3-5%, gross NPAs under 5%, CRR 3%); Tarapore II (2006) road map
- Sukhamoy Chakravarty Committee (1985), Narasimham Committee (1991) supported liberalisation
- Rupee internationalisation: RBI allowed trade settlement in rupees (Special Rupee Vostro Accounts, July 2022); UPI links with Singapore (PayNow), UAE, Nepal, Bhutan, France, Sri Lanka, Mauritius

Exchange Rate Systems

System	Feature	Example
Fixed (pegged)	Government sets value; devaluation raises competitiveness	Bretton Woods system (1944-71), Hong Kong dollar
Flexible (floating)	Market supply and demand	US dollar, Euro
Managed float (dirty float)	Market with RBI intervention	Indian rupee since 1993
Crawling peg	Small periodic adjustments	Some Latin American currencies

- Rupee regime: par value system until 1971, pegged to pound; basket peg 1975; dual exchange rate (LERMS) 1992; unified market-determined rate from March 1993
- Depreciation: fall in market value of currency in a floating system; devaluation: official reduction in a fixed system; appreciation/revaluation are opposites
- Determinants: interest rate differentials, inflation differentials, current account, capital flows, oil prices, RBI intervention, dollar index
- Forward premium, spot rate, hedging; NDF (non-deliverable forward) market

Rupee 2026

All-time low near ₹95.8-95.9 per US dollar on 14 May 2026 on oil prices and West Asia conflict; rupee fell about 8% in 2026 till October, among the weakest Asian currencies
RBI sold dollars to curb volatility; forex reserves peaked at US\$785.71 billion on 4 September 2026 and fell to US\$734.6 billion on 2 October 2026

NEER, REER, PPP

- NEER: weighted average of the rupee against a basket of currencies (40-currency export-trade-based index with base 2015-16=100)
- REER = NEER adjusted for relative prices (domestic price index / foreign price index); a rising REER indicates real appreciation and loss of export competitiveness; a falling REER means gains in competitiveness (UPSC 2022)
- PPP compares currencies by the cost of an identical basket; India is third largest economy in PPP terms (after China and the US); per capita income is far lower than the global average
- Currency swap: exchange principal and interest in different currencies for a period (RBI-BoJ swap); forex swap: short-term, buy-sell/sell-buy; interest rate swap: exchange fixed for floating, no principal exchange
- RBI bilateral swap lines: with BoJ (US\$75 billion), SAARC Currency Swap Framework (US\$2 billion), Sri Lanka, Maldives

- Import cover = $\text{forex reserves} / \text{monthly imports}$; about 11 months of merchandise imports in December 2025



CHAPTER 20

Forex Reserves, External Debt, Trade Policy and FTAs

Forex Reserves

- Components: foreign currency assets (largest, about 80%+), gold, SDRs, Reserve Tranche Position (RTP) in the IMF (UPSC 2019, 2020)
- India's reserves hit a record US\$704.9 billion in September 2024; peak of US\$785.71 billion on 4 September 2026; US\$734.6 billion on 2 October 2026 amid a fall
- India ranks among the top five reserve holders globally (China, Japan, Switzerland and India)
- RBI's gold reserves were increased in 2024-25; RBI repatriated gold holdings from the UK in 2024
- Reserve adequacy indicators: import cover, short-term debt ratio, reserves to external debt (about 90% in December 2025)
- Special Drawing Rights (SDR): IMF reserve asset created in 1969; basket: US dollar, Euro, Chinese Renminbi, Japanese Yen, British Pound
- Sterilisation: RBI absorbs liquidity created by forex purchases through OMO/MSS

External Debt

Component	Feature
Long-term debt	Maturity over one year; about 80% of total
Short-term	Maturity up to one year
Sovereign	Government and RBI; multilateral and bilateral
Non-sovereign	Corporate ECB, NRI deposits, trade credit

- External debt at end-June 2025 US\$747.2 billion; external debt to GDP 18.9%; US dollar share 53.8%; rupee-denominated 30.6%; loans 34.8%, currency and deposits 23.0%, trade credit 17.7%, debt securities 16.8%
- Debt service ratio about 5.5-6.7% of current receipts; India's external debt is sustainable
- Largest component by borrower: non-financial corporations and deposit-taking corporations (28.1%); general government 22.4%
- Debt crisis 1991 triggered the LPG reforms; the Gulf war oil shock and political instability led to BoP crisis

Foreign Trade

- Foreign Trade Policy 2023: five-year policy launched 1 April 2023 with the target of US\$2 trillion exports by 2030; Foreign Trade Policy Statement; Towns of Export Excellence; Amnesty scheme for exporters; Export-Import Code simplification
- Directorate General of Foreign Trade (DGFT) under the Ministry of Commerce; DGCI&S collects trade statistics; Export Credit Guarantee Corporation (ECGC); EXIM Bank (1982)
- Schemes: RoDTEP (replaced MEIS in January 2021; reimburses embedded taxes), RoSCTL for textiles, EPCG (Export Promotion of Capital Goods), Advance Authorisation, Duty Drawback, SEZs under SEZ Act 2005 (first SEZ Kandla 1965 and Asia's first EPZ), Export Oriented Units, Niryat Rin Vikas Yojana (NIRVIK, 2022), Trade Infrastructure for Export Scheme (TIES), Agriculture Export Policy 2018 (target US\$60 billion)
- Export Promotion Mission (2025-26): umbrella mission with Niryat Protsahan and Niryat Disha; RELIEF scheme (Resilience and Logistics Intervention for Export Facilitation, March 2026) under ECGC
- ECLGS 5.0 launched 5 May 2026 due to West Asia disruption; Windfall taxes on fuel exports reduced on 15 August 2026
- PLI schemes: launched in 2020; 14 sectors with outlay of about ₹1.97 lakh crore (see industry chapter); aim to cut import dependence
- Trade deficit with China is the largest; India imports electronics, machinery, chemicals
- US tariffs: additional US tariffs on Indian goods in 2025 (50% on many products from August 2025), a US Supreme Court ruling on tariffs in February 2026 delayed negotiation; bilateral trade agreement talks still continue in 2026
- Gold and silver import duty raised on 13 May 2026 (effective about 18.4% with IGST) to curb imports and rupee pressure

Trade Agreements: Types and India's Status

Type	Features	India example
PTA (Preferential Trade Agreement)	Reduced tariffs on some products	India-MERCOSUR (2009), India-Chile PTA
FTA	Eliminates tariffs on most goods	India-Sri Lanka (2000), SAFTA, ASEAN, UK CETA
CECA/CEPA	Goods, services, investment, IPR	Singapore CECA (2005), Japan (2011), UAE CEPA (2022)
ECTA	Early harvest trade agreement	Australia (2022)
Customs union	Common external tariff	EU, EAEU; India is not a member of any
Common market	Free movement of factors	EEA
Economic union	Common currency	Eurozone

- India-EFTA TEPA (Trade and Economic Partnership Agreement): signed 10 March 2024, in force from 1 October 2025; includes a US\$100 billion investment commitment over 15 years
- India-UK CETA: signed 24 July 2025; in force from 15 July 2026
- India-Oman CEPA: signed December 2025, operational from 1 June 2026
- India-New Zealand FTA: signed April 2026; in force from 20 October 2026
- India-EU FTA: concluded on 27 January 2026 ("mother of all deals"); signing expected on 16 December 2026; ratification will follow, so operation is likely in 2027
- Under negotiation: US BTA, Canada CEPA (launched 2 March 2026), Israel, Peru, GCC, Maldives, SACU, Chile CEPA, Australia CECA
- Earlier agreements: India-Mauritius CECPA (2021), India-Japan CEPA (2011), India-Korea CEPA (2010), India-Malaysia CECA (2011), India-ASEAN AITIGA (2010; review underway)
- India withdrew from RCEP in November 2019 (not signed); RCEP has 15 members including ASEAN-10, China, Japan, Korea, Australia, New Zealand
- Regional groupings relevant for India: SAARC, SAFTA (2006), BIMSTEC, BBIN, Indian Ocean Rim Association, India-Middle East-Europe Economic Corridor (IMEC, announced at G20 2023), International North-South Transport Corridor (INSTC), Chabahar port

CHAPTER 21

IMF, World Bank, WTO and International Institutions

Bretton Woods System

- Bretton Woods Conference: 1-22 July 1944 at Mount Washington Hotel, New Hampshire, USA; 44 Allied nations; Keynes (UK) and Harry Dexter White (US) key figures (UPSC 2025)
- Outcomes: IMF, IBRD and fixed exchange rate system with US dollar convertible to gold at US\$35 an ounce; the system collapsed in 1971 (Nixon shock) and was formally replaced by Jamaica Agreement (1976) allowing floating
- Functions of the international monetary system: exchange rate stability, crisis prevention, liquidity, integration

International Monetary Fund (IMF)

Aspect	Details
Founded	1944 (Bretton Woods); started operations 1 March 1947; headquarters Washington, D.C.
Members	191 countries; India is a founding member
Purpose	Monetary cooperation, exchange stability, financing BoP problems
Resources	Quota subscriptions from members; decision-making by weighted voting; US holds about 16.5% votes (veto on 85% decisions)
Credit	Stand-By Arrangement, Extended Fund Facility, Flexible Credit Line, Rapid Financing Instrument
Surveillance	Article IV consultations; flagship reports: World Economic Outlook (April, October), Global Financial Stability Report, Fiscal Monitor
Managing Director	Kristalina Georgieva (since October 2019; second term from October 2024)

- IMF quota: India's quota is about 2.75% and voting share 2.63%
- SDR basket reviewed every five years; Chinese renminbi added in 2016
- India's GDP forecasts: IMF April 2026 WEO placed India as the fastest-growing major economy; India in the global top 6 nominal GDP rank (see ch11a)
- Washington Consensus, structural adjustment conditions

World Bank Group

Institution	Year	Role	India member
IBRD	1944	Loans to middle-income countries	Yes
IDA	1960	Concessional loans/grants to poorest	Yes (India graduated, now donor)
IFC	1956	Private sector lending	Yes
MIGA	1988	Political risk insurance	Yes
ICSID	1966	Investment dispute arbitration	India not a member

- Headquarters Washington, D.C.; 189 member countries (World Bank, IBRD); USA is largest shareholder (16.41% votes), then Japan (7.87%), Germany (4.49%), UK (4.31%) and France (4.31%)
- Reports: World Development Report, Human Capital Index, Global Economic Prospects, Doing Business (discontinued in 2021 after data irregularities; B-READY replaced it) (UPSC 2016), Logistics Performance Index
- The World Bank has warned that India may see wet-bulb temperatures above 35 degrees Celsius that humans cannot survive (UPSC 2025); wet-bulb temperature is measured with a wet cloth over a thermometer, always $\leq$ dry-bulb
- Head: Ajay Banga (President since June 2023, Indian-origin)

- Other multilateral institutions: Asian Development Bank (1966; Manila), Asian Infrastructure Investment Bank (AIIB, 2016, Beijing; India is the second largest shareholder), New Development Bank (BRICS bank, 2015, Shanghai), Bank for International Settlements (1930, Basel), Financial Stability Board

World Trade Organization (WTO)

Aspect	Details
Established	1 January 1995 successor to GATT (1947); Uruguay Round (1986-94); Marrakesh Agreement
Headquarters	Geneva
Members	166 countries (Comoros and Timor-Leste joined in 2024)
Decision-making	Consensus; Ministerial Conference every two years is the highest body
Director-General	Ngozi Okonjo-Iweala (since March 2021; reappointed 2025)
Dispute settlement	Dispute Settlement Body; Appellate Body non-functional since December 2019 as US blocks appointments
Principles	MFN (most favoured nation), national treatment, transparency

- MC13 at Abu Dhabi (February-March 2024) and MC14 at Yaoundé, Cameroon (26-29 March 2026) with ongoing debate on e-commerce moratorium and fisheries subsidies
- Agreement on Fisheries Subsidies entered into force on 15 September 2025 after reaching two-thirds acceptance
- Agreements: GATT, GATS (services), TRIPS (intellectual property), TRIMs (investment measures), SPS (sanitary and phytosanitary), TBT, Agreement on Agriculture (AoA), Safeguards, Anti-dumping, SCM (subsidies and countervailing measures)

Agreement on Agriculture (AoA)

Pillar	Features
Market access	Tariffication, tariff reduction; Special Safeguard Mechanism (SSM) demanded by developing countries
Domestic support	Green Box (non-trade-distorting: research, extension, crop insurance), Blue Box (production-limiting), Amber Box (trade-distorting: MSP, input subsidies), de minimis (5% for developed, 10% for developing countries of value of production)
Export subsidies	Developed countries eliminated after Nairobi Ministerial 2015; developing countries until 2030

- Peace Clause (Bali 2013): no dispute action against public stockholding programmes of developing countries that exceed AMS limits, if transparency conditions are met; India procures at MSP for NFSA
- G-33: coalition of developing countries (47 members) for agriculture special products; India is a member; Cairns Group (agricultural exporters)
- India has used anti-dumping (through DGTR), countervailing and safeguard duties; anti-dumping duties last five years and can be extended after sunset review
- Dispute: India lost WTO disputes on solar cells with the US and on ICT tariffs; sugar subsidies disputes with Australia, Brazil and Guatemala

UNCTAD and Other UN Bodies

- UNCTAD (1964; Geneva): reports include World Investment Report, Trade and Development Report, Digital Economy Report, Least Developed Countries Report
- UNIDO, FAO (Rome), WHO, UNDP (Human Development Report), UNEP; World Economic Forum (Davos; Global Gender Gap Report)

Intellectual Property Rights (IPR)

Type	Protection
Patent	20 years from filing for novel, inventive, industrially applicable inventions

Type	Protection
Copyright	Life of author plus 60 years in India (Copyright Act 1957; TRIPS minimum 50 years)
Trademark	10 years, renewable indefinitely; Trade Marks Act 1999
Geographical Indication	Registered under GI Act 1999; 10 years renewable; e.g., Darjeeling tea (first GI in India, 2004)
Industrial design	10 years, extendable to 15 years under Designs Act 2000
Plant varieties	Protection of Plant Varieties and Farmers' Rights Act 2001; PPVFRA
Semiconductor layout designs	SICLD Act 2000

- Evergreening: minor modifications to extend patents; Section 3(d) of Patents Act 1970 blocks it (Novartis v Union of India, 2013)
- Compulsory licensing: allowed under TRIPS and Section 84 of the Patents Act; first compulsory licence in India for Nexavar (2012)
- Controller General of Patents, Designs and Trademarks (CGPDT) under DPIIT; National IPR Policy 2016
- International: WIPO (UN agency since 1974, Geneva), Paris Convention (1883), Berne Convention (1886), PCT, Madrid Protocol, Hague Agreement; World Intellectual Property Day on 26 April
- Global Innovation Index (WIPO): India ranked 39th in 2024 and 38th in 2025

Other Global Groupings (Economy-linked)

- G20 (2023 India presidency; African Union admitted as permanent member), G7, BRICS (expanded 2024; India chairs BRICS in 2026), SCO, Quad, NAM
- OPEC and OPEC+ determine crude oil supply; IEA; International Solar Alliance (HQ Gurugram; launched with France in 2015)

CHAPTER 22

Financial Markets: Money Market, Capital Market and Securities

Structure of the Financial System

Segment	Maturity	Regulator	Instruments
Money market	Up to 1 year	RBI (government and bank paper); SEBI for some corporate paper	T-bills, CP, CD, call money, repo, CBLO/TREPS
Capital market	Above 1 year	SEBI (corporate debt and equity); RBI (G-secs)	Shares, bonds, debentures, G-secs, mutual funds
Forex market	Currencies	RBI under FEMA	Spot, forward, swaps
Derivatives	Underlying-linked	SEBI	Futures, options (equity, commodity, currency)

- Financial system: institutions (banks, NBFCs, insurers), markets, instruments, and services; financial intermediation channels savings to investment
- Financial Stability and Development Council (FSDC): established in 2010, chaired by the Union Finance Minister; sub-committee chaired by RBI Governor; coordinates regulators (RBI, SEBI, IRDAI, PFRDA, IBBI)
- High-level regulator split: RBI (banks, NBFCs, payment systems, money market), SEBI (securities), IRDAI (insurance), PFRDA (pensions), IFSCA (International Financial Services Centres, GIFT City), IBBI (insolvency)

Money Market

Instrument	Issuer	Key features
Treasury bills	Government of India	Zero-coupon, issued at discount; 91, 182 and 364 days; no state T-bills (UPSC 2018, 2021)
Cash management bills	GOI	Tenor under 91 days to bridge temporary mismatch
Dated G-secs	Centre and states	5 to 40 years, fixed or floating coupon paid half-yearly
State development loans (SDLs)	States	Eligible for SLR and as repo collateral
Commercial paper	Corporates, NBFCs	Unsecured, 7 days to 1 year, minimum ₹5 lakh denomination after 2018 changes (earlier ₹25 lakh), minimum rating A3 (UPSC 2020)
Certificates of deposit	Scheduled commercial banks (not RRBs, LABs)	Negotiable time deposit, minimum ₹5 lakh after 2020 revisions (earlier ₹1 lakh), tradable but cannot be used as collateral
Commercial bills	Sellers to buyers	30/60/90 day usance; rediscountable
Call money	Banks	Overnight, rate set by demand and supply (UPSC 2020)
Notice money	Banks	2 to 14 days
Term money	Banks	Over 14 days
TREPS (Triparty Repo)	CCIL	Replaced CBLO from November 2018 (UPSC 2024)
Inter-corporate deposits	Corporate to corporate	Unsecured

- Ways and Means Advances for the Centre: repayable within three months, interest at the repo rate; overdraft after 90 days at repo plus 2%
- Weighted average call rate (WACR) is the operating target of monetary policy
- Money market mutual funds, repo and reverse repo (including corporate bond repos) widen liquidity
- Regulators: RBI regulates money market; Foreign Exchange Dealers' Association of India (FEDAI) for forex, FIMMDA for fixed income, FBIL administers benchmarks (incorporated 9 December 2014; RBI recognised July 2015; took over from FIMMDA/FEDAI in 2018)
- Clearing Corporation of India Ltd (CCIL): central counterparty for G-sec, forex and money market trades; operates NDS-OM (order matching trading system for G-secs since 2005)
- RBI Retail Direct Scheme (12 November 2021): retail investors can open gilt accounts with RBI to buy G-secs and T-bills directly; non-competitive bidding

Capital Market

- Primary market: new issues (IPO, FPO, rights issue, private placement, preferential allotment, QIP); creates securities and directly aids capital formation; price set by the issuer
- Secondary market: stock exchanges (BSE, NSE) trade existing securities; provides liquidity and price discovery; indirectly promotes capital formation
- Types of capital: authorised, issued, subscribed, paid-up

Basis	Debt (bonds, debentures)	Equity (shares)
Position	Creditor	Owner
Return	Fixed interest	Variable dividend
Liquidation claim	First (waterfall)	Last
Risk	Lower (UPSC 2025)	Higher
Tax	Interest is deductible	Dividend not deductible

- Preference shares: fixed dividend, priority claim over ordinary shares, may lack voting rights; ordinary (equity) shares: voting, residual claim
- Bonds: secured by assets; debentures: unsecured, backed by the issuer's creditworthiness (convertible or non-convertible)
- Interest-rate based bonds: fixed, floating, zero-coupon (UPSC 2020), negative yield bonds
- Inflation protection: capital indexed bonds and inflation indexed bonds (IIBs; UPSC 2022)
- Others: perpetual (consol) bonds, bearer bonds, bonds with call/put options, convertible bonds (UPSC 2022), FCCBs

Special bond	Meaning
Masala bond	Rupee-denominated bond issued abroad (IFC first, November 2014 in London); borrower avoids currency risk, investor bears it (UPSC 2016)
Panda bond	Yuan bond in China by foreign issuer
Samurai / Yankee / Bulldog	Bonds in Japan / US / UK by foreign issuers
Maharaja bond	Rupee bond issued by IFC in India
Sovereign gold bond (SGB)	Government security in grams of gold, 2.5% interest, 8-year tenor; issuance discontinued after 2024-25
Green bond	Finances green projects; World Bank (2007); Yes Bank first Indian (2015); Sovereign Green Bonds launched in January 2023
Municipal bond	Issued by urban local bodies; Bengaluru (1997) first in India
UDAY bonds	State bonds issued to take over DISCOM debt (2015)
Social bond, Blue bond, Sustainability-linked bond	ESG segment
Surety bond	Insurance-backed alternative to bank guarantee, promoted for infrastructure (IRDAI guidelines 2022; Budget 2024-25 push)
BHARAT Bond ETF	Exchange traded fund of AAA CPSE bonds (December 2019)

- Bond price and yield: inverse; when interest rates rise, price of existing bonds falls (UPSC 2021)
- Yield curve: plots yield against maturity; inverted yield curve (short-term yields higher than long-term) signals recession
- G-sec yields respond to US Fed policy, RBI liquidity actions, inflation, fiscal deficit and crude prices

- Corporate bond market deepening: SEBI and RBI measures, Corporate Debt Market Development Fund and credit enhancement; Corporate bond market issuance record in FY26

Depository Receipts

Type	Issued in	Denomination
ADR	USA (NYSE, NASDAQ), Infosys the first Indian ADR in 1999	US dollar
GDR	London and Luxembourg exchanges	Dollar / Euro
IDR	India, issued by foreign company (Standard Chartered 2010)	Rupee

- Indian companies have also begun direct listing abroad at GIFT-IFSC and permitted direct listing on foreign exchanges under the Companies (Amendment) Act 2020

CHAPTER 23

SEBI, Stock Exchanges, Funds and Foreign Investment

SEBI

Aspect	Details
Established	12 April 1988 (executive body); statutory status under SEBI Act, 1992 (30 January 1992 Ordinance)
Headquarters	Mumbai
Chairman	Tuhin Kanta Pandey (since 1 March 2025)
Structure	Chairman, two members from the Finance Ministry, one from RBI, five other members
Powers	Quasi-legislative, quasi-judicial, quasi-executive; appeals to Securities Appellate Tribunal (SAT)
Role	Protect investors, regulate stock exchanges, intermediaries, mutual funds, takeovers; ban insider trading

- Key SEBI reforms: T+1 settlement (January 2023; full transition February 2023); T+0 optional in March 2024; UPI-based IPO payment; ASBA; SME exchanges; demat mandatory; INR 10 lakh crore plus mutual fund size
- SEBI is also the regulator for Real Estate Investment Trusts (REITs), Infrastructure Investment Trusts (InvITs), AIFs, portfolio managers and credit rating agencies
- Insider trading regulations 1992 (amended 2015); Takeover Code 1997; Listing Obligations and Disclosure Requirements (LODR) 2015
- SEBI Settlement Scheme, Investor Protection and Education Fund; SCORES complaint platform (SEBI Complaint Redress System) and 'SMART ODR' for online dispute resolution
- Index fund and ETFs; Sensex (BSE, 30 stocks, base 1978-79=100, 1986), Nifty 50 (NSE, base 1995=1000, 1996)
- Stock exchanges: Bombay Stock Exchange (BSE) Asia's oldest (1875); National Stock Exchange (NSE, 1992, screen based trading from 1994; India's largest by volume); Metropolitan Stock Exchange; India INX and NSE IX at GIFT City; NSE is the world's largest derivatives exchange by contract volume
- Depositories: NSDL (1996, first) and CDSL (1999); CCIL, NSCCL, ICCL clearing corporations
- Stock market regulations: circuit breakers (10%, 15%, 20% index based); upper/lower circuit filters; short selling; STT; margin rules; F&O curbs (November 2024 changes)

Derivatives and Commodity Market

- Derivatives: contracts whose value derives from an underlying asset; forwards, futures (standardised on exchange), options (call and put), swaps
- Hedging, speculation, arbitrage are three participant types
- Forward Markets Commission regulated commodity futures (merged with SEBI on 28 September 2015); commodity exchanges: MCX, NCDEX, ICEX
- Currency derivatives: NSE and BSE; hedging currency risk
- Index options volumes make India the largest derivatives market globally by contract count

Fund Types

Fund	Meaning	Regulator
Mutual fund	Pools money from many investors; open-ended (any time) or close-ended (during NFO); NAV based pricing	SEBI
ETF	Tracks index and trades on exchange (Nifty BeES first in India, 2001)	SEBI

Fund	Meaning	Regulator
Hedge fund	Private pool using leverage, short selling; Category III AIF	SEBI
AIF (Alternative Investment Funds)	Category I (venture capital, social venture, infrastructure; UPSC 2025), Category II (private equity, debt funds), Category III (hedge funds; UPSC 2025)	SEBI
REIT / InvIT	Trust units giving small investors exposure to real estate or infrastructure income (UPSC 2023); Embassy Office Parks was India's first REIT (2019); India Infrastructure Investment Trust	SEBI
Sovereign wealth fund	Government fund investing surplus reserves; Santiago Principles (24 voluntary principles, 2008); NIIF (National Investment and Infrastructure Fund, 2015) is India's quasi-sovereign fund	Government
ESG funds	Invest in environmentally and socially responsible companies; BRSR (Business Responsibility and Sustainability Reporting) mandatory for the top 1000 listed companies	SEBI
Social Stock Exchange	Launched in 2022 on NSE for non-profits to raise funds	SEBI

- SIP (Systematic Investment Plan): retail investment in equity funds through monthly instalments; Mutual fund assets under management and SIP inflows hit records in 2025-26
- Angel funds, Venture Capital Funds: Fund of Funds for Startups (FFS, 2016, ₹10,000 crore corpus via SIDBI) and ₹10,000 crore Fund of Funds for Startups 2.0 announced in Budget 2025-26

Foreign Investment

Basis	FDI	FPI	FII
Nature	Lasting interest, control	Passive; below 10%	Earlier name for FPI institutions
Instrument	Physical and financial assets	Shares, bonds, derivatives	Equity and debt
Volatility	Stable	Hot money, volatile	Same
Entry	Difficult	Easy	Easy
Regulator	DPIIT / RBI under FEMA	SEBI and RBI	SEBI

- FDI routes: Automatic (no approval) and Government (approval through Foreign Investment Facilitation Portal run by DPIIT)
- Press Note 3 (2020): investment from land-border countries (China, Bangladesh, Pakistan, etc.) needs government approval; talk of easing the rules for Chinese minority stakes in 2025-26
- FDI caps: defence up to 74% automatic (100% with approval); insurance up to 100% (2025 amendment); telecom 100% (49% automatic initially); single-brand retail 100% automatic; multi-brand retail 51% government route; private banks 74%; public sector banks 20%; coal mining, contract manufacturing and railways 100%; space sector liberalised in 2024; atomic energy through the SHANTI law of 2025 allowing private participation under conditions
- Instruments: equity shares, compulsorily convertible preference shares, convertible debentures, warrants (only fully, mandatorily convertible instruments qualify as FDI)
- Foreign investment categories: FPI (SEBI registered), NRI investment (Non-Repatriable and repatriable), FVCI, QFI
- Overseas direct investment (ODI) and Overseas portfolio investment under FEMA rules
- India has been attracting steady greenfield FDI but gross inflows in 2025-26 were pressured by repatriation; Net FDI US\$7.7 billion in H1 FY26
- Direct Tax: DTAA with Mauritius, Singapore, Cyprus amended to curb treaty shopping (GAAR)

CHAPTER 24

Insurance, Pension, Fintech and Digital Finance

Insurance

- IRDAI (Insurance Regulatory and Development Authority of India): statutory body under IRDA Act 1999; headquarters Hyderabad
- Life insurance: LIC (nationalised in 1956; largest insurer; IPO in May 2022); general insurance: GIC Re (national reinsurer), New India Assurance, National Insurance, Oriental Insurance, United India Insurance
- Insurance penetration ratio: premium as percentage of GDP; insurance density: premium per capita; India's penetration about 3.7% in FY2023-24 (life 2.8%, non-life 1.0%), below the world average of about 7%; density about US\$92
- Insurance (Amendment) law of 2025 (Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Act, 2025): raised FDI limit in insurance from 74% to 100% (earlier 26% in 2000, 49% in 2015, 74% in 2021) and eased capital requirements for composite licences
- Bima Sugam: electronic marketplace of IRDAI for insurance, planned for launch; "Insurance for All by 2047" vision
- Social security insurance: Pradhan Mantri Jeevan Jyoti Bima Yojana (₹436 per year, ₹2 lakh life cover), Pradhan Mantri Suraksha Bima Yojana (₹20 per year, ₹2 lakh accident cover), Ayushman Bharat PM-JAY (₹5 lakh per family; extended to all above 70 years from October 2024), Pradhan Mantri Fasal Bima Yojana (crop insurance, 2016)
- Deposit insurance: DICGC (₹5 lakh per depositor per bank since February 2020)
- Reinsurance, bancassurance, microinsurance, ULIP (unit-linked insurance plans), term plans; GST exemption for individual life and health insurance premiums from 22 September 2025

Pension

- PFRDA (Pension Fund Regulatory and Development Authority): statutory from 2013 (PFRDA Act); regulates the National Pension System (NPS)
- NPS: launched 1 January 2004 for government employees (new pension scheme replaced old defined benefit pension), opened to all citizens in 2009; contribution-based, market-linked; Tier I (non-withdrawable) and Tier II (voluntary)
- Unified Pension Scheme (UPS): effective from 1 April 2025 for central government employees opting in; assured pension of 50% of average basic pay of last 12 months for 25 years service, assured family pension 60%, minimum pension ₹10,000 for 10 years service
- Atal Pension Yojana (APY, 2015): for unorganised sector aged 18-40, guaranteed pension ₹1,000 to ₹5,000 per month at age 60
- NPS Vatsalya (2024): pension for minors; Employees' Provident Fund Organisation (EPFO): EPF, EPS-95, EDLI; EPFO 3.0 digital platform (2025)
- National Social Assistance Programme (NSAP): old age, widow, disability pensions
- Old Pension Scheme (OPS) demand: fiscal implications; Several states returned to OPS; Reserve Bank of India study cautioned against reversion
- Pension reform: Gratuity under the Payment of Gratuity Act 1972; New Labour Codes were brought into force on 21 November 2025 (Code on Wages, Industrial Relations, Social Security, Occupational Safety); gig workers' social security funding via aggregators' contribution (1-2% of turnover)

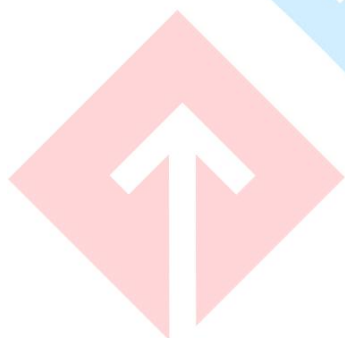
Financial Inclusion

- Pradhan Mantri Jan Dhan Yojana (PMJDY): launched 28 August 2014; more than 55 crore accounts (2025); zero balance accounts, RuPay debit card with accident insurance, overdraft up to ₹10,000
- Financial Inclusion Index (FI-Index): launched by RBI in 2021 (annual values: 53.9 in 2021, 56.4 in 2022, 60.1 in 2023, 64.2 in 2024)
- Mudra loans (PMMY, 2015): Shishu (up to ₹50,000), Kishore (₹50,000 to ₹5 lakh), Tarun (₹5 lakh to ₹10 lakh), Tarun Plus (₹10 to ₹20 lakh after Budget 2024-25)
- Stand-Up India (2016), Pradhan Mantri SVANidhi (2020), Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), Self Help Group-Bank Linkage Programme (SBLP, 1992), Digital Payment Index (RBI-DPI)
- Financial literacy: National Centre for Financial Education (NCFE), Financial Literacy Week; RBI's Financial Inclusion Fund, Financial Inclusion Technology Fund

Fintech and Digital Finance

- Unified Payments Interface (UPI): NPCI, launched April 2016; global leader in real-time payments by volume; UPI transactions cross 20 billion a month in 2025; UPI Lite, UPI 123PAY, UPI credit line

- Aadhaar enabled Payment System (AePS), BHIM, Bharat Bill Payment System, NACH, IMPS, NETC (FASTag)
- Account Aggregator framework (RBI 2016, live since 2021), Open Credit Enablement Network (OCEN), Ujjwal, Digital Public Infrastructure (DPI): identity (Aadhaar), payments (UPI), data empowerment (DEPA)
- Central Bank Digital Currency (CBDC): e₹ (digital rupee) pilot started on 1 December 2022 (retail) and 1 November 2022 (wholesale); legal tender in digital form
- Cryptocurrency: no legal ban but taxed at 30% on gains and 1% TDS (Finance Act 2022); RBI has expressed concerns; the Banning of Cryptocurrency and Regulation of Official Digital Currency Bill remains pending
- Payments regulation: Payment and Settlement Systems Act 2007; RBI Payments Vision 2025; Payment Aggregators regulation; Digital lending guidelines (2022 and 2025 directions); Regulatory sandbox (2019)
- GIFT City (Gujarat International Finance Tec-City, Gandhinagar): India's first IFSC established in 2015; regulated by International Financial Services Centres Authority (IFSCA, 2020); includes India INX, NSE IX, bullion exchange (India International Bullion Exchange), and global capital-raising
- Fintech: Digital lending, buy now pay later, neobanks, Open Network for Digital Commerce (ONDC, 2022)



ForumPCS

CHAPTER 25

Colonial Background and Economic Planning

Economy Under Colonial Rule

- Pre-colonial India: self-sufficient village economy and world-famous handicrafts (Dhaka muslin, Bengal textiles); about one quarter of world GDP at 1700 by some estimates (Maddison)
- Colonial policies made India a supplier of raw materials (cotton, jute, indigo) and a market for British manufactures; de-industrialisation of handicrafts; commercialisation of agriculture
- Growth below 2% annually in aggregate output; per capita growth near 0.5% in the first half of the 20th century; literacy 16%, life expectancy 32 years in 1947
- Drain of Wealth: theory of Dadabhai Naoroji (Poverty and Un-British Rule in India), R. C. Dutt (Economic History of India), Home charges
- Land revenue systems: Permanent Settlement (Cornwallis, 1793, Bengal, Bihar: zamindars), Ryotwari (Munro and Read, Madras and Bombay, direct), Mahalwari (village, Punjab, North-West provinces)
- Occupational structure: agriculture 70-75% of workforce, manufacturing around 10%, services 15-20%
- Infrastructure built for colonial control: railways (first train 16 April 1853, Bombay to Thane), ports, telegraph (1851), post, and roads served British commercial interests
- Industry: Modern industry limited to cotton textiles (first mill 1854, Bombay), jute (1855, Rishra), steel (TISCO, 1907 Jamshedpur); capital goods industries absent
- Foreign trade: export surplus without return imports; India's surplus financed British administration costs (Home charges)
- First Census 1881; regular decennial census since; Census 2011 is the latest completed (Census 2027 houseowners listing began April 2026 and enumeration scheduled for February 2027)

Economic themes of colonial India

Britain's industrial revolution meant destruction of India's handicrafts and the shift from net exporter to importer of manufactured goods

Economic thinkers: Naoroji (drain), Ranade, Gokhale, Gandhi (village economy and swadeshi), Visvesvaraya (Planned Economy of India, 1934), M. N. Roy (People's Plan)

Bombay Plan (1944) by industrialists like J. R. D. Tata and G. D. Birla, a blueprint for planned post-independence development

Economic Systems

System	Features	Examples
Capitalist (market)	Private ownership, price mechanism, profit	USA
Socialist	State ownership, central planning	Former USSR, China (1950-78)
Mixed	Public and private sectors, state regulation	India

- India's choice: Industrial Policy Resolution 1948 and 1956 ("Socialistic pattern of society", Avadi Congress 1955); mixed economy with a heavy dose of planning; Constitution's Directive Principles (Articles 38, 39)
- Features of mixed economy: coexistence of public and private sectors; welfare orientation; planned development

Planning in India

Plan	Period	Focus	Key facts
First	1951-56	Agriculture, irrigation, energy	Harrod-Domar model; Bhakra, Hirakud dams; Community Development Programme (1952)

Plan	Period	Focus	Key facts
Second	1956-61	Heavy industry	Mahalanobis model; Bhilai, Rourkela, Durgapur steel plants; Industrial Policy Resolution 1956
Third	1961-66	Self-reliant, agriculture and industry	Failure due to 1962 and 1965 wars; Gadgil strategy
Plan holiday	1966-69	Annual plans	Green Revolution started; devaluation of rupee in June 1966
Fourth	1969-74	Growth with stability, self-reliance	Bank nationalisation (14 banks in 1969), Garibi Hatao
Fifth	1974-78	Poverty removal, self-reliance	Minimum Needs Programme; ended early by Janata Government
Rolling plan	1978-80	Annual plans	Gunnar Myrdal concept
Sixth	1980-85	Poverty alleviation	IRDP, NREP, NABARD set up (1982)
Seventh	1985-90	Productivity, employment, modernisation	Food, work, productivity; Jawahar Rozgar Yojana
Annual plans	1990-92	Political and BoP crisis	Reforms begin in 1991
Eighth	1992-97	Human development	LPG reforms; P. V. Narasimha Rao; growth target 5.6% achieved 6.8%
Ninth	1997-2002	Growth with social justice and equity	Missed target
Tenth	2002-07	Doubling per capita income in ten years, 8% growth	Monitorable targets
Eleventh	2007-12	Faster and more inclusive growth	Achieved 8% growth; Rashtriya Madhyamik Shiksha Abhiyan
Twelfth	2012-17	Faster, more inclusive and sustainable growth	Last plan; growth target 8%; achieved about 7%

- Planning Commission: set up by Cabinet resolution on 15 March 1950, chairman Prime Minister; abolished on 1 January 2015
- National Development Council (NDC): 6 August 1952; approves plans; dissolved with Planning Commission, role taken by Governing Council of NITI Aayog
- NITI Aayog (National Institution for Transforming India): 1 January 2015; think tank; Chairman is the Prime Minister; Vice Chairman (Suman Bery since 2023); Governing Council of Chief Ministers and Lieutenant Governors; CEO (B. V. R. Subrahmanyam since 2023)
- NITI Aayog indices: SDG India Index (SDG Index 2023-24 with composite score 71, Kerala top), Multidimensional Poverty Index, India Innovation Index, Export Preparedness Index, School Education Quality Index, Fiscal Health Index, State Health Index, Composite Water Management Index
- Models: Harrod-Domar (capital-output ratio), Mahalanobis (capital goods emphasis), Lewis dual-sector, Rosenstein-Rodan big push, Big Push; Nehru-Mahalanobis strategy
- Types of planning: indicative (market oriented, French model; India after 1991), imperative (command), rolling, perspective (15-20 years), decentralised (Panchayati Raj; 73rd and 74th Amendments, 1992 for local planning), Gandhian plan (Shriman Narayan 1944), People's Plan, Sarvodaya Plan (Jayaprakash Narayan, 1950)
- Growth rates of Plans: Hindu rate of growth (about 3.5% till 1980; term by Raj Krishna), growth accelerated to 5.6% in the 1980s, 6-7% after 1991, around 8% between 2003 and 2011

India Development vision

Viksit Bharat 2047: aim for a developed country at India's 100th year of independence, needing sustained growth of around 8% a year and rising per capita income to cross the high-income threshold (about US\$14,000)

Amrit Kaal period: 2022-2047; Five-trillion dollar target moved ahead: nominal GDP exceeded US\$4 trillion in 2025 per IMF

After 2017, planning is done through the Union Budget, Finance Commission, 15-year vision documents of NITI Aayog and three-year action agendas; Five-Year Plans are not formulated now



CHAPTER 26

Indian Agriculture: Structure, Production and Trends

Overview and Share in Economy

- Agriculture and allied sector: employs about 46% of the workforce (PLFS 2023-24) and contributes about 16-18% of GVA at current prices; share has fallen from over 50% in 1950-51 but employment has not shifted as fast (disguised unemployment)
- Census 2011: 54.6% of the main workers were in agriculture; PLFS 2023-24 workforce share in agriculture about 46%
- Agriculture growth: average 4.18% a year in five years; slowed to 1.4% in 2023-24 (El Nino, poor monsoon); recovered strongly in 2024-25 (about 4.6%)
- Sub-sectors: crops, livestock, forestry and logging, fisheries; livestock contributes over 30% of agricultural GVA and 5.5% of total GVA
- India is the largest producer of milk, pulses, spices and jute; the second largest producer of rice, wheat, sugarcane, cotton, fruits, vegetables, and farmed fish; largest exporter of rice (about 40% of global rice trade)

Land Holdings (Agriculture Census 2015-16)

Indicator	Value
Operational holdings	146.45 million (up 5.86% from 2010-11)
Average size	1.08 hectares (1.15 ha in 2010-11)
Small and marginal holdings	86.08% (marginal under 1 ha: 68.5%; small 1-2 ha: 17.6%)
Women's share of operational holdings	13.96%

- Next agriculture census (2021-22) is underway; Agristack and digital crop survey (Digital Crop Survey) mapping farmer identity, land records and crops
- Small Farmers Large Field (SFLF): collective model where marginal farmers synchronise operations (UPSC 2023)
- Land reforms: abolition of intermediaries (zamindari), tenancy reform, ceilings on holdings, consolidation of holdings, Bhoodan and Gramdan (Vinoba Bhave, 1951); West Bengal's Operation Barga (1978) for sharecroppers' rights; land is a State subject (Entry 18 List II); Ninth Schedule protected land reform laws

Cropping Patterns

Term	Meaning	Example
Cropping intensity	Number of crops per year on same land = gross cropped area / net sown area x 100	About 155%
Multiple cropping	More than one crop in a year in sequence	Rice-wheat-maize
Inter-cropping	Two or more crops grown simultaneously in distinct rows	Maize with beans; mustard with wheat
Mixed cropping	Mixed seeds without row pattern	Wheat + mustard; cotton + groundnut
Strip cropping	Alternate strips of crops	Maize and soybean
Contour bunding	Planting along contour lines to prevent erosion	Tea, coffee on slopes
Crop rotation	Different crops in successive seasons on the same land	Legume followed by cereal

- Seasons: Kharif (June-July sowing; October harvest; rice, maize, jowar, bajra, cotton, soybean, groundnut, tur), Rabi (October-November sowing; April harvest; wheat, barley, gram, mustard, peas), Zaid (summer; March-June; watermelon, cucumber, fodder)
- Cash and plantation crops: sugarcane, cotton, jute, tea, coffee, rubber

- Net sown area about 140 million hectares; gross cropped area about 200 million hectares; irrigation coverage of gross cropped area rose from 49.3% to 55% (FY16 to FY21)

Production: Third Advance Estimates 2025-26

Crop	2025-26 (million tonnes)	2024-25
Foodgrains	376.56 (record)	357.73
Rice	154.02	150.18
Wheat	120.66	117.95
Maize	55.09 (record)	43.41
Gram	12.51	11.11
Tur	3.59	3.62
Lentil	1.76	--
Oilseeds	43.06	--
Groundnut	13.07 (record)	11.94
Soybean	12.60	--
Rapeseed and mustard	13.77 (record)	12.67
Sugarcane	500.06 (record)	454.61
Cotton	29.02 million bales (170 kg)	--
Jute	9.18 million bales (180 kg)	--
Shree Anna (millets)	17.58	--
Coarse and nutritious cereals	74.47	--

- Earlier years: foodgrains 332.30 mt in 2023-24; rice 137.8 mt, wheat 113.3 mt (2023-24 second estimates)
- Horticulture (2023-24 final estimates): about 353 million tonnes, exceeding foodgrains; fruits 112.7 mt and vegetables 205.8 mt (2022-23); India leads in mango and banana production
- Top producers: rice (West Bengal and UP), wheat (UP, Madhya Pradesh, Punjab), sugarcane (UP first), cotton (Gujarat, Maharashtra), mustard (Rajasthan), tea (Assam), coffee (Karnataka), jute (West Bengal), Uttar Pradesh is first in foodgrain, sugarcane, milk and wheat
- Tea 1,382 million kg; coffee 3.74 lakh tonnes; spices: India the largest producer, consumer and exporter

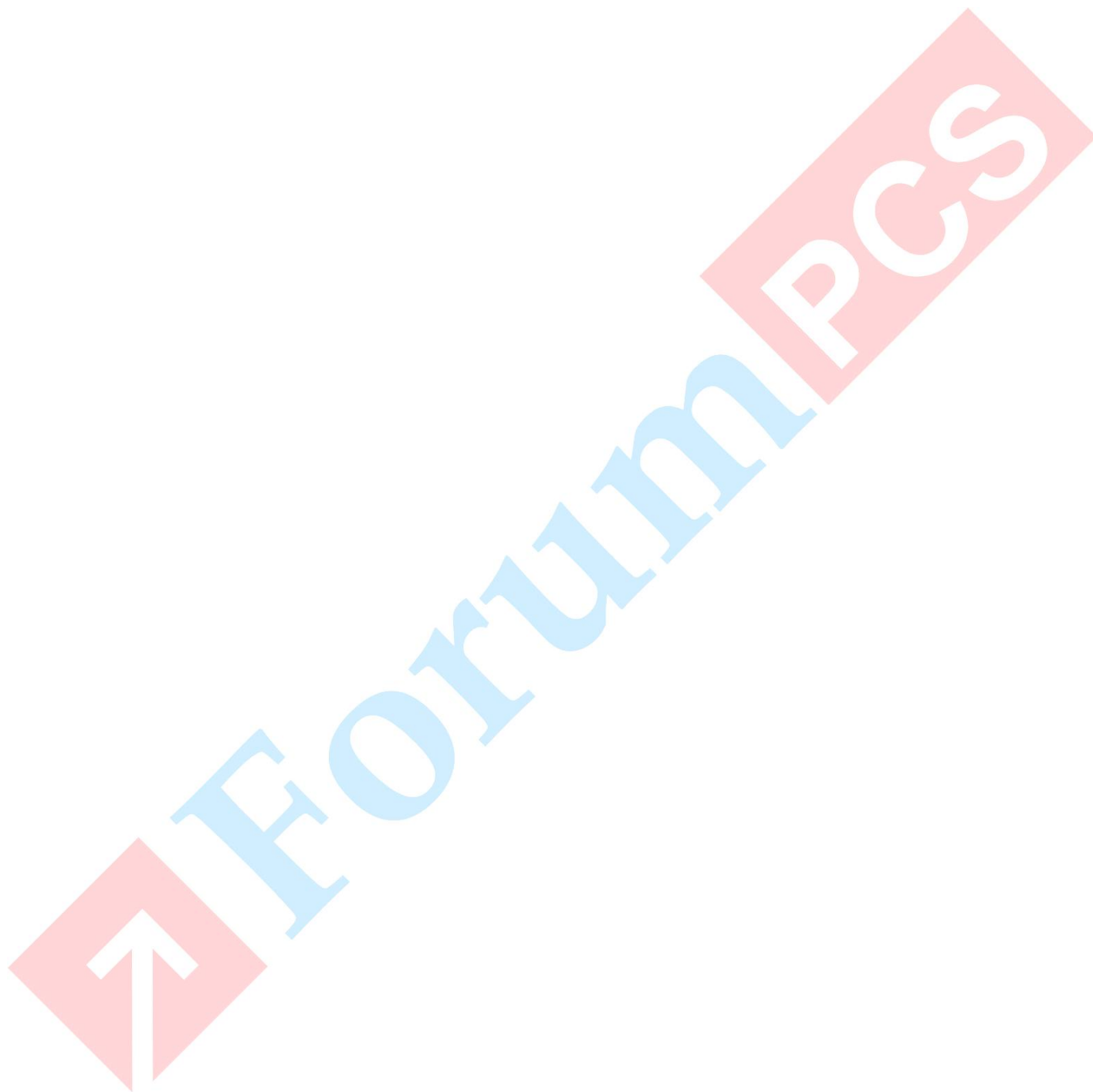
Agriculture revolutions

Green Revolution (1966-67): HYV wheat and rice, fertiliser, irrigation; led by Norman Borlaug and M. S. Swaminathan; Punjab, Haryana, western UP; produced rice-wheat dominance and regional disparity
 White (Operation Flood, 1970; Verghese Kurien; NDDB, Amul), Yellow (oilseeds), Blue (fisheries), Golden (horticulture), Pink (prawn/onion), Silver (eggs, poultry), Red (tomato/meat), Evergreen (M. S. Swaminathan)
 Second Green Revolution: eastern India (Bringing Green Revolution to Eastern India, BGREI), pulses and nutri-cereals mission; Bharat Ratna to M. S. Swaminathan (2024)

Allied Sectors

- Livestock: total livestock population 535.8 million (20th Livestock Census 2019); cattle 192.5 million; milk production about 239 million tonnes (2023-24), India produces about 25% of global milk; per capita availability 471 grams a day; eggs about 142 billion; livestock GVA grew 12.99% CAGR 2014-15 to 2022-23
- Schemes: Rashtriya Gokul Mission (indigenous breeds), National Livestock Mission, National Digital Livestock Mission (NDLM), Animal Husbandry Infrastructure Development Fund (AHIDF, ₹15,000 crore), Dairy Processing and Infrastructure Development Fund, Operation Flood
- Fisheries: India is the second largest fish producer after China (7-8% of global production); inland fish production exceeds marine; fish production about 17.5 million tonnes in 2023-24 (record); seafood exports about US\$7.4 billion in 2024-25; PMMSY (Pradhan Mantri Matsya Sampada Yojana, 2020); Blue Revolution; Fisheries and Aquaculture Infrastructure Development Fund (FIDF)
- Agricultural exports: about US\$51-52 billion (FY24 US\$48.8 billion); marine products, rice (basmati and non-basmati), spices, sugar, buffalo meat
- Sugar: India is a top producer; ethanol blending target 20% achieved in 2025; sugarcane price by Fair and Remunerative Price (FRP) under Sugarcane (Control) Order 1966; UP State Advised Price (SAP)

- Seed sector: Seeds Act 1966; National Seeds Corporation (1963); Bt cotton the only GM crop approved for commercial cultivation (2002); GM mustard (DMH-11) under Supreme Court review; Genome-edited rice varieties released in May 2025 (DRR Dhan 100 Kamala, Pusa DST Rice 1)
- Natural resources: Soil Health Card (2015), National Mission for Sustainable Agriculture (NMSA), Per Drop More Crop under PMKSY, Paramparagat Krishi Vikas Yojana



CHAPTER 27

Agricultural Inputs: Irrigation, Fertiliser, Soil and Organic Farming

Irrigation

- Net irrigated area is about 55% of net sown area; surface (canals, tanks) and groundwater (wells, tubewells) are main sources; India is the largest user of groundwater globally (about 25% of the world's extraction)
- Types: major (above 10,000 ha CCA), medium (2,000-10,000 ha), minor (below 2,000 ha); tubewells and wells are the largest source of irrigation
- Micro-irrigation: drip and sprinkler; Micro Irrigation Fund (₹5,000 crore with NABARD, 2018-19); Per Drop More Crop
- Pradhan Mantri Krishi Sinchayee Yojana (PMKSY, 2015-16): Har Khet Ko Pani (Ministry of Jal Shakti), Accelerated Irrigation Benefit Programme (AIBP), Watershed Development (IWMP/Neeranchal), Per Drop More Crop
- Accelerated Irrigation Benefit Programme launched in 1996-97; Command Area Development (1974-75); Long Term Irrigation Fund (NABARD); Neeranchal National Watershed Project (World Bank assisted)
- National Water Mission under NAPCC: improving water-use efficiency by 20%
- Jal Shakti Abhiyan: Catch the Rain; Atal Bhujal Yojana (2019): groundwater management in seven states with World Bank help; Jal Jeevan Mission (2019) for tap water; JJM 2.0 and extended up to 2028 (see ch94b)
- Interlinking of rivers: National Perspective Plan (1980); Ken-Betwa link project (Dhaudhan dam, Madhya Pradesh, approved December 2021, foundation stone December 2024)
- Water Credit (Water.org): microfinance for water and sanitation (UPSC 2021)

Fertilisers

- Primary nutrients: N, P, K; secondary: Ca, Mg, S; micronutrients: Zn, Fe, Cu, Mn, B, Mo
- NPK use ratio: 7.7:3.1:1 in 2021-22 against ideal 4:2:1 (5.9:2.4:1 in 1991-92); imbalance from low urea price and decontrolled P & K (1992)
- India ranks third in production and second in consumption of fertilisers; fertiliser sector governed by Fertiliser Control Order 1985 under Essential Commodities Act; Department of Fertilisers (Ministry of Chemicals and Fertilizers)
- Urea: controlled price; MRP ₹242 per 45-kg bag (since 2018, excluding neem coating and taxes); about 80% of the urea need is produced domestically; DAP and MOP depend on imports
- Policy history: Retention Pricing Scheme (1977), New Pricing Scheme (2003), Nutrient Based Subsidy (NBS, 1 April 2010; P&K fertilisers, 28 grades; per kg subsidy on N, P, K, S), New Urea Policy 2015 (energy efficiency and domestic production), neem-coated urea (100% from 2015; slow release, curbs diversion), nano urea (IFFCO, 2021), PM-PRANAM (2023, reduce chemical fertiliser use), PM Kisan Samruddhi Kendras, One Nation One Fertiliser (Bharat brand, 2022), Market Development Assistance for organic manures
- Ammonia (raw material for urea) is made from natural gas; sulphur needed for phosphoric acid comes as refinery by-product (UPSC 2020)
- Fertiliser subsidy in Budget 2026-27: ₹1.71 lakh crore; fertilisers are the second biggest subsidy after food
- Major firms: IFFCO, NFL, KRIBHCO, RCF; cooperative IFFCO is the world's largest fertiliser cooperative
- Fertigation: fertiliser through drip irrigation (UPSC 2020); can raise yields 25-30%
- Soil Health Card scheme (launched 19 February 2015 at Suratgarh, Rajasthan): cards every two years; 12 parameters (N, P, K, S, Zn, Fe, Cu, Mn, B, pH, EC, organic carbon) (UPSC 2017); integrated with Agristack for precision agriculture

Organic and Natural Farming

Aspect	Organic farming	Zero Budget Natural Farming (ZBNF)
Input cost	Moderate to high (organic manure, compost)	Almost zero (locally made inputs)
Chemicals	None synthetic	None synthetic
Methods	Compost, biofertiliser, ploughing allowed	No tillage, mulching (Acchadana), Whapasa; Jeevamrutha, Bijamrutha
Origin	Global standards (NPOP)	Subhash Palekar

- Sikkim became the first fully organic state in January 2016 (UPSC 2018)

- Paramparagat Krishi Vikas Yojana (PKVY, 2015-16): cluster-based organic farming outside the North East; Mission Organic Value Chain Development for North East Region (MOVCDNER, 2015-16)
- Bhartiya Prakritik Krishi Paddhati (BPKP) 2020-21: ₹12,200 per hectare over three years
- National Mission on Natural Farming (NMNF): approved on 25 November 2024 with outlay of ₹2,481 crore for 1 crore farmers over two years
- Certification: NPOP (National Programme for Organic Production; exports and domestic) and PGS-India (domestic only); Large Area Certification for tribal and island regions
- National Mission on Edible Oils: Oil Palm (NMEO-OP 2021) and Oilseeds (NMEO-Oilseeds 2024-25 to 2030-31); National Mission on Pulses Aatmanirbharta (Mission for Aatmanirbharta in Pulses, 2025-26 to 2030-31 with ₹11,440 crore, announced Budget 2025-26)



CHAPTER 28

Agricultural Finance, Prices, Marketing and Food Security

Agricultural Credit

- Share of institutional credit (UPSC 2011, 2020): scheduled commercial banks about 76%, cooperatives about 12%, RRBs about 12%; short-term credit via Primary Agricultural Credit Societies (PACS) at the village level, District Central Cooperative Banks (DCCBs) at district, State Cooperative Banks at state level
- NABARD (National Bank for Agriculture and Rural Development): established 12 July 1982 on recommendation of the Shivaraman Committee (1979); apex refinance agency; merged ARDC and refinance function of RBI; RIDF (Rural Infrastructure Development Fund, 1995-96), Long Term Irrigation Fund, Micro Irrigation Fund, Warehouse Infrastructure Fund, Financial Inclusion Fund
- Kisan Credit Card (KCC, 1998 on R. V. Gupta Committee; extended to animal husbandry and fisheries in 2018-19): short-term credit for crops (UPSC 2020); loan limit raised to ₹5 lakh from ₹3 lakh in Budget 2025-26 under Modified Interest Subvention Scheme (MISS); interest 7% with 3% prompt repayment incentive giving effective 4%
- Priority Sector Lending (PSL): 40% of adjusted net bank credit for domestic commercial banks (75% for RRBs, SFBs and cooperative banks); agriculture sub-target 18%, small and marginal farmers 10%, weaker sections 12%
- Service Area Approach (1989; Lead Bank Scheme): each rural branch assigned 15-25 villages (UPSC 2012, 2019); Lead Bank Scheme based on Gadgil Committee (1969)
- Agriculture Infrastructure Fund (AIF): ₹1 lakh crore central sector scheme (2020-21 to 2029-30) with 3% interest subvention up to ₹2 crore loans and CGTMSE credit guarantee; used for warehouses, cold chains, primary processing
- Self Help Group-Bank Linkage Programme (1992), Joint Liability Groups; Regional Rural Banks (1975, Narasimham Working Group; sponsored by Centre 50%, State 15%, sponsor bank 35%) and cooperative credit (Cooperative Credit Societies Act 1904)
- Ministry of Cooperation (created 6 July 2021); computerisation of PACS; National Cooperative Policy 2025; multi-state cooperatives, World's largest decentralised grain storage plan (Rs 1 lakh crore)
- Loan waivers: moral hazard; Agricultural Debt Waiver and Debt Relief Scheme 2008 (₹60,000 crore)

Minimum Support Price (MSP) and Procurement

- MSP: price at which the Government is ready to buy; announced for 22 mandated crops (14 kharif, 6 rabi, 2 commercial) plus FRP for sugarcane; recommended by the Commission for Agricultural Costs and Prices (CACP, established January 1965; statutory status pending, chairman and member secretary plus two official and two non-official members)
- Cost concepts: A2 (paid-out costs), A2+FL (adds imputed family labour), C2 (comprehensive; includes imputed rent and interest); MSP set at 1.5 times A2+FL since Budget 2018-19; Swaminathan Commission (National Commission on Farmers, 2004-06) recommended C2 + 50%
- Procurement: Food Corporation of India (FCI, established 1965 under FCI Act 1964); NAFED (1958) procures pulses, oilseeds and copra under Price Support Scheme; Cotton Corporation of India; Jute Corporation of India; PM-AASHA (Annadata Aay SanraksHan Abhiyan, 2018); PSS, PDPS (Price Deficiency Payment) and PSF (Price Stabilisation Fund)
- Bhavantar Bhugtan Yojana (Madhya Pradesh 2017); Rythu Bandhu; KALIA; Per-acre income support by states
- Decentralised procurement scheme (1997): states procure, store and distribute wheat and rice; Minimum buffer norms

MSP data (Cabinet decisions)

Kharif Marketing Season 2026-27 (approved 13 May 2026): paddy (common) ₹2,441 per quintal, up ₹72 or 3% from ₹2,369; Grade A ₹2,461

Rabi Marketing Season 2026-27 (approved October 2025): wheat ₹2,585 per quintal, up ₹160 (6.59%)

Rabi Marketing Season 2027-28 (approved 30 September/1 October 2026): wheat ₹2,610, up only ₹25 (0.97%), the lowest increase in 17 years due to large wheat stocks; safflower up ₹675 (10.32%) to ₹7,215

Kharif MSP 2024-25 paddy common was ₹2,300; 2025-26 ₹2,369

Sugarcane FRP 2025-26 is ₹355 per quintal (recovery 10.25%)

Agricultural Marketing

- APMC (Agricultural Produce Market Committee) mandis: state APMC Acts regulate markets; Model APMC Act 2003, Model Agricultural Produce and Livestock Marketing (Promotion and Facilitation) Act 2017

- Three Farm Acts of 2020: Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, Essential Commodities (Amendment) Act; repealed by the Farm Laws Repeal Act, 2021 (passed 29 November 2021) after protest
- e-NAM (National Agriculture Market, 14 April 2016): electronic trading platform by SFAC; over 1.7 crore farmers and 1,400 mandis integrated; Agri-Market Intelligence
- Farmer Producer Organisations (FPOs): 10,000 FPO scheme (2020); SFAC (Small Farmers' Agri-Business Consortium, 1994) as implementing agency; PM Kisan Sampada Yojana (food processing)
- AGMARK (1937; Agricultural Produce (Grading and Marking) Act 1937) certifies quality; APEDA (1985; scheduled commodities exports; Ministry of Commerce)
- Essential Commodities Act 1955: stock limits for hoarding; Price Stabilisation Fund (2014-15) buffer stock of pulses and onion; Operation Greens (2018, TOP to TOTAL)
- Contract farming, warehousing: Warehousing Development and Regulatory Authority (WDRA, 2010) and e-NWR; Gramin Agricultural Markets (GrAMs)
- Agricultural export policy: Agricultural Export Policy 2018 (target US\$60 billion exports by 2022); National Agricultural Cooperative Marketing Federation (NAFED, 1958)

Farm Income Support and Schemes

Scheme	Key features
PM-KISAN (24 February 2019)	₹6,000 a year in three instalments to landholder families; Central sector; Budget 2026-27 ₹63,500 crore
Pradhan Mantri Fasal Bima Yojana (PMFBY, 2016)	Premium: 2% for kharif foodgrains and oilseeds, 1.5% for rabi, 5% for commercial and horticultural crops; voluntary for all farmers since 2020; revamped, 2025; Clean Plant Programme, Yuva
Modified Interest Subvention Scheme	7% for KCC up to ₹5 lakh
Pradhan Mantri Dhan-Dhaanya Krishi Yojana (PM-DDKY)	100 low-productivity districts; launched 2025-26 with 36 schemes convergence, ₹24,000 crore a year
Mission for Aatmanirbharta in Pulses	2025-26 to 2030-31, ₹11,440 crore
National Mission on Edible Oils-Oilseeds	2024-25 to 2030-31, ₹10,103 crore
Digital Agriculture Mission (2024)	AgriStack with Farmer Registry, Crop Sown Registry, Geo-referenced village maps
Rashtriya Krishi Vikas Yojana (RKVY)	State-level agricultural development
PM Kisan Maandhan Yojana	Pension ₹3,000 for farmers aged 60+, entry 18-40
Krishonnati Yojana	Umbrella scheme (RKVY and Krishonnati Yojana restructured as PM-RKVY and KY)

- Insurance history: Individual approach (1972), Pilot Crop Insurance Scheme (1979), Comprehensive Crop Insurance Scheme (1985), NAIS (1999-2000), WBCIS (2007), MNAIS (2010), National Crop Insurance Programme (2013), PMFBY (2016) (UPSC 2016)
- National Agriculture Infrastructure Financing Facility, Digital Public Infrastructure for agriculture; kisan drones (Namo Drone Didi, 2023: 15,000 women SHGs)

Food Security and PDS

- National Food Security Act (NFSA) 2013: covers up to 75% rural and 50% urban population; 5 kg foodgrains per person per month at ₹3 (rice), ₹2 (wheat), ₹1 (coarse grain); Antyodaya Anna Yojana (AAY) households get 35 kg per household; about 81.35 crore beneficiaries
- Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY, April 2020): free foodgrains; NFSA grain made free for 5 years from 1 January 2024 to 31 December 2028 (₹11.8 lakh crore estimate)
- One Nation One Ration Card (ONORC, 2019, portability across states via Mera Ration app)
- Targeted PDS (1997); Public Distribution System dates to the 1940s; Fair Price Shops about 5.4 lakh; Department of Food and Public Distribution; Food Corporation of India stores foodgrains in warehouses and silos
- Buffer stocks: stocks above the buffer norms led the government to launch the Open Market Sale Scheme (OMSS); Large wheat stocks in 2026 kept the MSP hike small
- Food subsidy 2026-27 BE ₹2,27,629 crore, the biggest single subsidy item
- Mid-day meal replaced by PM-POSHAN (2021); Integrated Child Development Services (1975); Poshan Abhiyaan (2018)
- Food Processing: Ministry of Food Processing Industries; PM Kisan SAMPADA Yojana; PLI scheme for food processing (₹10,900 crore); 2023 International Year of Millets; Shree Anna; National Mission on Millets
- Global Hunger Index 2025: India ranked 102nd of 123 countries (score 25.8, "serious")

Agriculture Master Tables

Cropping Seasons

Season	Sowing	Harvest	Crops
Kharif	June-July (monsoon onset)	Sept-Oct	Rice, maize, jowar, bajra, ragi, arhar, moong, urad, cotton, jute, groundnut, soybean, sugarcane
Rabi	Oct-Dec	Feb-April	Wheat, barley, gram, mustard, peas, lentil, linseed, potato
Zaid	March-June	June	Watermelon, cucumber, muskmelon, fodder, vegetables, moong (summer)

Leading States

Crop	First	Second	Third
Rice	West Bengal	Uttar Pradesh	Punjab
Wheat	Uttar Pradesh	Madhya Pradesh	Punjab
Maize	Karnataka	Madhya Pradesh	Maharashtra
Pulses	Madhya Pradesh	Rajasthan	Maharashtra
Gram	Madhya Pradesh	Rajasthan	Maharashtra
Oilseeds	Rajasthan	Madhya Pradesh	Gujarat
Soybean	Madhya Pradesh	Maharashtra	Rajasthan
Groundnut	Gujarat	Rajasthan	Tamil Nadu
Mustard	Rajasthan	Uttar Pradesh	Madhya Pradesh
Cotton	Gujarat	Maharashtra	Telangana
Sugarcane	Uttar Pradesh	Maharashtra	Karnataka
Jute	West Bengal	Bihar	Assam
Tea	Assam	West Bengal	Tamil Nadu
Coffee	Karnataka	Kerala	Tamil Nadu
Rubber	Kerala	Tamil Nadu	Karnataka
Banana	Tamil Nadu / Maharashtra / Gujarat	Andhra Pradesh	-
Potato	Uttar Pradesh	West Bengal	Bihar
Mango	Uttar Pradesh	Andhra Pradesh	Karnataka
Milk	Uttar Pradesh	Rajasthan	Madhya Pradesh
Fish (total)	Andhra Pradesh	West Bengal	Gujarat
Eggs	Andhra Pradesh	Tamil Nadu	Telangana

- India ranks ****first**** in milk, pulses, jute, spices, bananas, mango, papaya; ****second**** in rice, wheat, sugarcane, fruits, vegetables, cotton, fish (and aquaculture); largest cattle/buffalo numbers.
- **UP leads**** in foodgrains, wheat, sugarcane, potato, milk, mango and rice (second). Western UP: sugarcane belt; Terai: paddy; Bundelkhand: pulses and oilseeds.
- ### Soils and Irrigation**

Soil	Features	Region
Alluvial	Most fertile, ~40% of land; Khadar new, Bhangar old	Indo-Gangetic plains
Black (Regur)	Cotton soil, moisture retentive, self-ploughing	Deccan lava region
Red and yellow	Iron oxide; poor in nitrogen and humus	Southern and eastern plateau

Soil	Features	Region
Laterite	Leached; acidic; suitable for cashew, tea, coffee	Western Ghats, Odisha
Arid	Sandy, saline, low humus	Rajasthan
Forest and mountain	Humus rich; acidic	Himalayas

- Net sown area about 140 million ha; gross cropped area about 200 mha; cropping intensity about 155%; net irrigated area about 55%.
- Sources of irrigation: tube wells and wells (largest ~60%), canals, tanks; ****PMKSY**** (2015-16) integrates AIBP, Har Khet Ko Pani, watershed; ****micro irrigation**** fund (NABARD, ₹5,000 crore).
- ****Soil Health Card**** (2015) every 2 years; ****Parampragat Krishi Vikas Yojana**** (organic); ****Neem-coated urea****; ****Nano urea****; ****National Mission on Natural Farming (2024)****.
- **### Livestock, Dairy, Fisheries**

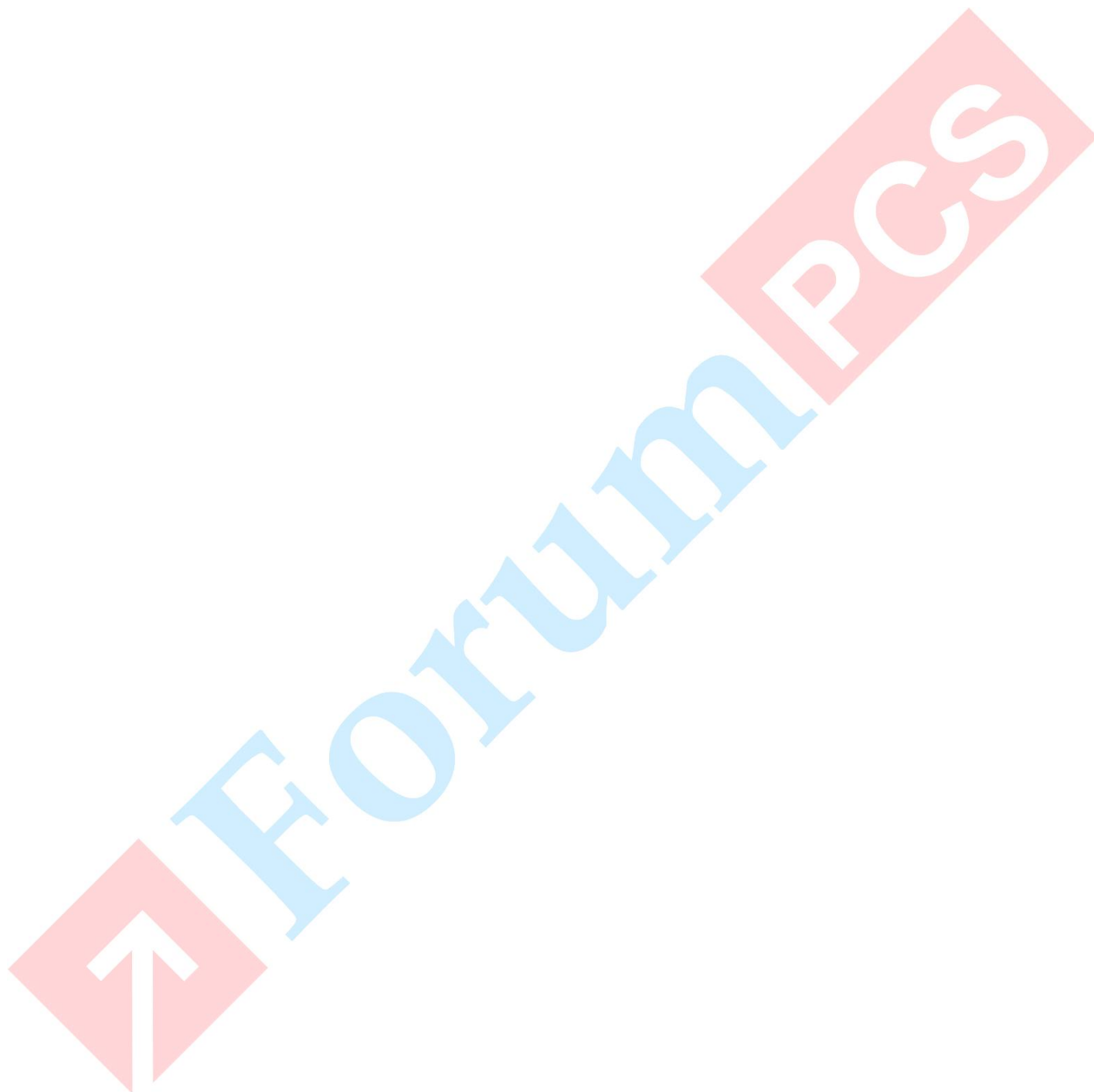
Item	Fact
Livestock census	20th (2019): 535.8 million; 21st census (2024-25) under way/released
Milk production	~240 million tonnes (2024-25 about 239 mt); per-capita about 471 g/day
Operation Flood	1970 by NDDB (Verghese Kurien), White Revolution; Amul (Anand, Gujarat)
Fish production	~ 195 lakh tonnes; Blue Revolution; PMMSY (2020, ₹20,050 crore); marine exports record
Poultry	Egg production ~ 140+ billion; broiler growth
Livestock insurance	National Livestock Mission; Animal Husbandry Infrastructure Development Fund (₹15,000 crore)
Rashtriya Gokul Mission	Indigenous breeds conservation
National Pashudhan Mission	Disease control (FMD vaccination)

- **### Agricultural Revolutions**

Revolution	Product	Leader
Green	Foodgrains	M. S. Swaminathan, Norman Borlaug (HYV seeds, 1966-67)
White	Milk	Verghese Kurien
Blue	Fish	-
Yellow	Oilseeds	-
Golden	Horticulture / honey	-
Silver	Eggs/poultry	-
Pink	Onion / prawn	-
Red	Meat / tomato	-
Grey	Fertiliser	-
Round	Potato	-
Evergreen	Overall sustainable	M. S. Swaminathan

- ****Bharat Ratna 2024:**** M. S. Swaminathan, Chaudhary Charan Singh, P. V. Narasimha Rao (for economic reforms) – frequently asked.
- **### Market and Price Support**
- ****MSP**** is announced by CCEA on CACP recommendation (CACP statutory since 2009); covers 22 mandated crops + FRP sugarcane. C2 cost vs A2+FL: MSP at least 1.5 times A2+FL cost (Budget 2018-19).
- ****APMC / eNAM**** (2016): online trading platform; ~1,400 mandis; ****Model APMC Act 2003****; ****Farm Acts 2020 repealed in Nov 2021****.
- ****PM-KISAN:**** ₹6,000 per year in 3 instalments (Feb 2019); ****PMFBY:**** crop insurance 2016 – premium 2% kharif, 1.5% rabi, 5% commercial/horticultural.
- ****KCC:**** interest subvention 3% for loans up to ₹3 lakh (limit raised to ₹5 lakh in Budget 2025); ****PM Dhan-Dhaanya Krishi Yojana**** (2025) for 100 low-productivity districts.
- ****Mission for Aatmanirbharta in Pulses**** (2025-31) and ****Cotton Productivity Mission****.

- **Warehousing:** WDRA e-NWR; Food Corporation of India (1965); Central Warehousing Corporation; cooperative grain storage plan (largest in world).



CHAPTER 30**Industry: Policies, Public Sector and MSMEs****Industrial Policy Milestones**

Policy	Year	Key features
Industrial Policy Resolution	1948	Mixed economy; four categories; Atomic energy, arms and railways state monopoly
Industries (Development and Regulation) Act	1951	Licensing system for establishing and expanding industries
Industrial Policy Resolution	1956	"Economic Constitution"; Schedule A (17 industries exclusively state), Schedule B (12 mixed), Schedule C (private); based on Mahalanobis strategy
Monopolies and Restrictive Trade Practices (MRTP) Act	1969	Curb concentration; replaced by Competition Act 2002
Foreign Exchange Regulation Act (FERA)	1973	Strict controls on foreign exchange and foreign firms; replaced by FEMA 1999
Industrial Policy	1977	Janata Government; focus on small and cottage industries, District Industries Centres
Industrial Policy	1980	Promotion of competition, modernisation
New Industrial Policy	24 July 1991	Abolished industrial licensing except 18 (now few) industries, reduced public sector reserved industries from 17 to 8 (now 2), MRTP limits removed, automatic approval for FDI up to 51% in 34 high-priority industries
Industrial Policy 2022 (draft) / National Manufacturing Mission	2025-26	Make in India for manufacturing; small, medium and large industries

- Import substitution industrialisation (1951–91): tariffs and quotas to protect infant industries; industrial share of GDP rose from 13% (1950–51) to 24.6% (1990–91); criticisms: licence-permit raj, public sector inefficiencies, low quality
- Karve Committee (1955) on village and small industries; Khadi and Village Industries Commission (KVIC, 1956; statutory 1957)
- Industries still requiring compulsory licensing: alcoholic drinks, tobacco products, electronic aerospace and defence, hazardous chemicals, explosives (UPSC style)
- Reserved for public sector (post-1991): atomic energy and railway operations, after later relaxations the list has been narrowed to atomic energy and railways, with strategic sector policy for CPSE privatisation (2021) listing four strategic sectors (atomic energy, space and defence; transport and telecom; power, petroleum, coal and minerals; banking, insurance and financial services)
- Competition Act 2002: Competition Commission of India (CCI, 2009) regulates anti-competitive agreements, abuse of dominance and combinations; Raghavan Committee (2000)
- Companies Act 2013: replaced the Companies Act 1956; CSR obligation under section 135 (2% of average net profit for companies with net worth ₹500 crore, turnover ₹1,000 crore or profit ₹5 crore)
- Insolvency and Bankruptcy Code 2016 (see banking chapter), SARFAESI 2002, Arbitration Act amendments

Manufacturing Performance

- Manufacturing's share in GDP about 17% (target 25% by 2030 under Make in India); growth 4.26% in FY2024–25 per Economic Survey; average growth 5.2% in the decade; India has 2.8% of global manufacturing
- Electronic goods production grew at 17.5% CAGR during FY15 to FY24; mobile phone manufacturing shifted India from importer to exporter; smartphones are among the top export items
- Manufacturing supplies nearly half of inter-industry inputs; 47.5% of output is used as inputs

- Economic Survey 2025-26 shows industry growth near 6-7%; see ch90a-c for latest; October 2026 data in ch94c
- PMI (Purchasing Managers' Index): published by S&P Global (HSBC India PMI); index above 50 means expansion, below 50 contraction; survey of about 400-500 firms; does not track production directly; Composite PMI covers manufacturing plus services
- IIP (Index of Industrial Production): published by NSO (MoSPI) monthly with a six-week lag; old 2011-12 base weights (new 2022-23 base from April 2026); manufacturing 77.63%, mining 14.37%, electricity 7.99%; covers private sector and PSUs; 8 core industries have weight of 40.27% in IIP: refinery products (28.04%), electricity (19.85%), steel (17.92%), coal (10.33%), crude oil (8.98%), natural gas (6.88%), cement (5.37%), fertilisers (2.63%)
- Annual Survey of Industries (ASI): factories with 10 or more workers with power or 20 or more without; covers organised manufacturing
- Index of Eight Core Industries calculated by Office of the Economic Adviser, DPIIT; base year 2011-12

Policy initiatives on manufacturing

Make in India (25 September 2014): 25 sectors, aim to raise manufacturing share to 25% of GDP; Invest India (national investment promotion agency); Start-up India (16 January 2016) with Fund of Funds; Vocal for Local; Atmanirbhar Bharat (May 2020 package ₹20 lakh crore)

National Manufacturing Mission announced in Budget 2025-26 (clean-tech manufacturing, small, medium and large industries)

ODOP (One District One Product, 2018; Uttar Pradesh pioneer) promoting unique product of each district; Budget 2025-26 export and credit support; Gati Shakti

Reimagining building regulations (Economic Survey 2023-24): fire, parking and floor area ratio (FAR) rules waste land (FAR limit 1.3 against up to 15 in Singapore and Hong Kong)

China plus one strategy (Economic Survey 2023-24): India must choose between integrating into Chinese supply chains and relying on FDI from China; Economic Survey 2024-25 notes geo-economic fragmentation, India as a "bridge power"

Production Linked Incentive (PLI)

- Launched in March 2020 for mobile and electronics; extended to 14 sectors in November 2020 with outlay of about ₹1.97 lakh crore: mobile phones, pharmaceuticals, medical devices, telecom, automobiles and auto components, white goods, food processing, textiles, specialty steel, solar PV modules, advanced chemistry cell (ACC) batteries, drones, IT hardware and high-efficiency solar modules
- Incentive of 4-6% on incremental sales over base year; tied to incremental investment and sales; implemented by line ministries; ruling out simple subsidy
- Semiconductors: India Semiconductor Mission (ISM, December 2021, ₹76,000 crore); first made-in-India chips emerged in 2025-26 from Micron's Sanand ATMP unit and Tata's Dholera fab; Semicon India Programme
- Budget 2026-27 announced ISM 2.0 and Electronics Components Manufacturing Scheme (ECMS, April 2025, ₹22,919 crore)
- Textiles: PM MITRA parks (7 parks), PLI for MMF and technical textiles
- Defence manufacturing: FDI 74% automatic; Defence Corridors in Uttar Pradesh and Tamil Nadu; exports crossed ₹23,000 crore in 2024-25; positive indigenisation lists

Public Sector Enterprises

- CPSE: government owns 51% or more; Department of Public Enterprises (Ministry of Heavy Industries and Public Enterprises)

Category	Criteria	Autonomy
Miniratna I	Profit for three years continuously; net profit $\geq$ ₹30 crore in one year	Investment up to ₹500 crore or network
Miniratna II	Three years profit; positive network	Up to ₹300 crore or 50% of network
Navratna	Miniratna I status, excellent or very good MoU rating in three of five years and composite score of 60 or more	Invest up to ₹1,000 crore; form JVs without approval
Maharatna	Navratna with net worth $>$ ₹15,000 crore, average turnover $>$ ₹25,000 crore, net profit $>$ ₹5,000 crore for three years, listed, global presence	Invest up to ₹5,000 crore

- Examples: Maharatna: Coal India, Indian Oil, ONGC, NTPC, SAIL, BHEL, GAIL, Power Grid, HAL, BPCL; Navratna: BEL, MTNL, NMDC, Container Corporation, and others; Navratna count and Maharatna count revised periodically
- The number of profit-making CPSEs increased from 178 (FY19) to 193 (FY23); loss-making fell from 70 to 57

- Disinvestment: strategic sale (Air India sold to Tata Sons in October 2021 for ₹18,000 crore), Offer for Sale, IPO (LIC in May 2022); privatisation of loss-making PSUs; National Monetisation Pipeline (NMP, August 2021, ₹6 lakh crore over 2022-25; NMP 2.0 launched in 2025 for ₹10 lakh crore for 2025-30)
- Asset recycling, Public Sector Banks consolidation (12 banks), Airport privatisations, Disinvestment target in Budget 2026-27

Micro, Small and Medium Enterprises

Category	Investment (revised 1 April 2025)	Turnover (revised)
Micro	Up to ₹2.5 crore (earlier ₹1 crore)	Up to ₹10 crore (earlier ₹5 crore)
Small	Up to ₹25 crore (earlier ₹10 crore)	Up to ₹100 crore (earlier ₹50 crore)
Medium	Up to ₹125 crore (earlier ₹50 crore)	Up to ₹500 crore (earlier ₹250 crore)

- MSMED Act 2006: replaced the earlier investment in plant criterion; manufacturing and service enterprises unified in 2020; revised thresholds announced in Budget 2025-26
- Contribution: about 30% of GVA (30.1% in 2022-23), 35.4% of manufacturing output, 45.7% of exports (2023-24); employment over 28 crore (Udyam data)
- Udyam Registration (1 July 2020): free, online, self-declaration; over 6 crore enterprises registered on Udyam by 2025-26 including informal micro enterprises on Udyam Assist Platform (4.69 crore by July 2024)
- Credit: Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) covers collateral-free loans up to ₹5 crore at 85% guarantee coverage; Credit guarantee cover enhancement in Budget 2025-26 (₹10 crore for MSEs and ₹20 crore for startups); ₹5 lakh credit card for micro enterprises; Mudra and Stand-Up India; PM Vishwakarma (₹13,000 crore, 2023)
- PMEGP (Prime Minister's Employment Generation Programme, 2008): margin money subsidy of 15 to 35%; implemented through KVIC; 85,167 micro units supported in FY23 and 89,118 in FY24
- Portals: Samadhaan (delayed payment), Sambandh (procurement), Champions; TReDS (Trade Receivables Discounting System); Fund of Funds; SIDBI (1990; set up as subsidiary of IDBI; principal financial institution for MSMEs; Credit Guarantee for loans)
- Delayed payment: Section 43B(h) of the Income Tax Act requires payments to MSEs within 45 days
- Challenges: access to credit, technology, market, skilled labour, formalisation; cluster development, SFURTI (Scheme of Fund for Regeneration of Traditional Industries), MSE-CDP
- Coir Board, Khadi and Village Industries, National Small Industries Corporation (NSIC, 1955)

CHAPTER 31

Infrastructure: Transport, Energy, Urban and Digital

Infrastructure Concept and Financing

- Infrastructure: long-lived engineered structures providing public utilities (power, gas, telecom, water), public works (dams, canals, roads) and transport (railways, ports, airways); non-rival and with externalities
- Infrastructure financing: capital expenditure of the Centre rose 2.2 times and states 2.1 times between FY21 and FY24; Union Budget 2026-27 capex ₹12.22 lakh crore; effective capital expenditure includes grants for capital assets
- Non-government funding: bank credit, ECBs (US\$9.05 billion in FY24), capital market mobilisation, REITs (₹18,840 crore) and InvITs (₹1.11 lakh crore) raised between 2019 and 2024
- PPP mechanisms: PPP Appraisal Committee (PPAC), Viability Gap Funding (VGF; 1/5 of project cost from Centre), India Infrastructure Project Development Fund (IIPDF, 2022); National Bank for Financing Infrastructure and Development (NaBFID, 2021)
- Infrastructure Debt Funds, Sovereign Wealth fund NIIF, Infrastructure Investment Trusts, Hybrid Annuity Model (40% during construction; remaining 60% over years), BOT toll, EPC
- National Infrastructure Pipeline (NIP, December 2019): ₹111 lakh crore for 2019-25 (originally ₹102 lakh crore; Atanu Chakraborty committee); sharing 39:39:22 between the Centre, states and the private sector
- National Monetisation Pipeline: NMP 1.0 (August 2021) aimed at ₹6 lakh crore over 2021-25; NMP 2.0 (2025) targets ₹10 lakh crore over 2025-30
- PM Gati Shakti National Master Plan (13 October 2021): GIS-based platform integrating 44 central ministries and states for multimodal connectivity; National Logistics Policy (17 September 2022): reduce logistics cost from 13-14% of GDP to single digits; Unified Logistics Interface Platform (ULIP)
- Logistics: India's rank improved to 38th in the World Bank Logistics Performance Index 2023 (from 44th in 2018; 22nd in international shipments); National Industrial Corridor Development Programme with 11 corridors and 32 projects

Industrial corridors

Delhi-Mumbai (DMIC, Japan), Chennai-Bengaluru (CBIC), Bengaluru-Mumbai (BMIC), Amritsar-Kolkata (AKIC) and East Coast Economic Corridor (ECEC, ADB); Vizag-Chennai Industrial Corridor within ECEC
Dedicated freight corridors: Eastern (Ludhiana to Son Nagar to Dankuni; World Bank) and Western (Dadri to JNPT; JICA)

Transport

Mode	Facts
Roads	Second largest road network (about 63 lakh km); National Highways about 1.46 lakh km; Bharatmala Pariyojana (2017); National Highways Authority of India (NHAI, 1988); PMGSY (2000) for rural connectivity; Capex on roads rose from 0.4% of GDP (FY15) to 1% (FY24); Fastag, Electronic toll collection and GNSS tolling
Railways	One of the largest networks (about 68,000 route km); broad-gauge electrification above 96%; capital outlay of ₹2.62 lakh crore (FY24); Vande Bharat, Amrit Bharat stations, Kavach, Mumbai-Ahmedabad High Speed Rail (MAHSR, 508 km) with Japanese assistance; Dedicated Freight Corridors; Railway Budget merged in 2017
Ports	12 major ports (13th, Vadnavan, approved in 2024); Sagarmala (2015) for port-led development; Vizhinjam deep-water transshipment port (Kerala, commissioned 2025); major ports handled 915.17 million tonnes in FY2025-26; Deendayal Port is the largest (160.11 mt)
Inland waterways	IWAI (1986); National Waterway-1 Ganga (Haldia to Prayagraj), NW-2 Brahmaputra (Sadiya to Dhubri), NW-3 West Coast Canal (Kerala), NW-4 (Kakinada to Puducherry)
Aviation	Fastest growing market; UDAN (Ude Desh ka Aam Naagrik, 2016); 100+ airports operational under UDAN; Airports Authority of India; India among the top three domestic aviation markets

Mode	Facts
Urban transit	Metro rail: 945 km operational (FY24) and 939 km under construction across 27 cities; Namo Bharat RRTS (Delhi-Meerut) opened in 2023-25

- Smart Cities Mission (June 2015; 100 cities; ended 2025), AMRUT 2.0 (October 2021; universal water and sewerage), PMAY-Urban 2.0 (2024; 1 crore houses), Swachh Bharat Mission Urban 2.0, Urban Challenge Fund (₹1 lakh crore, Budget 2025-26)
- Housing for All: PMAY-Gramin (2016; 2 crore more houses approved 2024-29)

Energy and Power

- India is the third largest power producer and consumer; installed capacity above 480 GW in 2025-26 (thermal about 240 GW, solar over 110 GW, wind 51 GW, hydro 48 GW, nuclear 8.8 GW)
- India achieved 50% non-fossil installed capacity in June 2025, five years ahead of the 2030 NDC target; Panchamrit: 500 GW non-fossil capacity by 2030 and net zero by 2070
- Unified national grid: One Nation One Grid One Frequency; inter-regional transfer capacity about 1.18 lakh MW; Green Energy Corridor; One Sun One World One Grid (ISA)
- Electricity Act 2003 (Electricity (Amendment) Bill 2025 proposed); power sector reforms: UDAY (2015), Saubhagya (electrified 2.86 crore households), DDUGJY, Revamped Distribution Sector Scheme (RDSS, ₹3.04 lakh crore outlay for FY22-26)
- Renewable energy schemes: National Solar Mission (JNNSM 2010), PM-KUSUM (2019; solarisation of pumps), PM Surya Ghar Muft Bijli Yojana (February 2024; 1 crore households; 300 units free; ₹75,021 crore), Solar Parks Scheme, PLI for high-efficiency solar modules (₹24,000 crore), National Green Hydrogen Mission (January 2023; ₹19,744 crore; 5 MMT annual production by 2030), Biofuel policy (E20 achieved in 2025; E27 plan), SAMARTH (biomass co-firing), UJALA (LED bulbs)
- Nuclear: capacity 8.8 GW; target 100 GW by 2047; Sustainable Harnessing and Advancement of Nuclear Energy for Transforming India (SHANTI) Act 2025 allows private participation; Nuclear Energy Mission with Small Modular Reactors announced in Budget 2025-26 (₹20,000 crore)
- International Solar Alliance (2015, HQ Gurugram), Global Biofuel Alliance (G20 2023), CoalGasification mission
- Petroleum: India imports about 85% of crude oil needs; third largest consumer; Strategic Petroleum Reserves (Vishakhapatnam, Mangaluru, Padur); Petroleum and Natural Gas Regulatory Board (PNGRB, 2006); Pradhan Mantri Ujjwala Yojana (May 2016; free LPG connections, 10.3 crore beneficiaries); Pradhan Mantri Jan Dhan; Pahal DBT-LPG (2013/2015)
- Petrol and diesel prices fully market-linked (petrol 2010, diesel 2014) though retail changes have been infrequent; OPEC+ and West Asia conflict in 2026 raised oil prices (see ch94c)
- Coal: second largest producer; production crossed 1 billion tonnes in FY2023-24 (997.8 mt) and 1,047 mt in FY2024-25; Coal India Limited; commercial coal mining opened in June 2020; Coal Mines (Special Provisions) Act 2015

Water, Sanitation and Digital

- Jal Jeevan Mission (August 2019); tap water to all rural households; tap access rose from 17% to over 80% (15 crore households connected); extended to 2028 with JJM 2.0
- Swachh Bharat Mission (Grameen) Phase II, Namami Gange (2014; Hybrid Annuity Model, One City One Operator), Atal Bhujal Yojana (₹6,000 crore), National Perspective Plan for river interlinking (30 links, Ken-Betwa first)
- Digital: BharatNet (all gram panchayats; 2.1 lakh GPs connected), Digital India (2015), DigiLocker (over 26 crore users), UMANG, MeriPehchaan, Aadhaar (UIDAI 2009), National e-Governance Plan, India Stack; IndiaAI Mission (March 2024; ₹10,372 crore; GPU compute capacity for startups), AIRAWAT supercomputer
- Telecom: Telecommunications Act 2023 replaced the Indian Telegraph Act 1885; 5G launched on 1 October 2022; satellite spectrum administrative allocation; TRAI (1997); BSNL 4G rollout; India is the second largest telecom market with over 1.1 billion subscribers; Semiconductors: ISM
- Space: ISRO (1969); 55 active space assets (2024); Chandrayaan-3 (23 August 2023; lander near the south pole); Aditya-L1 (2023); Gaganyaan; Shubhanshu Shukla travelled to the ISS on Axiom-4 (June 2025); IN-SPACe (2020) authorises private activity; NewSpace India Limited (NSIL); Skyroot's Vikram-S (November 2022) and Agnikul; Space Docking Experiment (SpaDeX, January 2025); Space Policy 2023; FDI in space liberalised (2024)

CHAPTER 32

Minerals, Labour Laws, SEZs and Startups

Mining and Critical Minerals

- Mines and Minerals (Development and Regulation) Act 1957 amended in 2015 (auction regime) and 2021, 2023; district mineral foundations (DMF, 2015) for communities affected by mining; Pradhan Mantri Khanij Kshetra Kalyan Yojana
- Critical Minerals: List of 30 critical minerals (2023): lithium, cobalt, nickel, graphite, rare earth elements; National Critical Mineral Mission (NCMM) approved on 29 January 2025 with outlay ₹16,300 crore and PSU investment ₹18,000 crore; recycling incentive scheme (₹1,500 crore) launched in 2025; KABIL (Khanij Bidesh India Ltd, 2019) acquires overseas assets
- Rare earth magnets scheme: ₹7,280 crore approved in November 2025 for sintered rare earth permanent magnet manufacturing (6,000 tonnes per annum)
- Deep ocean: Deep Ocean Mission (2021); polymetallic nodules in the Indian Ocean; Atomic Minerals Directorate
- Coal sector: India has the fifth largest coal reserves; captive coal mining; commercial auction (2020); coal gasification target of 100 million tonnes by 2030; Coal washeries

Labour Laws

- 29 central labour laws consolidated into four Labour Codes: Code on Wages, 2019; Industrial Relations Code, 2020; Code on Social Security, 2020; Occupational Safety, Health and Working Conditions Code, 2020; all four codes were brought into force on 21 November 2025
- Provisions: universal minimum wage and floor wage; fixed-term employment; IR Code raises threshold for prior government permission for retrenchment/closure to 300 workers; social security for gig and platform workers; gratuity for fixed-term workers after one year
- e-Shram portal (August 2021): national database of unorganised workers (over 30 crore registered); Shram Suvidha; ELI (Employment Linked Incentive) scheme; PM Viksit Bharat Rozgar Yojana (launched 15 August 2025; ₹99,446 crore; incentive up to ₹15,000 for first-time employees)
- Labour is on the Concurrent List; ILO conventions; the Factories Act 1948; Industrial Disputes Act 1947 replaced by IR Code

SEZs, NIMZs and Startups

- SEZ Act 2005 (effective 2006): duty-free enclaves treated as foreign territory for trade; Kandla (1965) was Asia's first Export Processing Zone; 270+ operational SEZs; SEZ exports about 30% of India's exports; Units' income tax holiday ended in 2020 (sunset clause); Development of Enterprise and Service Hubs (DESH) Bill proposed
- National Investment and Manufacturing Zones (NIMZ, National Manufacturing Policy 2011): at least 5,000 hectares, aim for 25% manufacturing share; 16 NIMZs approved
- Start-up India (16 January 2016): DPIIT-recognised startups above 1.5 lakh by 2025-26; Fund of Funds for Startups (₹10,000 crore); Startup India Seed Fund; tax holiday for eligible startups extended up to 2030 (Budget 2025-26 extended incorporation deadline); Credit guarantee for startups (₹20 crore per borrower)
- Definition of startup: incorporated entity less than 10 years old with turnover not exceeding ₹100 crore (updated 2022); Angel tax abolished in Budget 2024-25
- India is the world's third largest startup ecosystem; unicorns about 118 (2025)
- Ease of doing business: India's rank rose from 142 (2014) to 63 (2019); the World Bank discontinued the report in 2021
- Gift City, Special Economic Zones, Free Trade and Warehousing Zones; National Single Window System (2021), Jan Vishwas Act 2023 and Jan Vishwas (Amendment of Provisions) Bill 2025 to decriminalise minor offences

Schemes and indices

Make in India; Invest India; Logistic Performance Index rank 38; Ease of Doing Business discontinued; Export Preparedness Index (NITI Aayog) topped by Tamil Nadu in 2024

Business Responsibility and Sustainability Reporting (BRSR), CSR and ESG; Competition Act 2002; ADB/WB funding of corridors

Sector Profiles: Industry and Services

- ### Iron and Steel
- India is the **2nd largest crude steel producer** after China (about 150+ mt capacity target 300 mt by 2030, National Steel Policy 2017). First modern plant: **TISCO, Jamshedpur (1907)**; public sector plants: Bhilai (USSR), Rourkela (Germany), Durgapur (UK), Bokaro (USSR), Vishakhapatnam (RINL); SAIL formed 1973.

- ****Steel production leaders:**** Odisha, Jharkhand, Chhattisgarh (iron ore belt); green steel taxonomy and hydrogen mission support decarbonisation; safeguard duty on flat steel imports (2025).
- India is the world's largest ****sponge iron**** producer. Iron ore: Odisha, Jharkhand, Chhattisgarh, Karnataka, Goa.
- **#### Textiles and Apparel**
- Second largest employer after agriculture; India largest producer of ****cotton**** and ****jute**** (jute: West Bengal ~ 3/4). PM MITRA Parks (7 parks, 2023) – Tamil Nadu, Telangana, Gujarat, Karnataka, MP, Maharashtra, UP.
- ****PLI for textiles**** (MMF apparel, fabrics, technical textiles) approved 2021; National Technical Textiles Mission 2020; ****Kasturi Cotton Bharat**** brand 2024; Samarth scheme for skilling.
- Major clusters: Tiruppur (knitwear), Surat (synthetic, sarees), Ludhiana (hosiery/woollens), Bhiwandi (powerloom), Varanasi (silk brocade), Panipat (recycled wool/carpets), Bhadohi-Mirzapur (carpets).
- **#### Cement, Sugar, Paper**

Industry	Key fact
Cement	India is 2nd largest producer (about 470+ mt); Rajasthan, Andhra Pradesh, MP, Tamil Nadu top States; first plant Madras 1904
Sugar	India largest consumer and now largest or second largest producer with Brazil; UP, Maharashtra, Karnataka lead; FRP fixed by CCEA (2025-26 FRP ₹355/quintal)
Ethanol blending	E20 target achieved in 2025; roadmap to E27/E30 under review
Paper	Mills in West Bengal, Maharashtra, UP; Nepa Nagar (newsprint, MP)
Fertiliser	Urea under NBS excluded; neem-coated urea; nano-urea (IFFCO); India imports DAP, potash
Petrochemicals	Jamnagar (Reliance) largest refining complex; IOC largest oil company
Aluminium	Odisha (NALCO), Chhattisgarh, UP (Renukoot), Jharkhand

- **#### Pharma, Auto, Electronics**
- ****Pharma:**** India is the largest supplier of generics by volume (20% of global generic supply), 3rd by volume of production; "Pharmacy of the world"; Bulk Drug Parks (Himachal, Gujarat, Andhra Pradesh), PLI scheme 2020, PRIP for R&D, Jan Aushadhi (PMBJP) about 17,000+ Kendras.
- ****Auto:**** India is the 3rd largest passenger vehicle market and the largest two-wheeler and tractor producer; PLI-Auto (2021, ₹25,938 crore); ****PM E-DRIVE**** (2024), SPMEPCI (EV import policy at 15% duty with ₹4,150 crore investment condition), FAME-II expired 2024.
- ****Electronics:**** India is 2nd largest mobile phone maker; electronics manufacturing about ₹11 lakh crore; ECMS (Electronics Component Manufacturing Scheme 2025, ₹22,919 crore); India Semiconductor Mission (₹76,000 crore, 2021; Tata-PSMC Dholera fab, Micron Sanand ATMP, CG Power-Renesas Sanand, Tata Assam OSAT, HCL-Foxconn UP Jewar).
- **#### IT-BPM, Tourism, Aviation**

Sector	Facts
IT-BPM	Revenue above US\$280 billion; Karnataka, Maharashtra, Telangana, Tamil Nadu; GCCs more than 1,700; Software Technology Parks (STPI 1991)
Tourism	Share about 5% GDP; Swadesh Darshan 2.0, PRASHAD; Medical value travel; e-visa
Aviation	3rd largest domestic market; UDAN launched 2016 (extended 10 yrs); Airports Authority of India; DGCA regulator; Bharatiya Vayuyan Adhiniyam 2024; Noida international airport (Jewar) operational 2026
Telecom	2nd largest subscriber base; Telecommunications Act 2023; 5G in 99% districts; BharatNet; spectrum auction by DoT; TRAI regulator
Shipping	Sagarmala (2015); Maritime India Vision 2030; Vadhavan port (₹76,000 crore); Vizhinjam (Kerala) transshipment port operational
Railways	4th largest network; Vande Bharat, Dedicated Freight Corridors (Eastern: Ludhiana-Sonnagar; Western: Dadri-JNPT); Kavach; Bullet train (MAHSR) Mumbai-Ahmedabad

- **#### Defence Production**
- Defence production reached record ****₹1.5 lakh crore+**** and exports about ₹23,000 crore; Positive Indigenisation Lists; iDEX (2018); Defence Acquisition Council; Defence Corridors in UP and Tamil Nadu (2018); Strategic Partnership model; SIPRI ranks India among top arms importers.
- **#### Mineral Policy**

Mineral	Leading States
Iron ore	Odisha, Jharkhand, Chhattisgarh, Karnataka
Coal	Jharkhand, Odisha, Chhattisgarh, West Bengal; coal gasification target 100 mt by 2030
Bauxite	Odisha, Gujarat, Jharkhand, Maharashtra
Manganese	Odisha, MP, Karnataka, Maharashtra
Copper	Rajasthan (Khetri), MP (Malanjkhand), Jharkhand (Ghatsila)
Mica	Jharkhand, Andhra Pradesh, Rajasthan
Lithium	Reasi, J&K (inferred); Mandya (Karnataka); National Critical Mineral Mission (Jan 2025, ₹16,300 crore)
Uranium	Jharkhand (Jaduguda), Andhra Pradesh (Tummalapalle)
Petroleum	Mumbai High, Gujarat, Assam; KG basin

CHAPTER 34

LPG Reforms of 1991 and the Services Sector

Crisis of 1991

- Causes: fiscal profligacy of the 1980s (fiscal deficit above 8% of GDP), external borrowing, balance of payments crisis, Gulf War oil price spike, fall in remittances from Gulf, political instability; foreign exchange reserves covered under three weeks of imports
- Rescue: Government pledged 47 tonnes of gold to the Bank of England and 20 tonnes to Union Bank of Switzerland (total 67 tonnes) for emergency funds; IMF loan of about US\$2.2 billion with conditionalities; structural adjustment
- New Economic Policy announced in July 1991 by P. V. Narasimha Rao Government with Dr Manmohan Singh as Finance Minister; rupee devalued in two steps (1 July 1991 by about 9% and 3 July by about 11%)

Component	Measures
Liberalisation	End of licence-permit raj (industrial licensing abolished except for a small list), MRTP limits removed, import licensing abolished, tariff peak reduced from 300%+ to 150% then lower, rupee made convertible on trade account
Privatisation	Reduced list of public sector reserved industries from 17 to 8 (now 2), disinvestment started, Disinvestment Commission (1996), Department of Disinvestment (1999), strategic sales
Globalisation	Foreign Investment Promotion Board (1991), 51% FDI automatic approval in priority industries, FERA replaced by FEMA 1999, WTO membership (1995), market-determined exchange rate, capital account liberalisation

- Sectoral reforms: financial sector (Narasimham Committee I, 1991 and II, 1998: CRR/SLR reduction, interest rates deregulated, entry of private banks, prudential norms), tax reforms (Chelliah Committee: VAT, lower rates), trade policy, fiscal consolidation (FRBM 2003)
- 'Second generation reforms': telecom, power, infrastructure, IBC, GST, FDI liberalisation, labour codes
- Impact: GDP growth rose from about 3.5% (to 1980) to 5.6% (1980s) and 6-7% (after 1991); services boom; FDI increased from US\$100 million to over US\$80 billion; poverty declined; criticisms: jobless growth, agriculture neglected, regional and income inequalities, deindustrialisation fears, premature financial integration

Reform data

Reserves: US\$1 billion (1991), US\$100 billion (2004), US\$600-700 billion (2023-24)
 Share of services in GVA: 50.6% (FY14) to 55.3% (FY25); average growth 8.0% pre-pandemic (FY13-FY20) and 8.3% post-pandemic (FY23-FY25)

Services Sector

- Services are 55% of GVA, over 30% of employment; India's services exports are larger than merchandise exports in several months
- Contact-intensive (trade, hotels, transport, real estate, social and personal services) and non-contact-intensive (finance, IT, professional services, broadcasting, public administration, defence)
- Growth drivers: young population, urbanisation, e-commerce, IT and business services, digital payments (UPI), global capability centres (GCCs: over 1,700 in 2025), start-ups
- Services trade: India's share in global services exports 4.3% in 2023 (7th rank); services exports in FY2024-25 about US\$387.5 billion, up 13.6%; IT and computer services trend growth 12.8% (FY13-FY23) and share of GVA rose from 6.3% to 10.9%
- Services PMI above 50 since August 2021; services sector credit growth 22.9% to ₹45.9 lakh crore (March 2024)
- GST collections: ₹20.18 lakh crore in FY24 (up 11.7%)
- FDI inflows into services (computer software and hardware, financial, telecom, trading) are the largest recipients; services account for 53% of ECB inflows

Sub-sector	Key facts
Roads	Toll waiting time reduced from 734 seconds (2014) to 47 seconds (2024); ANPR, GNSS tolling; 4E road safety strategy

Sub-sector	Key facts
Railways	8% rise in passenger traffic (FY24); 2,031 km commissioned (April–November 2024); Vande Bharat expansion
Ports and shipping	Sagar Setu app; Harit Sagar green port guidelines; Maritime India Vision 2030; Maritime Amrit Kaal Vision 2047; River cruise tourism
Aviation	163 airports (2025) up from 74 (2014); third largest domestic market; 15% women pilots; UDAN, Lifeline UDAN, Krishi UDAN, Digi Yatra, Drone Rules 2021
Tourism	Contribution to GDP returned to 5% (FY23); India ranked 39th in WEF Travel and Tourism Development Index 2024; PRASHAD and Swadesh Darshan 2.0; Dekho Apna Desh; Uttar Pradesh hosted over 66 crore devotees at Maha Kumbh 2025
Telecom and IT	5G rollout, BharatNet; IT-BPM exports about US\$250 billion industry
Financial services	Banking, insurance, NBFCs, fintech; GIFT City

- Challenges: AI risk to business services, skill needs in cities, regional concentration of services (Bengaluru, Hyderabad, Pune), low employment elasticity, informal services employment
- India has been called a service-led economy that skipped the manufacturing stage; Kuznets observation, Fisher–Clark classification into primary, secondary and tertiary sectors

CHAPTER 35

Human Capital: Education, Health and Development Indicators

Concept

- Human capital: skills, knowledge and health acquired through education, training and health care that raise productivity; Theodore Schultz, Gary Becker developed the theory
- Sources of human capital formation: education, health, on-the-job training, migration, information

Aspect	Physical capital	Human capital
Nature	Tangible, can be bought, sold and separated from owner	Intangible, embodied in a person; inseparable (UPSC 2018)
Benefits	Mostly private	Private and social (externalities)
Formation	Investment decision on expected returns	Long-term investment in education and health

Basis	Human capital	Human development
Perspective	Person as a means to higher output	Person as the end; capability expansion
Approach	Economic, productivity-based	Rights and welfare based (Mahbub ul Haq, Amartya Sen)

- Approaches to human development: income approach, welfare approach, basic needs approach (health, education, food, water, sanitation, housing), capability approach (Sen) (UPSC 2018)
- Human Development Index (UNDP, since 1990): life expectancy, education (expected and mean years of schooling) and GNI per capita (PPP); HDR 2025: India's HDI value 0.685, rank 130 of 193 countries (medium human development), up from 133 in the previous report
- Human Capital Index (World Bank, 2018 and 2020): India scored 0.49; Gender Gap Index (WEF 2025): India ranked 131 of 148; Global Hunger Index 2025: 102 of 123
- Brain drain, brain gain, demographic dividend: India's working-age share about 68%; demographic dividend window until about 2040; median age about 28

Education

- Right to Education (RTE) Act 2009 under Article 21A (86th Amendment 2002): free and compulsory education for ages 6-14; 25% reservation in private schools for disadvantaged children
- National Education Policy 2020: 5+3+3+4 structure replacing 10+2, multilingual education, foundational literacy and numeracy by Class 3, 50% GER in higher education by 2035, public spending of 6% of GDP; Academic Bank of Credits; four-year undergraduate programme; National Research Foundation (2023)
- Samagra Shiksha Abhiyan (2018; merged SSA, RMSA and teacher education) pre-school to Class 12; PM SHRI schools (14,500; 2022); PM POSHAN (replaced mid-day meal in 2021); NIPUN Bharat (2021); PM eVidya and DIKSHA; Vidyanjali; National Apprenticeship Training Scheme
- Literacy: 2011 census 74.04%; Periodic Labour Force Survey/ Mission 'ULLAS' (New India Literacy Programme) declared Ladakh, Mizoram, Goa, Tripura and Himachal Pradesh fully literate; Kerala is the most literate
- Gross Enrolment Ratio in higher education 28.4% (AISHE 2021-22); All India Survey on Higher Education; University Grants Commission (UGC), AICTE, NCTE; Higher Education Commission of India Bill (Viksit Bharat Shiksha Adhishthan Bill, 2025) to replace UGC and AICTE
- Public expenditure on education about 4.6% of GDP (Economic Survey 2024-25 for combined Centre and states); Kothari Commission (1964-66) recommended 6% of GDP; Education budget 2026-27 for the Ministry of Education about ₹1.39 lakh crore
- Quality: ASER 2024 shows improvement in reading and arithmetic in government schools; PARAKH (national assessment centre, 2023); Performance Grading Index

Health

- National Health Mission (2013, merged NRHM 2005 and NUHM 2013); Ayushman Bharat (2018): Health and Wellness Centres (now Ayushman Arogya Mandir; 1.7 lakh+) and PM-JAY (Pradhan Mantri Jan Arogya Yojana; ₹5 lakh per family per year; 55 crore beneficiaries; covers 70+ persons regardless of income from October 2024; about 40 crore Ayushman cards)
- National Health Policy 2017: raise public health spending to 2.5% of GDP by 2025; Government health expenditure about 1.9% of GDP (2022-23); NHA 2021-22: government health expenditure 48% of total health expenditure and out-of-pocket expenditure fell to 39.4%
- Health indices: Life expectancy about 70 years (2019-23 SRS: 70.8); IMR 25 per 1,000 live births (SRS 2021: 27; SRS 2022: 26), MMR 93 per lakh live births (SRS 2019-21), Total Fertility Rate 2.0 (SRS 2021), below replacement level (2.1)
- Immunisation: Mission Indradhanush, U-WIN; Universal Immunisation Programme; Ayushman Bharat Digital Mission (ABDM, 2021) with ABHA ID
- Disease programmes: TB Mukht Bharat (target 2025, extended), National Programme for elimination of Malaria by 2030, Kala-azar elimination; India declared trachoma-free in October 2024
- Medical education: NMC Act 2019 replaced MCI; AIIMS expansion; Production-linked incentives for pharma; Pharma is the third largest in volume; 'Pharmacy of the World'; Jan Aushadhi Kendras (PMBJP)
- Care economy: unpaid care work disproportionately on women; Economic Survey 2024-25 focuses on care economy including child care, elderly care
- Nutrition: Poshan Abhiyaan (2018), Saksham Anganwadi and Poshan 2.0 (2021); NFHS-5 (2019-21): stunting 35.5%, wasting 19.3%, underweight 32.1%, anaemia among women 57%

CHAPTER 36

Employment, Labour Market and Skilling

Concepts and Measurement

- Unemployment types: open, disguised (agriculture), seasonal, structural, frictional, cyclical, educated, technological; underemployment
- Periodic Labour Force Survey (PLFS) of NSO (MoSPI), started April 2017; annual (July-June until 2023-24, calendar year from 2025) plus quarterly (urban) and, from January 2025, monthly bulletins for all-India (rural and urban) with Current Weekly Status (CWS)
- Usual Status (UPSS): ps+ss; Current Weekly Status; Labour Force Participation Rate (LFPR) = (employed + unemployed)/population; Worker Population Ratio (WPR); Unemployment Rate = unemployed / labour force
- Employment classification: self-employed, regular wage/salaried, casual labour; informal sector employs over 90% of workers

Indicator	Value
PLFS 2023-24 UR (15+, usual status)	3.2%
Youth unemployment (15-29)	10.2% in 2023-24; fell from 17.8% (2017-18)
Female LFPR	23.3% (2017-18) up to 41.7% (2023-24); Female LFPR rise driven by rural self-employment
LFPR 15+ (2023-24)	60.1%
Agriculture share of employment	About 46% (2023-24), up from 42.5% in 2018-19 (reversal of structural transformation)
Organised formal share	Employees with social security about 25% (EPFO net additions about 1.3 crore in 2024-25)

- Monthly PLFS, September 2026 (CWS, 15+): unemployment rate 5.0% (5.2% a year earlier); LFPR 55.5%; WPR 52.7%; rural unemployment 4.2%, urban 6.9%; female LFPR 34.6% (rural 38.9%, urban 25.9%)
- Economic Survey 2024-25: India must create about 78.5 lakh non-farm jobs annually until 2030 to sustain an increasing workforce; employment in manufacturing is lagging; the Survey discusses AI risk to services jobs; 26% jobs exposed to AI
- e-Shram portal: more than 30 crore unorganised workers (29 crore in 2024), ONORC integration; UAN-linked Employment Linked Incentive (ELI); Pradhan Mantri Viksit Bharat Rozgar Yojana (15 August 2025)
- EPFO payroll data and ESIC data are used as proxies for formal employment; India KLEMS database (RBI) gives employment estimates

Employment Programmes

Scheme	Features
MGNREGA (2005; Mahatma Gandhi National Rural Employment Guarantee Act)	Demand-driven 100 days wage employment; replaced by Viksit Bharat Guarantee for Rozgar and Aajeevika Mission (Gramin) Act, 2025 (VB-G RAM G) with 125 days
DAY-NRLM (2011, Aajeevika; Lakhpati Didi)	SHG federations; over 10 crore women mobilised in nine lakh SHGs; target 3 crore lakhpati didis achieved/ongoing
PMEGP (2008)	Credit-linked subsidy for micro-enterprises
Deendayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY)	Rural youth skilling and placement
PM SVANidhi (2020)	Street vendor working capital loans
Stand-Up India (2016), Mudra	Self employment finance; Mudra loans 47.7 crore sanctioned by March 2024
National Career Service portal	Job matching; 4.1 crore jobseekers
Apprenticeship	Apprentices Act 1961 amended 2014; National Apprenticeship Promotion Scheme (NAPS); PM Internship Scheme (pilot launched 2024-25; 12 months internship with ₹5,000 monthly allowance in top 500 companies)

Scheme	Features
Atal Pension Yojana (7.15 crore subscribers)	Pension for informal sector
PM Shram Yogi Maan-Dhan	Pension for unorganised workers

- Employment generation and urban employment: Budget 2026-27 push in manufacturing, semiconductors, textiles, tourism and services

Skilling

- Skill India Mission (15 July 2015; World Youth Skills Day); National Policy on Skill Development and Entrepreneurship 2015; Ministry of Skill Development and Entrepreneurship (MSDE, 2014); National Skill Development Corporation (NSDC, 2008); National Skills Qualification Framework (NSQF, 2013); SANKALP; Skill India Digital Hub
- Pradhan Mantri Kaushal Vikas Yojana (PMKVY, 2015; fourth phase 4.0 in 2022-26) short-term training and Recognition of Prior Learning
- Industrial Training Institutes upgrade scheme (₹60,000 crore, Union Budget 2024-25 and approved May 2025)
- Skilling status: 4.4% youth with formal training and 16.6% with informal training (PLFS 2022-23); employers face skill gap; Economic Survey 2024-25 flags mismatch between education and jobs
- AI Mission (₹10,372 crore) and the push for AI skilling; Skill India International centres; Global mobility via mobility agreements (Germany, Japan, Taiwan, Israel)

Gig and platform economy

NITI Aayog estimates 77 lakh gig workers in 2020-21 rising to 2.35 crore by 2029-30; Code on Social Security 2020 defines gig workers and platform workers; e-Shram registration of platform workers and Ayushman Bharat coverage for them announced in Budget 2025-26; state laws in Rajasthan (2023), Karnataka (2025), Jharkhand and Telangana

CHAPTER 37

Poverty, Inequality and Social Indicators

Poverty Concepts

- Absolute poverty: below a subsistence line; relative poverty: compared with society; chronic poor, transient poor, vulnerable non-poor (sometimes poor), never-poor
- Poverty line: based on calorie norms (2,400 rural and 2,100 urban per day in 1973-74 basket) updated by price index; Headcount Ratio (H), Poverty Gap Index (shortfall of income from line), Squared poverty gap, Sen Index (headcount + poverty gap + income inequality among poor)
- International Poverty Line (World Bank): US\$1.90/day (2011 PPP) earlier; raised to US\$2.15 (2017 PPP) in 2022; and US\$3.00 a day (2021 PPP) from June 2025

Committee	Year	Method / Estimate
Working Group (Y. K. Alagh)	1979	Nutritional norms, 2,400 and 2,100 calories; poverty lines in 1973-74
Lakdawala	1993	State-specific lines using CPI-IL (rural) and CPI-UNME (urban); 2004-05 poverty 28.3% rural, 25.7% urban
Tendulkar	2009	Mixed reference period; includes health and education spending; 2004-05: 41.8% rural, 27.5% urban, overall 37.2%; 2011-12: 21.9% (rural 25.7%, urban 13.7%)
Rangarajan	2014	Calories, protein and fats plus non-food spending; 2011-12: 29.5% overall (rural 30.9%, urban 26.4%) (₹972 rural and ₹1,407 urban per month)

- Planning Commission used the Tendulkar line (₹816 rural and ₹1,000 urban per month at 2011-12); NITI Aayog has not announced a new poverty line
- Household Consumption Expenditure Survey 2022-23 and 2023-24: monthly per capita consumption expenditure (MPCE) in 2023-24 about ₹4,122 rural and ₹6,996 urban (2022-23: ₹3,773 and ₹6,459); the urban-rural gap narrowed to 70% from 84% in 2011-12; food share in rural consumption fell below 47%
- World Bank (June 2025): extreme poverty at US\$3 per day fell from 27.1% (2011-12) to 5.3% (2022-23), lifting 26.9 crore people; at US\$2.15 poverty was 2.3% in 2022-23 against 16.2% in 2011-12; at US\$4.20 lower-middle-income line poverty was 23.9% (2022-23)

Multidimensional Poverty

- Global MPI (UNDP and OPHI, 2010): 10 indicators in 3 dimensions: health, education, standard of living; $MPI = H \times A$ (headcount $\times$ intensity); a person is poor if deprived in one third or more of weighted indicators
- National MPI of NITI Aayog (launched November 2021; baseline NFHS-4 2015-16, second NFHS-5 2019-21): includes 12 indicators (added maternal health and bank account):

Year	MPI headcount
2013-14	29.17%
2015-16	24.85%
2019-21	14.96%
2022-23	11.28%

- 24.82 crore people moved out of multidimensional poverty between 2013-14 and 2022-23; Uttar Pradesh recorded the largest reduction (5.94 crore), followed by Bihar and Madhya Pradesh; Bihar, Jharkhand, Uttar Pradesh have the highest MPI headcount; Kerala, Goa, Sikkim, Tamil Nadu and Punjab the lowest
- NITI Aayog's National MPI is monitored using NFHS data; UPPSC 2025 asked which body prepares India's national MPI (NITI Aayog)
- Poverty alleviation approach: growth-mediated, direct anti-poverty programmes (IRDP 1980, NREP, JRY, SGSY, NRLM), targeted PDS, DBT

- Bhoodan/ Gramdan; Antyodaya (Rajasthan 1977); Mission Antyodaya (2017); Deen Dayal Antyodaya Yojana

Inequality

- Gini coefficient: consumption Gini 25.5 (2022-23) per World Bank, up from 28.8 (2011-12); India Gini by income is much higher; World Inequality Database: top 1% hold over 40% of wealth
- Lorenz curve, Gini coefficient (0 equality; 1 inequality), Kuznets curve (inequality rises then falls with growth), Palma ratio, Atkinson index
- Oxfam India Inequality reports; Gender Inequality Index; UNDP Inequality-adjusted HDI
- Regional disparities: BIMARU (Bihar, Madhya Pradesh, Rajasthan, Uttar Pradesh) states; Kerala model; State per capita incomes: Goa, Sikkim, Delhi and Haryana highest; Bihar lowest
- Redistribution tools: progressive taxation, DBT, MGNREGA, PDS, reservation

Welfare Schemes (Social Security)

- Pradhan Mantri Garib Kalyan Anna Yojana: free grain to about 81 crore people
- PM Awas Yojana (Gramin and Urban): housing; Ujjwala (LPG); Jal Jeevan Mission; Saubhagya; Swachh Bharat; Ayushman Bharat
- National Social Assistance Programme (NSAP, 1995): Indira Gandhi old age pension, widow pension, disability pension
- Direct Benefit Transfer: Over ₹40 lakh crore transferred cumulative by 2025; estimated savings of ₹3.48 lakh crore in leakages
- Mission Shakti (2022), Beti Bachao Beti Padhao (2015), Sukanya Samriddhi Yojana, PM Matru Vandana Yojana, Lakhpati Didi
- Social security expenditure: Economic Survey 2024-25 shows combined spending on social services at about 8% of GDP

CHAPTER 38

Sustainable Development, Climate and Green Economy

Concepts

- Sustainable development: meeting present needs without compromising future generations (Brundtland Report, Our Common Future, 1987); three pillars: economic, social, environmental
- Green GDP: GDP adjusted for environmental depreciation and natural capital; System of Environmental-Economic Accounting (SEEA); India has not adopted green GDP
- Natural capital, ecosystem services (TEEB, Pavan Sukhdev), polluter pays principle, precautionary principle, carbon tax, Pigouvian tax, Coase theorem, tragedy of the commons (Hardin)
- Environmental Kuznets Curve: pollution first rises then falls with income
- Carbon footprint, carbon credit (1 tonne of CO₂ equivalent), carbon neutrality, net zero, carbon sink, carbon leakage

International Framework

Year	Event	Key point
1972	Stockholm Conference	First UN conference on environment; UNEP created
1987	Brundtland Report, Montreal Protocol	Sustainable development; ozone depleting substances phased out
1992	Rio Earth Summit	UNFCCC, CBD, Agenda 21; CBDR principle (common but differentiated responsibilities)
1997	Kyoto Protocol (in force 2005)	Binding cuts for Annex I countries; flexibility mechanisms: Emissions Trading, Joint Implementation, Clean Development Mechanism (CDM)
2015	Paris Agreement (COP21; in force 2016)	Keep warming well below 2 degrees C, pursue 1.5 degrees C; NDCs; US\$100 billion annual finance goal
2021	COP26 Glasgow	Phase-down of unabated coal; Panchamrit announced by India; Mission LiFE
2022	COP27 Sharm el-Sheikh	Loss and Damage Fund created
2023	COP28 Dubai	Transition away from fossil fuels; first global stocktake
2024	COP29 Baku	New Collective Quantified Goal of US\$300 billion a year by 2035; Article 6 carbon markets rules finalised
2025	COP30 Belem, Brazil (10-21 November 2025)	Adaptation finance and tropical forests; implementation roadmaps

- India's updated NDC (2022): reduce emissions intensity of GDP by 45% from 2005 levels by 2030, 50% cumulative non-fossil installed electric capacity by 2030 (achieved in June 2025), additional carbon sink of 2.5-3 billion tonnes of CO₂ equivalent; net zero by 2070
- Panchamrit (COP26): 500 GW non-fossil capacity by 2030; 50% energy from renewables; 1 billion tonne reduction in emissions by 2030; reduce carbon intensity by 45%; net zero 2070
- Mission LiFE (Lifestyle for Environment, 2022); Glasgow; India's Long-term Low Emission Development Strategy (submitted at COP27, 2022)

India's Domestic Instruments

- Carbon Credit Trading Scheme (CCTS) under the Energy Conservation (Amendment) Act 2022: compliance market for energy-intensive sectors (Perform, Achieve and Trade (PAT) scheme evolving into emissions-intensity targets); Bureau of Energy Efficiency as administrator; Indian Carbon Market launched with compliance from 2026; voluntary market (Green Credit Programme, October 2023)
- Green Credit Programme (GCP): tradable credits for plantation, water conservation; Ministry of Environment
- National Action Plan on Climate Change (NAPCC, 2008): eight missions (solar, enhanced energy efficiency, sustainable habitat, water, Himalayan ecosystem, Green India, sustainable agriculture, strategic knowledge)
- India Cooling Action Plan (2019), Perform Achieve and Trade (2012), Bharat Stage VI (April 2020; BS-VI), National Clean Air Programme (2019; 40% reduction in PM by 2025-26)
- India Climate Finance Taxonomy (draft 2025-26) and Sovereign Green Bonds (framework November 2022; issuance since January 2023); National Green Hydrogen Mission (₹19,744 crore; 5 million tonnes by 2030); Green Hydrogen hubs (Kandla, Paradip, Tuticorin)
- Electric mobility: FAME I (2015), FAME II (2019-24), PM E-DRIVE (October 2024, ₹10,900 crore; to March 2026 extended up to 2028), PM e-Bus Sewa, PLI for ACC batteries (₹18,100 crore) and automobiles (₹25,938 crore), SPMEPCI (EV manufacturing policy, March 2024) with import duty cut for investments of US\$500 million
- Biofuels: National Policy on Biofuels 2018 (amended 2022); E20 target advanced to 2025 and achieved; SATAT (2018) for compressed biogas; PM JI-VAN Yojana; GOBARdhan (2018)
- Solar: PM Surya Ghar (1 crore rooftops), PM-KUSUM, ISA (headquarters in Gurugram, 100+ members), Solar parks
- Industrial pollution: Zero Liquid Discharge; Extended Producer Responsibility (plastic, battery waste, e-waste); Plastic Waste Management Rules 2016, 2022 (single-use plastic ban from 1 July 2022)
- Forest and Wildlife: Compensatory Afforestation Fund Act 2016 (CAMPA); Forest (Conservation) Amendment Act 2023; Biological Diversity (Amendment) Act 2023; Environment Protection Act 1986; National Green Tribunal (2010); Wetlands (Conservation) Rules 2017; Ramsar sites: 91 in India (2025)

Climate and Economy

- Economic Survey 2024-25: climate change is a primary driver of endemic food inflation in India and a risk to agriculture; temperature correlates more strongly with food prices than rainfall or reservoir levels
- Climate finance: Green Climate Fund (GCF; Songdo), Adaptation Fund, Global Environment Facility (GEF; 1991 under the World Bank), Loss and Damage Fund; India is among the major recipients; the 'NCQG' US\$300 billion by 2035 (India objected to the low amount)
- Carbon Border Adjustment Mechanism (CBAM): EU carbon tax on imports of steel, aluminium, cement, fertilisers, electricity, hydrogen; transitional period from October 2023; definitive phase from 1 January 2026; impacts Indian exporters; India-EU FTA seeks relief; also EU Deforestation Regulation (EUDR; delayed)
- Heat hazards: expected loss of 3.8% of global working hours by 2035 as per ILO; India's labour productivity; wet-bulb temperature
- Disaster management: Disaster Management Act 2005 (NDMA, SDMA, NDRF, SDRF), National Disaster Response Fund, Coalition for Disaster Resilient Infrastructure (CDRI, launched 2019 by India)
- Climate indices: Climate Change Performance Index 2025: India 10th (high performer); Environmental Performance Index 2024: India 176 of 180; Global Climate Risk Index

Sustainable Development Goals

- SDGs (Agenda 2030, adopted September 2015): 17 goals, 169 targets; replaced MDGs (8 goals); SDG 1 No poverty; SDG 2 Zero hunger; SDG 3 Good health; SDG 4 Quality education; SDG 5 Gender equality; SDG 6 Clean water; SDG 7 Affordable clean energy; SDG 8 Decent work; SDG 9 Industry, innovation; SDG 10 Reduced inequalities; SDG 11 Sustainable cities; SDG 12 Responsible consumption; SDG 13 Climate action; SDG 14 Life below water; SDG 15 Life on land; SDG 16 Peace and justice; SDG 17 Partnerships
- SDG India Index (NITI Aayog; since 2018): composite score 57 (2018), 60 (2019), 66 (2020-21), 71 (2023-24); Kerala and Uttarakhand topped the 2023-24 edition (score 79), with Bihar and Jharkhand near the bottom

CHAPTER 39

Rural and Urban Development: Schemes and Institutions

Rural Development

- Ministry of Rural Development: DAY-NRLM, MGNREGA/VB-G RAM G, PMAY-G, PMGSY, NSAP, SPMRM (Shyama Prasad Mukherji Rurban Mission, 2016); Ministry of Panchayati Raj: RGSA

Scheme	Launched	Key features
Community Development Programme	1952	First rural development; Balwant Rai Mehta Committee (1957) recommended three-tier Panchayati Raj
IRDP (Integrated Rural Development Programme)	1978-80	Self-employment with subsidy; merged into SGSY in 1999
Jawahar Rozgar Yojana	1989	Wage employment; merged into JGSY and then SGRY (2001)
MGNREGA	2005-06	Demand-driven 100 days; wages as per state minimum; replaced with VB-G RAM G Act 2025 (125 days; see ch94b)
SGSY to NRLM (Aajeevika)	1999 to 2011	Women SHG mobilisation; Lakhpatri Didi (3 crore target)
PMGSY (Pradhan Mantri Gram Sadak Yojana)	25 December 2000	All-weather roads to habitations (500+ in plains, 250+ in hills/NE); PMGSY-IV (September 2024) for 25,000 habitations with ₹70,125 crore
PMAY-Gramin	2016 (from Indira Awaas Yojana)	Pucca houses with 25 sq m; unit assistance ₹1.20 lakh (plains) and ₹1.30 lakh (hills); 2 crore more houses for 2024-29
NSAP	1995	Social pensions for old, widows, disabled
Mission Antyodaya	2017	Convergence and gap analysis in 50,000 gram panchayats
SVAMITVA	2020	Drone mapping of rural abadi land; property cards to rural households
DDU-GKY	2014	Rural youth skills with placement
Saansad Adarsh Gram Yojana	2014	MPs adopt villages
Shyama Prasad Mukherji Rurban Mission	2016	Rural cluster development (ended 2024)
Rashtriya Gram Swaraj Abhiyan	2018	Panchayat capacity building
Digital: e-Gram Swaraj, Gram Manchitra, Bharatnet	2020	e-governance for panchayats

- Panchayati Raj: Article 40 (DPSP) promotes village panchayats; 73rd Amendment (1992) and Part IX; Article 243; three-tier system; 29 subjects in the Eleventh Schedule; State Finance Commissions and State Election Commissions; first Panchayat at Nagaur (Rajasthan) on 2 October 1959; National Panchayati Raj Day 24 April
- Committees: Balwant Rai Mehta (1957), Ashok Mehta (1977; two-tier), G. V. K. Rao (1985), L. M. Singhvi (1986; constitutional status), Thungon Committee (1988), Sarkaria Commission (1983-88) on Centre-State relations; Punchhi Commission (2007-10)
- Rural indicators: about 64% of population lives in rural areas (Census 2011: 68.8%); rural poverty; rural wages; rural non-farm employment; rural consumption share in HCES; Gramin Bhandaran Yojana

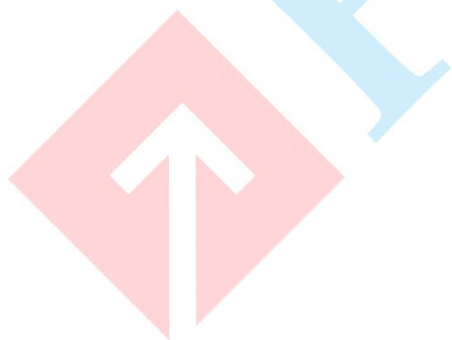
- Cooperative sector: Cooperative Credit Societies Act 1904; Ministry of Cooperation (July 2021); 97th Amendment 2011 (Article 19(1)(c), Article 43B, Part IXB), struck down in part in 2021 (Union of India v. Rajendra N. Shah); Multi-State Cooperative Societies (Amendment) Act 2023; National Cooperative Policy 2025; National Cooperative Development Corporation (NCDC, 1963); Amul (Anand model); IFFCO; NAFED; Tribhuvan Sahkari University (Anand, Gujarat, 2025)

Urban Development

- Urbanisation: 31.2% (2011); 35-37% now; 74th Amendment Act 1992 (Part IXA; Twelfth Schedule 18 functions); census towns; Urban Local Bodies; 15th FC urban grants

Mission	Launched	Details
JNNURM	2005	First major urban mission; replaced by AMRUT and Smart Cities
Smart Cities Mission	25 June 2015	100 cities; SPVs; area-based development; mission ended March 2025
AMRUT / AMRUT 2.0	2015 / 2021	Water supply and sewerage; AMRUT 2.0 for five years with ₹2.99 lakh crore; "Jal Hi Jeevan"
Swachh Bharat Mission Urban 2.0	2021	Garbage-free cities; wastewater treatment
PMAY-Urban 2.0	2024	1 crore houses for urban poor and middle class; interest subsidy
HRIDAY	2015	Heritage city development
DAY-NULM	2013	Urban livelihood; SVANidhi
Urban Infrastructure Development Fund (₹10,000 crore)	Budget 2023-24	Tier-2/3 city infrastructure
Urban Challenge Fund (₹1 lakh crore)	Budget 2025-26	'Cities as growth hubs' with 25% central share
Metro Rail Policy 2017	2017	PPP-based metros

- Cities as growth hubs: Economic Survey 2025-26 and Budget 2026-27 emphasised city economic regions (CERs), 'Cities as Growth Hubs', creative landscapes and transit-oriented development
- Real estate: Real Estate (Regulation and Development) Act 2016 (RERA) protects homebuyers; Benami Property Transactions; Housing Finance: National Housing Bank (1988; subsidiary of RBI), HUDCO (1970), Pradhan Mantri Awas Yojana credit-linked subsidy; REITs
- Urban challenges: Municipal finance, informal settlements, air pollution (National Clean Air Programme), solid waste, floods, transport; urban poverty; Solid Waste Management Rules 2016
- 2021 Census delayed; Census 2027 will provide fresh urban data



CHAPTER 40

Demography and Population Economics

Census Basics

- Census of India: every 10 years since 1881 (first synchronous census 1881 under W. C. Plowden); 2011 was the 15th census and 7th since Independence; Census 2027 is the 16th: houselisting operations 1 April to 30 September 2026, population enumeration in February 2027 (reference date 1 March 2027) and caste enumeration included; first digital census with mobile app
- Registrar General of India under the Ministry of Home Affairs; Census Act 1948; Article 246 (Union List Entry 69)

Indicator	Census 2011	Later estimate
Population	121.09 crore	About 146 crore (2025 UN estimate); India most populous since April 2023
Decadal growth rate	17.7% (2001-11)	Slowing; SRS
Sex ratio	943 females per 1,000 males	917 sex ratio at birth (SRS 2022: 917); child sex ratio 919 (Census 2011)
Literacy	74.04% (male 82.14%, female 65.46%)	Higher by PLFS 2023-24 (about 80%)
Density	382 per sq km	Bihar highest (1,106), Arunachal lowest (17)
Urban share	31.16%	About 36-37%
Most populous state	Uttar Pradesh (19.98 crore)	Maharashtra, Bihar next; Sikkim least
Highest sex ratio	Kerala (1,084)	Lowest Haryana (879)
Highest literacy	Kerala (94%)	Lowest Bihar (61.8%)

- National Population Policy 2000; National Population Commission; Family planning started 1952 (first country); Emergency sterilisation 1975-77
- Total Fertility Rate (SRS 2021): 2.0 (below the replacement level 2.1); TFR is above 2.1 only in Bihar (3.0), Meghalaya, Uttar Pradesh (2.7) and Jharkhand; NFHS-5 TFR 2.0
- Demographic transition: stage 1 (high birth and death rate) to stage 4; India in stage 3; demographic dividend: working age (15-59) about 64-68%; dependency ratio falling; window until 2040s; ageing: 60+ population about 10% (2021), 20% by 2050 (India Ageing Report; UNFPA)
- Population projections (RGI technical group): 152 crore in 2036; population peaks around 2060s at 1.7 billion (UN)
- Life expectancy: about 70 years (SRS 2019-23: 70.9); IMR 26 (SRS 2022); MMR 93 (SRS 2019-21); crude birth rate 19.1 (SRS 2022); crude death rate 6.1

Concepts

- Birth rate, death rate, natural growth rate, fertility rate (TFR), replacement level, population momentum, migration (push and pull factors), emigration and brain drain, remittances
- Sex ratio at birth, child sex ratio, Pre-Conception and Pre-Natal Diagnostic Techniques Act 1994
- Malthusian theory; optimum population; demographic dividend; Lewis dual-sector model; Todaro model (rural-urban migration)
- Migration data: 2011 census 45.6 crore migrants; Economic Survey 2016-17 inter-state labour mobility; ONORC; e-Shram; Migration Policy; Indians abroad: largest diaspora (about 3.5 crore); India top remittance recipient
- Ageing: Elderly (60+) schemes: Pradhan Mantri Vaya Vandana Yojana (2017), National Programme for Health Care of the Elderly, Atal Vayo Abhyuday Yojana, Ayushman Vay Vandana card (70+ from October 2024)
- Population in 2025-26: 'Delimitation' after Census 2027; linking to Women's Reservation Act 2023 (Nari Shakti Vandan Adhiniyam) operational after the first census post-2026 and delimitation

Population facts in UP

Uttar Pradesh has 19.98 crore people (Census 2011), about 16.5% of India; its TFR was 2.7 (SRS 2021), above the national 2.0, so UP's share in India's population keeps rising

CHAPTER 41

Economic Survey 2025-26: Growth, Fiscal, Money and Prices

Survey at a Glance

- Theme of the Survey: growth with resilience; domestic-demand-led expansion in a fragmented, geopolitically stressed world
- Medium-term potential growth revised up to 7.0% (from 6.5% three years earlier), citing public investment, infrastructure, supply improvements and deregulation
- Survey structure: 16 chapters (Ch 16 in two parts); from import substitution to strategic resilience and strategic indispensability
- Key shifts: efficiency to strategic resilience; state capacity as the binding constraint; human capital and longevity dividend; cities as economic infrastructure; AI as a development technology; climate transition with system readiness

Chapter	Title
1	State of the Economy: Pushing the Growth Frontier
2	Fiscal Developments: Anchoring Stability Through Credible Consolidation
3	Monetary Management and Financial Intermediation: Refining the Regulatory Touch
4	External Sector: Playing the Long Game
5	Inflation: Tamed and Anchored
6	Agriculture and Food Management
7	Services: From Stability to New Frontiers
8	Industry's Next Leap: Structural Transformation and Global Integration
9	Investment and Infrastructure
10	Environment and Climate Change
11	Education and Health: What Works and What's Next
12	Employment and Skill Development: Getting Skilling Right
13	Rural Development and Social Progress
14	Evolution of the AI Ecosystem in India
15	Urbanisation: Making India's Cities Work for Its Citizens
16A / 16B	Import Substitution to Strategic Resilience and Indispensability; State, Private Sector and Citizens

Chapter 1: State of the Economy (FY26 First Advance Estimates)

Indicator	FY26 (FAE)
Real GDP growth	7.4%
Real GVA growth	7.3%
Private final consumption (PFCE) growth	7.0%
Gross fixed capital formation (GFCF) growth	7.8%
Manufacturing growth	7.0%
Services growth	9.1%
Agriculture growth	3.1%
Medium-term potential growth	7.0% (up from 6.5%)

- Drivers: private consumption, firm investment, services (largest supply-side engine), recovery in manufacturing; agriculture adds stability rather than acceleration
- The Survey uses a nowcasting framework combining high-frequency indicators to track current and next-quarter growth
- The Survey reads global uncertainty as structural, not temporary; it argues India must run a marathon and a sprint together (growth plus shock absorption)
- A weak rupee is partly seen as the result of geopolitical capital-flow conditions, not only domestic weakness

Chapter 2: Fiscal Developments

Metric	Survey data
Union fiscal deficit	9.2% of GDP (FY21) → 4.8% (FY25); FY26 BE 4.4%
Central debt anchor	50 ± 1% of GDP (medium term)
General Government debt	about 7.1 percentage-point fall in debt/GDP since 2020
State capital expenditure	about 2.4% of GDP in FY25 (SASCI incentives)
Gross GST collections Apr-Dec 2025	₹17.4 lakh crore (+6.7% YoY)
Centre capex FY25 (PA)	₹10.52 lakh crore (FY24: ₹9.49 lakh crore)
Roads capex FY25	about ₹2.85 lakh crore
Railways capex FY25	about ₹2.52 lakh crore

- Consolidation has come with protected capex; three sovereign rating upgrades in 2025 are attributed to credible consolidation
- GST 2.0 (September 2025): 18% standard rate, 5% merit rate, 40% demerit/sin rate for select items
- SASCI = Special Assistance to States for Capital Investment; SNA-SPARSH = just-in-time release system for centrally sponsored schemes
- Survey cautions against unconditional cash transfers crowding out capex and human capital spending; flags rail and electricity cross-subsidies as distortions
- Once Indian government bonds are globally indexed, investors will price Centre and State finances together (general-government lens)

Chapter 3: Money, Banks and Financial Markets

Area	Survey observation
Policy rate	RBI cut the repo rate during 2025 as inflation eased
CRR	Cut by 100 bps to 3.0% in stages; about ₹2.5 lakh crore primary liquidity
Money multiplier	6.21 (end-Dec 2025) vs 5.70 a year earlier
Bank asset quality	GNPA at multi-decadal lows; CRAR strong
GIFT City (IFSC)	38 IFSC Banking Units; assets above US\$100 bn
GIFT debt listings	above US\$66 bn (above US\$15 bn ESG-labelled)
Corporate bond market	potential size ₹100-120 trillion by 2030

- Household savings are shifting towards equities and mutual funds; strong IPO mobilisation; domestic institutional investors (DIIs) now buffer FPI volatility
- Securities Markets Code, 2025 proposed to consolidate the SCRA, SEBI Act and Depositories Act
- AI in finance raises model, concentration and consumer-protection risks; the Survey advises proportionate, technology-aware regulation
- High cost of capital is partly structural (persistent current-account deficit means dependence on foreign savings)

Chapter 5: Inflation

Indicator	Survey reading
Global headline inflation	8.7% (2022) → 4.2% (2025)
India inflation 2025 (IMF-comparable)	2.8%
CPI headline, October 2025	0.3%, lowest in the CPI 2012 series
CPI headline, December 2025	1.3%

Indicator	Survey reading
Food inflation, December 2025	-2.71%
Core inflation, December 2025	4.62%
Core excluding gold and silver	about 3.4% (June) → about 2.3% (December 2025)

- Food disinflation pulled headline down; gold and silver prices lifted conventional core inflation
- The Survey separates base effect from momentum and examines state-level inflation differences (partly wage-driven)
- Pulses, vegetables, spices and edible oils remain the main volatility items; edible-oil prices reflect customs duty pass-through

Quick facts to remember

FY26 FAE growth 7.4%; potential growth 7.0%
 Fiscal deficit FY25 4.8%, FY26 BE 4.4%; debt anchor $50 \pm 1\%$ of GDP
 CRR 3.0% after a cut of 100 bps; money multiplier 6.21
 CPI October 2025 = 0.3%, lowest in the 2012 series

CHAPTER 42

Economic Survey 2025-26: External Sector, Agriculture, Services, Industry, Infrastructure

Chapter 4: External Sector

Indicator	Survey data
Total exports FY25	US\$825.3 bn
Total exports H1 FY26	US\$418.5 bn
Current account deficit H1 FY26	US\$15.0 bn (0.8% of GDP)
Current account deficit H1 FY25	US\$25.3 bn (1.3% of GDP)
Export CAGR since 2020	total about 9.4%; merchandise about 6.4%
Stabilisers	software and business services, GCCs, remittances
Diversifying exports	electronics, pharmaceuticals, electrical machinery

- Trade is entering a post-hyper-globalisation phase: friend-shoring, near-shoring and security-based tariffs
- Services are India's external shock absorber, but durable currency strength needs a stronger manufactured-export base and GVC ecosystems
- FDI remains resilient despite weak global FDI; India offers high risk-adjusted returns on inward FDI; outward FDI is treated as part of development

Chapter 6: Agriculture and Food Management

Area	Survey position
Employment share	46.1% of workforce
Income share	nearly one-fifth of national income at current prices
MSP policy	MSP fixed at 1.5 times the all-India weighted average cost of production (since 2018-19)
Steady growth drivers	allied sectors: livestock, fisheries, horticulture
Food management	procurement, buffer stocks, technology-based targeting of subsidy

- Schemes highlighted: Krishonnati Yojana (umbrella: MIDH, NFSNM, SAME and others), PM-KISAN, Per Drop More Crop, Digital Agriculture Mission, FPO promotion, Kisan Credit Card, Modified Interest Subvention Scheme, Kisan Rin Portal, PM Dhan-Dhaanya Krishi Yojana
- New themes: ethanol policy and cropping trade-offs, fertiliser reorientation towards soil health, procurement beyond rice-wheat, food subsidy reform through digitisation

Chapter 7: Services

Indicator	Survey data
Share of services in GDP (H1 FY26)	about 53.6%
Services GVA growth (H1 FY26)	9.3%
Employment	around 30% of total; nearly 4 crore jobs added in six years
Regular wage workers	about 51.5% in services, 25.5% in industry, 1% in agriculture
Services exports / GDP	9.7% (FY23-25 average); 10.0% (H1 FY26)
Professional and management consulting exports	CAGR 25.9% (FY23-25)
Air passengers FY25	about 411.8 million

- Frontiers: GCCs (global capability centres), tourism, logistics, telecom, real estate, orange economy (creative and media), space services
- New concept: servicification of manufacturing (design, logistics, software and after-sales services inside manufacturing)

Chapter 8: Industry

Indicator	Survey data
Manufacturing growth H1 FY26	Q1 about 7.7%; Q2 about 9.1%
Medium/high-tech share of manufacturing	about 46.3%
Coal production FY25	about 1,047.5 MT
Electronics production FY25	about ₹11.3 lakh crore
Electronics exports FY25	about ₹3.3 lakh crore
MSME credit growth Aug 2025	micro and small 20.9%; medium 13.1%; total 18.5%
Large industry credit growth Aug 2025	about 1.8%

- Instruments: PLI, National Manufacturing Mission, India Semiconductor Mission, ANRF and RDI Fund, PM GatiShakti, industrial corridors, pragmatic QCOs (quality control orders)
- Lesson: protection of upstream inputs (steel, aluminium, fibres) taxes downstream exporters; MSMEs need to scale (the missing-middle problem)

Chapter 9: Investment and Infrastructure

Indicator	Survey data
Union capex	₹5.92 lakh crore (FY22) → ₹11.21 lakh crore (FY26 BE), up 89%
Bank credit to infrastructure	+4.6% YoY (Oct 2025) vs 2.3% a year earlier
NBFC net financing to commercial sector	CAGR 43.3% (FY20–25)
PPP approvals	129 projects; cost about ₹5.61 lakh crore
Viability Gap Funding	72 projects; central VGF about ₹7,941.8 crore; about ₹6,314.9 crore disbursed (Dec 2025)
High-speed corridors	about 550 km (2014) → about 5,364 km (Dec 2025)
Rail electrification	about 99.1% (October 2025)

- Themes: InvITs and REITs for asset recycling, inland waterways (Kochi Water Metro), DISCOM reform, India Energy Stack, BharatNet, private participation in space

Quick facts to remember

Exports FY25 US\$825.3 bn; CAD H1 FY26 0.8% of GDP
 Agriculture: 46.1% of workforce, about one-fifth of GDP; MSP = 1.5 x cost
 Services about 53.6% of GDP; Union capex FY26 BE ₹11.21 lakh crore

CHAPTER 43

Economic Survey 2025-26: Climate, Human Capital, Rural, AI, Cities and State Capacity

Chapter 10: Environment and Climate Change

Indicator	Survey data
Non-fossil share of installed electricity capacity	51.93% (end-December 2025)
New renewable capacity Apr-Dec FY26	38.61 GW (solar about 30.16 GW; wind about 4.47 GW)
Climate-finance need by 2035	about US\$310-365 bn a year
Current climate-finance flow	about US\$26 bn
Resilience-related expenditure	about 3.7% of GDP (FY16) → about 5.6% (FY22)

- Policy tools: National Green Hydrogen Mission, BioE3, SHANTI Act 2025 (nuclear sector reform), Carbon Credit Trading Scheme, MISHTI (mangroves), green bonds, KERA (Kerala climate-resilient agri-value chain)
- Key idea: sequencing; renewables must be matched with grids, storage and finance, without hurting competitiveness

Chapter 11: Education and Health

Indicator	Survey data
Students (UDISE+ 2024-25)	24.69 crore
Schools	14.71 lakh
Teachers	over 1.01 crore
Government schools	69% of schools; nearly half of students
Private schools	26% of schools; 41% of enrolment
Infant mortality rate	40 (2013) → 25 per 1,000 live births (2023)
AB PM-JAY cards	42.78 crore; hospital admissions 10.98 crore; 6 crore senior citizens covered

- Shift from inputs to learning outcomes; PARAKH assessment; concerns: NCDs, obesity, ultra-processed foods, digital addiction

Chapter 12: Employment and Skills

Indicator	Survey data
Demographic dividend peak	around 2030 (about 65% aged 15-59)
Female LFPR	23.3% (2017-18) → 41.7% (2023-24)
Unemployment rate	5.6% → 3.2% (comparable period)
Employed persons Q2 FY26	about 56.2 crore (aged 15+)
Labour reform	four Labour Codes notified

- Digital platforms: e-Shram, National Career Service, Skill India Digital Hub; ideas: skill vouchers, apprenticeships, ITI modernisation (Odisha), longevity dividend, portable gig-worker protection

Chapter 13: Rural Development

Indicator	Survey data
National MPI	55.3% (2005-06) → 14.96% (2019-21) → 11.28% (2022-23, estimated)
Extreme poverty (World Bank, revised line)	5.3% for India (2022-23)
Social-protection coverage	about 22% (2016) → about 64.3% (2025)
Rural drinking water access	about 94.6% (2015-16) → about 99.6% (2024-25)
SVAMITVA	property cards about 2.76 crore in about 1.82 lakh villages
DILRMP	record of rights computerised about 99.8%
DAY-NRLM	about 90.90 lakh SHGs; about 10.05 crore households; bank credit about ₹11.92 lakh crore

- Panchayat Advancement Index localises SDGs; community institutions are treated as productive infrastructure

Chapter 14: AI Ecosystem

Indicator	Survey data
Firms using AI in at least one function	50% (2022) → 88% (2025) in the cited survey
Data-centre concentration	over 70% in high-income countries; India about 3%
Governance principle	phased: coordination, then capability, then stronger obligations

- Survey favours frugal, application-led AI, open models, domestic data value and an AI Economic Council

Chapter 15: Urbanisation

Indicator	Survey data
Agglomeration effect	doubling city size raises productivity by about 12%
Urban population projection	about 600 million (about 40%) by 2036
Contribution of urban areas to GDP	almost 70%
Top 10 cities	about 9% of population, about 28% of GDP
Municipal own-source revenue	about 0.15% of GDP
Metro/RRTS	about 1,036 km in about 24 cities (2025)

- Ideas: cities as economic infrastructure, informality integrated rather than eradicated, congestion pricing, Nammo Bharat as a network of networks

Chapter 16: Strategic Resilience and State Capacity

Tier	Logic
Tier I: critical vulnerabilities	assured domestic capacity, targeted and time-bound
Tier II: feasible capability with strategic payoffs	temporary support tied to productivity, cost convergence, exports
Tier III: low urgency, high-cost substitution	diversified sourcing and buffers, not protection

- Strategic indispensability: becoming a supplier that others cannot easily exclude
- Deregulation: 23 priority areas x 36 States/UTs = 828 reform actions; about 630 (76%) implemented by 23 January 2026; about 79 (10%) under implementation
- State capacity = ability to get the right things done; remedies: bounded safe spaces for experimentation, regulatory capacity, State Support Mission, Mission Karmayogi

Quick facts to remember

Non-fossil capacity 51.93%; MPI 11.28% (2022-23); IMR 25 (2023)
 Female LFPR 41.7% (2023-24); AI-using firms 88% (2025)
 Deregulation: 630 of 828 reforms done by 23 Jan 2026

Chapter 1: State of the Economy: Pushing the Growth Frontier

- The chapter reads FY26 as a period in which domestic demand, private consumption and capital formation preserved growth momentum despite a more fragmented global economy. It combines official national-account estimates with high-frequency indicators and an in-house nowcasting framework, and concludes that India's medium-term productive capacity has strengthened.

Key data

Real GDP growth, FY26 FAE 7.4%
 Real GVA growth, FY26 FAE 7.3%
 PFCE growth, FY26 FAE 7.0%
 GFCF growth, FY26 FAE 7.8%
 Manufacturing growth, FY26 FAE 7.0%
 Services growth, FY26 FAE 9.1%
 Agriculture growth, FY26 FAE 3.1%
 Medium-term potential growth 7.0%, revised up from 6.5% three years earlier

- **What Is Driving the Expansion?****
- Consumption remains a central support: PFCE growth strengthened and its share in GDP moved to a higher level. This limits dependence on fragile external demand.
- Investment momentum is firm: GFCF growth remains robust; continued public infrastructure investment is easing logistics constraints and crowding in private activity.
- Services are the largest supply-side engine: services growth remains stronger than the other major sectors, while manufacturing has regained momentum.
- Agriculture adds stability rather than acceleration: crop growth remains volatile, while allied activities provide steadier expansion.
- Macroeconomic fundamentals are broadly supportive: inflation moderated, banks remained healthy, liquidity was comfortable, fiscal consolidation continued and the external sector remained manageable.
- High-frequency monitoring has become part of macro management: the Survey's nowcasting model combines timely indicators to assess ongoing and subsequent-quarter growth.
- Infrastructure and deregulation lift supply potential: airport expansion, inland waterways, logistics improvements and state-level compliance reforms are treated as economy-wide productivity gains.

New Observations of the Survey

The Survey revises potential growth to 7%, explicitly linking structural reforms and public investment to the economy's supply capacity.
 It treats global political and economic uncertainty as structural rather than temporary, requiring buffers, redundancy and liquidity.
 It places greater emphasis on process reform—how the state interacts with firms and citizens—as a determinant of whether policy intent produces results.
 It views an undervalued/weak rupee as partly reflecting geopolitical capital-flow conditions rather than domestic macro weakness alone.
 It argues India must simultaneously maximise domestic growth and strengthen shock absorption—described in the Preface as running a marathon and a sprint together.

- **Core Analysis****
- Domestic demand lowers external dependence: FY26 real GDP growth is estimated at 7.4%, with PFCE and investment as major drivers. Ex: PFCE growth is estimated at 7.0% and GFCF at 7.8%.
- Services provide growth resilience: the sector remains the principal supply-side contributor. Ex: services growth is estimated at 9.1% in FY26 FAE.
- Manufacturing recovery broadens the base: manufacturing growth at 7.0% supports a more balanced structure than services-only expansion.
- Infrastructure raises potential output: faster logistics, airports and freight connectivity lower economy-wide transaction costs; this is one reason the Survey raises potential growth to 7.0%.
- Contained inflation improves real purchasing power: easing price pressures support consumption while reducing the need for restrictive policy.

- Healthy financial balance sheets strengthen transmission: lower NPAs and stronger credit intermediation allow investment demand to translate into productive capacity.
- External uncertainty remains the main tail risk: trade fragmentation, geopolitical shocks and capital-flow reversals can affect exports, investment and the rupee even when domestic fundamentals are sound.
- Institutional execution is the medium-term differentiator: the Survey repeatedly links future growth to deregulation, state capability and predictable administration rather than one-off stimulus.

Risks and constraints

Global trade policy has become less rules-based and more security-driven.
Capital-flow volatility can weaken the rupee despite strong domestic fundamentals.
Agricultural productivity and employment quality remain structural constraints.
Sustaining public investment while consolidating fiscal deficits requires expenditure quality.

Policy direction / way forward

Continue growth-enhancing public investment while preserving fiscal credibility.
Raise manufacturing/export competitiveness to strengthen external earnings.
Deepen state-level deregulation and reduce compliance costs for MSMEs.
Invest in human capital, skills and health so demographic advantage becomes productivity.
Maintain buffers in reserves, energy, logistics and critical inputs against non-linear external shocks.

Chapter 2: Fiscal Developments: Anchoring Stability Through Credible Consolidation

- The fiscal chapter argues that India's credibility has strengthened because consolidation has occurred alongside high public investment. It shifts attention from the Centre alone to general government finances, especially the quality of State expenditure, unconditional transfers and the implications of State fiscal behaviour for sovereign borrowing costs.

Key data

Union fiscal deficit 9.2% of GDP in FY21 → 4.8% in FY25; FY26 BE 4.4%
Central Government medium-term debt anchor $50 \pm 1\%$ of GDP
General Government debt adjustment ~7.1 percentage-point decline in debt/GDP since 2020
State capital expenditure ~2.4% of GDP in FY25, supported by SASCI incentives
Gross GST collections, Apr–Dec 2025 ₹17.4 lakh crore; +6.7% YoY
Centre capex, FY25 PA ₹10.52 lakh crore vs ₹9.49 lakh crore in FY24
Roads capex, FY25 PA ~₹2.85 lakh crore
Railways capex, FY25 PA ~₹2.52 lakh crore

- ****Fiscal Strategy and Reform Architecture****
- Consolidation with capex: the Centre has reduced the deficit while protecting capital formation, signalling that consolidation need not be contractionary when expenditure quality improves.
- GST as a buoyant revenue base: collection growth broadly tracks nominal GDP while e-way bill volumes signal strong transaction activity.
- GST 2.0: the Survey discusses the September 2025 reform centred on a broad 18% standard rate, 5% merit rate and a higher 40% demerit/sin rate for select items.
- SASCI: Special Assistance to States for Capital Investment/Expenditure is used to incentivise State capex and reform-linked investment.
- Technology-driven expenditure management: digital public-finance systems and SNA-SPARSH are highlighted for improving efficiency and cash management.
- General-government lens: investors increasingly evaluate combined Centre-State fiscal outcomes, making State fiscal discipline macroeconomically relevant.
- Cross-subsidies: rail freight/passenger and electricity cross-subsidies are identified as distortions affecting competitiveness and financial sustainability.

New Observations of the Survey

Unconditional cash transfers create an expenditure-quality trade-off: the Survey cautions that rapid expansion can make budgets rigid and crowd out capex/human-capital spending.

State finances can influence sovereign yields: once Indian government bonds are globally indexed, investors assess general-government credibility rather than treating State slippage as purely local.

Tax administration can use behavioural economics: the Survey discusses trust/nudge approaches and data-driven compliance rather than enforcement alone.

Fiscal devolution and convergence: intergovernmental transfers are assessed not only as redistribution but as instruments for capital formation and regional convergence.

Equity monetisation needs a predictable pipeline: the Survey suggests institutional changes to make asset/equity monetisation more continuous and credible.

- ****Core Analysis****
- Credibility lowers risk premia: sustained deficit reduction contributed to three sovereign rating upgrades in 2025. Ex: the fiscal deficit declined from 9.2% of GDP in FY21 to 4.8% in FY25.
- Capex has been protected: FY25 Centre capex reached ₹10.52 lakh crore, showing consolidation through improved revenue and expenditure composition rather than indiscriminate cuts.
- State capex matters for aggregate growth: States maintained capex at roughly 2.4% of GDP in FY25, with SASCI creating incentives for investment.
- Revenue buoyancy creates fiscal space: Ex: gross GST collections were ₹17.4 lakh crore in Apr–Dec 2025, up 6.7% YoY.
- Cash transfers can have opportunity costs: unconditional transfers may crowd out infrastructure, health and education and can weaken incentives for skills and employability.
- General-government discipline affects borrowing costs: global investors increasingly price Centre and State liabilities together.
- Debt sustainability is dynamic: the Survey notes a roughly 7.1 percentage-point decline in general-government debt/GDP since 2020 while investment stayed high.
- Expenditure efficiency is a reform frontier: digital systems, outcome orientation and reduced cross-subsidies can generate fiscal space without higher tax rates.

Risks and constraints

Rising revenue deficits in some States can squeeze productive expenditure.

Committed expenditure and subsidies reduce flexibility.

Cash-transfer competition can weaken the quality of State budgets.

Cross-subsidies in power and railways distort prices and enterprise competitiveness.

Policy direction / way forward

Anchor fiscal policy to debt sustainability and expenditure quality, not deficit reduction alone.

Protect capex and human-capital spending during consolidation.

Use SASCI and fiscal transfers to reward reforms and productive State investment.

Continue GST simplification and behavioural/data-driven compliance.

Reduce inefficient cross-subsidies and improve user-charge design where feasible.

Chapter 3: Monetary Management and Financial Intermediation: Refining the Regulatory Touch

- The financial chapter presents FY26 as a period of monetary easing, stronger transmission, multi-decadal-low bank NPAs, expanding capital markets and deeper household participation. Its broader argument is that regulation must enable innovation and scale while protecting stability and household welfare.
- ****Monetary and Banking Snapshot****

Key data

Policy easing RBI reduced the repo rate during 2025 as inflation moderated

CRR Cut by 100 bps to 3.0% in staggered steps; ~₹2.5 lakh crore primary liquidity

Money multiplier 6.21 at end-Dec 2025 vs 5.70 a year earlier

Bank asset quality GNPA's at multi-decadal lows; CRAR remained strong

Financialisation Household savings increasingly shift toward equities and mutual funds

GIFT City 38 IFSC Banking Units; assets >US\$100 bn; cumulative banking transactions ~US\$142.98 bn

GIFT debt listings >US\$66 bn, including >US\$15 bn ESG-labelled

Corporate bond opportunity Survey discusses potential market size of ₹100–120 trillion by 2030

- Easing transmitted to lending rates: repo and liquidity measures reduced weighted average lending rates, supporting credit conditions.
- Bank repair is mature: declining GNPA and stronger profitability improve the capacity of banks to intermediate savings into investment.
- Primary equity markets are a major capital-formation channel: the Survey emphasises unusually strong IPO activity and domestic investor participation.
- Household portfolios are changing: equity-linked instruments and mutual funds have gained share in annual financial savings.
- Digital public infrastructure deepens inclusion: payments, fintech lending and government microcredit connect households and small enterprises to formal finance.
- GIFT City is becoming a global capital gateway: banking, derivatives, funds, insurance and debt listings are scaling in the IFSC.
- Securities Markets Code, 2025: introduced to consolidate the SCRA, SEBI Act and Depositories Act into a unified legal architecture.
- AI creates a new regulatory problem: financial institutions can improve underwriting and service delivery, but model risk, concentration, opacity and consumer protection require a calibrated regulatory response.

Distinctive Survey Observations

High cost of capital is partly macro-structural: persistent current-account deficits imply dependence on foreign savings and a risk premium; durable reduction requires stronger exports, productivity and financial depth.

Financial inclusion should be welfare-centred: microfinance and impact investing must not treat loan expansion itself as success if household over-indebtedness rises.

Payments infrastructure can generate financial deepening: digital rails reduce transaction cost and create information trails that support formal credit.

Regulation must become more outcomes-based: the chapter's phrase 'refining the regulatory touch' reflects a shift from rule accumulation to calibrated supervision.

Domestic institutions can buffer external volatility: rising DII participation reduces exclusive dependence on FPI flows.

- ****Core Analysis****
- Bank balance sheets are no longer the main constraint: multi-decadal-low GNPA and strong capital ratios allow the system to support investment rather than remain focused on repair.
- Monetary easing can transmit when balance sheets are healthy: CRR reduction to 3% released about ₹2.5 lakh crore of primary liquidity, while lending rates declined.
- Money creation reflects greater intermediation: the money multiplier reached 6.21 at end-Dec 2025 from 5.70 a year earlier.
- Capital markets complement banks: strong IPO mobilisation and growing mutual-fund/equity participation diversify corporate finance and household savings.
- Financialisation must serve household welfare: the Survey's microfinance discussion cautions against loan growth that raises indebtedness without productivity or resilience.
- AI can reduce costs but amplify model/concentration risk: financial regulators need explainability, human accountability and operational resilience.
- GIFT City can internalise global financial services: its banking assets exceeded US\$100 bn, with growing funds and ESG debt listings.
- The deepest reform is lowering structural risk premia: stronger exports and external surpluses would reduce the long-run cost of capital more durably than cyclical liquidity easing alone.

Risks and constraints

Rapid household entry into market products raises suitability and investor-protection issues.

Fintech and AI create cyber, model, data and conduct risks.

Corporate bond liquidity remains shallower than bank credit markets.

External savings dependence keeps risk premia sensitive to global shocks.

Policy direction / way forward

Deepen corporate bonds, securitisation and institutional savings while strengthening disclosure.

Use proportionate, technology-aware regulation rather than blanket restrictions.

Keep household welfare central to microfinance and digital lending.

Strengthen market infrastructure, settlement and investor protection.

Improve external competitiveness so lower risk premia become structurally sustainable.

Chapter 4: External Sector: Playing the Long Game

- The chapter interprets global trade as entering a post-hyper-globalisation phase in which security, technology and strategic autonomy increasingly shape commerce. India's services exports and remittances provide resilience, but the Survey argues that durable currency strength and external stability ultimately require deeper manufacturing-export ecosystems and GVC participation.

Key data

Total exports, FY25 US\$825.3 bn
 Total exports, H1 FY26 US\$418.5 bn
 H1 FY26 current-account deficit US\$15.0 bn; 0.8% of GDP
 H1 FY25 CAD (comparison) US\$25.3 bn; 1.3% of GDP
 Export CAGR since 2020 Total exports ~9.4%; merchandise exports ~6.4%
 Major stabilisers Software/business services, GCCs, remittances
 Export diversification Electronics, pharmaceuticals, electrical machinery; broader destinations
 External buffers Comfortable reserves, moderate external debt, favourable maturity profile

- Trade policy is increasingly strategic: friend-shoring, near-shoring and security-based tariffs are replacing the pure efficiency logic of hyper-globalisation.
- Services are India's external shock absorber: the services surplus offsets a large share of the merchandise deficit.
- Higher-value manufacturing exports are growing: electronics, pharmaceuticals and electrical machinery are important diversification channels.
- FDI remains resilient despite weak global FDI: the Survey differentiates gross inflows, repatriation and risk-adjusted returns.
- India offers high risk-adjusted inward FDI returns: the Survey's cross-country comparison places India among the leading examined emerging economies.
- Outward FDI is part of development: overseas investment can secure markets, resources and capabilities rather than being treated only as capital flight.
- Exchange-rate credibility depends on structural export strength: the chapter links goods-export competitiveness to durable currency stability.

New Survey Observations

Services exports matter—but only up to a point: they stabilise the BoP but do not automatically create the broad supplier, logistics and institutional upgrading associated with manufacturing GVCs.
 Manufacturing excellence and currency strength are connected: successful East Asian exporters built deep goods-export ecosystems that strengthened external credibility.
 GVCs are an ecosystem strategy, not just export promotion: India needs anchor firms, suppliers, standards, logistics and predictable policy.
 FTA gains depend on domestic cost competitiveness: market access cannot compensate for high input, energy or logistics costs.
 The external sector is now a strategic-capability issue: export earnings and investor interest are needed to cover a rising import bill as incomes rise.

- **Core Analysis****
- Services provide a large recurring offset to the goods deficit: software, professional services and GCCs support current receipts. Ex: total exports reached US\$825.3 bn in FY25.
- The current account remains contained: H1 FY26 CAD was 0.8% of GDP, lower than 1.3% in H1 FY25.
- But merchandise exports have grown more slowly: since 2020, total exports grew about 9.4% CAGR while merchandise exports grew around 6.4%.
- Goods exports create denser domestic linkages: manufacturing forces improvements in logistics, standards, supplier capabilities and state capacity in ways globally mobile service firms can sometimes bypass.
- Higher-value manufacturing is already emerging: electronics, pharma and electrical machinery show that diversification is possible.
- FDI should be connected to GVCs: high risk-adjusted returns are useful only if foreign investment creates domestic capabilities, exports and supplier linkages.
- Currency resilience is ultimately earned through external earnings: strong manufactured exports reduce dependence on volatile capital inflows.
- FTAs can accelerate this transition only when firms can produce competitively at home.

Risks and constraints

High tariffs/protection on upstream inputs can raise downstream export costs.
 Global trade is increasingly fragmented by geopolitics and national-security policy.
 Portfolio flows remain volatile and can transmit currency pressure.
 Import needs rise structurally with income growth and industrialisation.

Policy direction / way forward

Build GVC ecosystems around anchor firms and domestic suppliers.
 Reduce input, logistics and power costs rather than relying on permanent protection.
 Use FTAs for technology, investment and labour-intensive manufacturing access.
 Diversify export destinations and critical import sources.
 Continue developing services exports while expanding merchandise sophistication.

Chapter 5: Inflation: Tamed and Anchored

- The inflation chapter records a broad moderation in global and Indian inflation during 2025 and gives unusual attention to the difference between headline, food and core pressures. It argues that precious metals explain much of the apparent firmness in core inflation and that food-price volatility increasingly requires supply-chain and production responses alongside monetary credibility.

Key data

Global headline inflation 8.7% in 2022 → 4.2% in 2025
 India inflation, comparable IMF measure for 2025 2.8%
 CPI headline, Oct 2025 0.3% — lowest in the CPI 2012 series
 CPI headline, Dec 2025 1.3%
 Food inflation, Dec 2025 -2.71%
 Core inflation, Dec 2025 4.62%
 Core ex-gold & silver Fell from ~3.4% in June to ~2.3% in Dec 2025
 Main food-volatility items Vegetables, pulses, spices, edible oils and selected perishables

- **Drivers and Policy Interpretation****
- Food disinflation was decisive: better supply conditions and specific commodity dynamics pulled headline inflation down sharply.
- Core needs decomposition: gold and silver price increases elevated conventional core inflation; excluding precious metals gives a softer underlying picture.
- Base and momentum effects matter: a low/high year-ago base can change annual inflation even when month-to-month price momentum differs.
- Pulses require structural volatility reduction: production, procurement, stocks and diversification are preferable to repetitive emergency measures.
- Edible-oil inflation shows trade-policy pass-through: customs duties interact with import dependence and domestic producer incentives.
- Rural-urban differences persist: consumption weights and food shares create different inflation experiences.
- State-level inflation persistence is linked to local wage and structural factors, making the national average incomplete.
- The chapter treats core excluding gold and silver as a better diagnostic of underlying demand pressure during this episode.
- It links the manufacturing terms of trade with agriculture and services to understand changes in producer margins and relative prices.
- It distinguishes base effect from momentum, improving interpretation of low headline numbers.
- It places greater weight on supply-side capacity and logistics as reasons core inflation can remain contained even with growth.
- It examines state-level inflation differentials, showing that inflation is partly a regional and wage-setting phenomenon.
- **Core Analysis****
- Headline inflation has fallen dramatically: Ex: CPI headline reached 0.3% in October 2025 and 1.3% in December.
- Food is the largest source of short-run volatility: Ex: food inflation was -2.71% in December 2025, pulling headline inflation down.
- Conventional core can exaggerate domestic demand pressure: gold and silver raised core; excluding precious metals, underlying core fell to about 2.3% by December.
- Monetary credibility still matters: anchored expectations prevent temporary commodity shocks from becoming generalised wage-price inflation.
- Supply policy is indispensable: pulses, vegetables and edible oils respond to production, storage, imports, duties and logistics more than to interest rates alone.

- Regional inflation needs local diagnosis: differences in weights, wages and supply structures mean State-level persistence can deviate from the all-India average.
- Growth and low inflation can coexist when supply capacity improves: better logistics and productive capacity reduce bottleneck-driven price pressure.

Risks and constraints

Food prices remain exposed to weather and crop shocks.
 Imported edible oils and commodities transmit global prices.
 Base effects can make very low inflation appear more durable than it is.
 Precious-metal prices can distort standard core measures.

Policy direction / way forward

Use decomposed inflation measures alongside the headline CPI.
 Build durable food-supply resilience through productivity, storage and diversification.
 Calibrate tariffs/imports so consumer stability does not permanently weaken producer incentives.
 Maintain credible monetary policy while recognising supply-driven episodes.
 Track regional inflation persistence and wage dynamics more closely.

Chapter 6: Agriculture and Food Management: Raising Productivity, Securing Income and Ensuring Food Security

- The agriculture chapter highlights a structural mismatch: agriculture and allied activities contribute nearly one-fifth of national income at current prices but employ 46.1% of the workforce. It therefore shifts the focus from output alone to productivity, diversification, allied activities, soil/input efficiency, market access and income security.

Key data

Employment share 46.1% of workforce
 Income share Nearly one-fifth of national income at current prices
 Growth driver Allied sectors—livestock, fisheries and horticulture—provide relatively steady growth
 MSP policy Since 2018-19, MSP fixed at 1.5× all-India weighted average cost of production
 Productivity constraints Fragmented holdings, irrigation gaps, input quality, mechanisation/investment, stagnant yields
 Diversification Higher-value allied sectors and horticulture central to income growth
 Food management Procurement + buffer stocks + technology/targeting in food subsidy

- ****Major Schemes and Policy Instruments Highlighted****

Key data

Krishonnati Yojana Umbrella of MIDH, NFSNM, SAME, Integrated Scheme on Agricultural Marketing, DAM, NMEO-OS, NMEO-OP and MOVCDNER
 PM-KISAN Direct income support
 Per Drop More Crop Water-use efficiency / micro-irrigation
 Digital Agriculture Mission Digital public infrastructure and data-driven agriculture
 FPO promotion Aggregation, market access and bargaining power
 Kisan Credit / MISS / Kisan Rin Portal Formal farm credit and interest support
 PM Dhan Dhaanya Krishi Yojana Area-focused productivity and prosperity intervention discussed in a dedicated box
 Natural/organic fertiliser initiatives Reorientation toward soil health and efficient nutrient use

New Observations of the Survey

Agriculture's employment-income mismatch is the core structural issue: improving farm incomes requires raising labour productivity and expanding non-farm opportunities.
 Allied sectors are the stabilisers: livestock, fisheries and horticulture are less tied to a single crop season and can raise value per unit of land.
 Ethanol policy creates cropping trade-offs: pricing incentives can improve energy security but may alter land/water allocation and food-security incentives.
 Fertiliser policy should move from quantity toward soil productivity: nutrient imbalance and subsidised input prices can reduce long-run soil efficiency.
 Procurement can support diversification: procurement design can help farmers shift beyond rice-wheat where agro-ecologically suitable.
 Food subsidy reform is increasingly a technology/targeting issue: transparency, digitisation and delivery efficiency matter alongside the subsidy envelope.

- ****Core Analysis****
- The labour-productivity gap is large: agriculture employs 46.1% of the workforce but produces only about one-fifth of current-price national income.
- Allied activities offer faster income diversification: Ex: livestock, fisheries and horticulture are identified as increasingly important income sources and more stable growth drivers.
- Yield gaps remain binding: fragmented holdings, irrigation constraints and uneven input/mechanisation access prevent output growth from translating into high productivity.
- Input efficiency is as important as subsidy volume: the Survey calls for fertiliser use to be reoriented toward soil health and crop productivity rather than distorted nutrient use.
- Water productivity must shape cropping patterns: PDMC and diversification reduce vulnerability in water-stressed regions.
- Markets and aggregation matter: FPOs, digital agriculture and better market linkages can raise the share of consumer value reaching farmers.
- Price support should enable—not freeze—cropping patterns: MSP at 1.5× weighted cost gives income certainty, but procurement design can also encourage diversification.
- Food management and farm policy must be coordinated: procurement, stocks and food subsidy influence production incentives, fiscal costs and food security simultaneously.

Risks and constraints

Land fragmentation and low scale constrain mechanisation and investment.
 Regional irrigation gaps create unstable yields.
 Input subsidies can encourage inefficient fertiliser/water use.
 Procurement concentration can reinforce rice-wheat patterns.
 Climate and weather shocks raise production and price volatility.

Policy direction / way forward

Prioritise yield/productivity improvements in lagging regions and crops.
 Use FPOs, storage, processing and digital market links to raise value realisation.
 Rebalance fertiliser support toward soil-health outcomes.
 Align procurement and ethanol incentives with water and food-security objectives.
 Expand allied sectors and horticulture as income and risk-diversification channels.

Chapter 7: Services: From Stability to New Frontiers

- The Survey treats services as India's principal engine of growth, urban employment and external resilience. It also broadens the conventional IT-services narrative to tourism, transport, GCCs, telecom, real estate, media/orange economy and space services, while discussing the growing 'servicification' of manufacturing.
- ****Services Snapshot****

Key data

Share in GDP, H1 FY26 ~53.6%
 Services GVA growth, H1 FY26 9.3%
 Employment Around 30% of total employment; nearly 40 million jobs added over six years
 Regular wage share ~51.5% of service workers, versus ~25.5% in industry and ~1% in agriculture
 Services-export share in GDP 9.7% average FY23–FY25; 10.0% in H1 FY26
 Services export growth Average ~14.0% FY23–FY25 vs 7.6% FY16–FY20
 Professional & management consulting export CAGR 25.9% in FY23–FY25 in Survey chart
 Air passengers, FY25 ~411.8 million

- ****Sub-sectors and Emerging Frontiers****
- IT/ITeS and professional services: continue to anchor exports, with professional/management consulting expanding rapidly.
- Global Capability Centres: India's GCC ecosystem is moving toward higher-value R&D, analytics, product management and enterprise functions.
- Tourism and experience economy: domestic travel, international arrivals and hotel occupancy support jobs and regional services.
- Transport and logistics: ports, aviation and inland waterways are service industries with direct productivity spillovers to manufacturing and trade.
- Telecommunications and digital services: cheaper connectivity supports platform, financial and enterprise services.
- Real estate and housing services: link household wealth, construction, finance and urban demand.

- Orange economy: creative, cultural, media, entertainment and experience-based services are highlighted as emerging growth areas.
- Space services: commercialisation opens new high-skill service markets.
- Services exports have acted as a buffer amid subdued goods trade, with their GDP share moving higher post-pandemic.
- Professional and management consulting exports grew much faster than software alone in the FY23–FY25 comparison, showing diversification within knowledge services.
- The Survey introduces servicification of manufacturing: modern manufacturing competitiveness increasingly depends on design, logistics, software, finance, maintenance and after-sales services.
- It asks whether services exports generate the same pressure for state-capacity improvement as manufacturing exports, concluding that services can sometimes bypass weak local systems.
- It identifies tourism, media, marina development, hiking trails and ocean commercialisation as possible new service frontiers.
- ****Core Analysis****
- Scale is already macro-significant: services account for more than half of output; Ex: about 53.6% of GDP in H1 FY26 with 9.3% GVA growth.
- Services strengthen external resilience: export share in GDP rose to 10.0% in H1 FY26, buffering global goods weakness.
- The export basket is diversifying: professional and management consulting recorded 25.9% CAGR in FY23–FY25 in the Survey's comparison.
- Services generate relatively formal urban jobs: around 51.5% of service workers are regular wage/salaried, much higher than agriculture.
- GCCs raise skill intensity: they increasingly internalise high-value corporate functions, R&D and analytics in India.
- Servicification strengthens manufacturing: logistics, digital, design and professional services are embedded inputs into advanced manufacturing.
- But employment absorption is uneven: high-productivity knowledge services require skills and cannot absorb all low- and middle-skill workers.
- Institutional spillovers can be weaker than manufacturing: globally mobile service firms can succeed despite local logistics or industrial-system weaknesses, reducing reform pressure.

Risks and constraints

- Skill intensity can widen wage and opportunity gaps.
- Tourism and urban services depend on local infrastructure and civic quality.
- AI can automate some routine service work even as it creates new tasks.
- Export concentration in software/business services creates sectoral dependence.

Policy direction / way forward

- Diversify toward tourism, healthcare, education, professional services, media and space services.
- Strengthen GCC-to-domestic-firm knowledge spillovers.
- Link skilling systems to service-sector demand and AI complementarity.
- Use servicification to strengthen manufacturing rather than frame the sectors as alternatives.
- Improve city quality, transport and tourism infrastructure to unlock place-based service jobs.

Chapter 8: Industry's Next Leap: Structural Transformation and Global Integration

- The industry chapter argues that global manufacturing competitiveness increasingly rests on technology, innovation and strategic indispensability rather than low wages alone. India's next industrial leap therefore requires high-tech production, scalable MSMEs, GVC integration, lower input costs, reliable infrastructure and disciplined industrial policy.
- ****Industrial Performance and Structural Data****

Key data

- Manufacturing growth, H1 FY26 Strong recovery; Q1 ~7.7%, Q2 ~9.1% in Survey discussion
- Medium/high-tech manufacturing ~46.3% share of manufacturing activities in Survey assessment
- Coal production, FY25 ~1,047.5 MT; imports declined
- Electronics production ~₹11.3 lakh crore in FY25
- Electronics exports ~₹3.3 lakh crore in FY25
- MSME credit growth, Aug 2025 Micro & small ~20.9%; medium ~13.1%; total MSME ~18.5% YoY
- Large-industry credit growth, Aug 2025 ~1.8% YoY
- Strategic direction High-tech GVCs, advanced manufacturing, innovation and MSME scaling

- ****Policy Architecture Highlighted****
- Production Linked Incentive (PLI): anchors scale, investment and domestic value addition in selected sectors.

- National Manufacturing Mission: provides the longer-term blueprint for increasing manufacturing scale and technological depth.
- India Semiconductor Mission: seeks ecosystem-building rather than only final assembly, recognising high R&D intensity.
- ANRF and RDI Fund: intended to crowd in private research and strengthen applied innovation.
- PM GatiShakti and industrial corridors: reduce logistics and location disadvantages.
- Quality-control reform: the Survey argues for pragmatic QCOs that raise standards without unintentionally raising downstream input costs.
- Industrial clusters: scale benefits require shared infrastructure, specialised suppliers, labour pools and institutions.
- MSME finance: formal credit, ODR and small-value lending are treated as productivity and working-capital issues.

New Observations of the Survey

Advanced manufacturing is a disciplining system: it forces improvements in power, logistics, regulation, engineering capability, quality and supplier coordination.

Backward GVC participation matters: imported high-quality inputs can coexist with rising domestic value addition; the objective is not autarky but competitive integration.

Protection can become a tax on downstream exporters: steel, aluminium, fibres and other upstream inputs must not be protected in ways that destroy competitiveness in larger downstream sectors.

MSME scaling is a missing-middle problem: access to finance, technology and larger markets matters more than preserving firms at a permanently small scale.

Strategic innovation finance can be State-led: the Maharashtra defence and aerospace venture-fund case illustrates catalytic public risk capital.

- ****Core Analysis****
- Technology intensity is becoming decisive: medium/high-tech activities account for a large share of manufacturing, and future competitiveness depends on innovation rather than labour-cost arbitrage alone.
- Electronics demonstrates scale-up potential: Ex: FY25 electronics production reached roughly ₹11.3 lakh crore and exports about ₹3.3 lakh crore.
- PLI works best when it builds ecosystems: incentives should deepen components, R&D and supplier networks, not only final assembly.
- Input-cost competitiveness is foundational: high energy, logistics, finance or protected upstream costs weaken every downstream producer.
- MSMEs need scale, not permanent protection: Ex: MSME bank credit grew around 18.5% YoY in Aug 2025, but financing quality, technology and market access determine productivity.
- Industrial clusters generate coordination economies: common facilities, testing, skilling and suppliers reduce unit costs and improve learning.
- GVC participation requires openness to competitive imports: imported intermediates can raise export competitiveness and domestic value addition over time.
- Innovation institutions must crowd in private R&D: ANRF, RDI Fund and semiconductor initiatives are meant to shift India from technology adopter toward innovator.

Risks and constraints

Upstream protection can create inverted cost structures.

MSMEs face a working-capital/credit gap and delayed-payment risks.

R&D and private innovation intensity remain insufficient in strategic technologies.

Fragmented clusters and weak supplier quality constrain GVC integration.

Policy uncertainty can discourage long-horizon manufacturing investment.

Policy direction / way forward

Make support temporary, measurable and export-disciplined.

Reduce input costs through power, logistics, finance and regulatory reform.

Build cluster institutions and common technology/testing infrastructure.

Use public R&D funding to crowd in corporate research.

Help MSMEs graduate to larger scale and integrate into anchor-firm supply chains.

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

- The infrastructure chapter links connectivity directly to economy-wide productivity and places strong emphasis on financing diversification, PPP capability and asset recycling. It also treats transport, energy, telecom, water and space as integrated foundations for private investment.
- ****Infrastructure Financing and Investment****

Key data

Union capex FY22 ₹5.92 lakh cr → FY26 BE ₹11.21 lakh cr; +89%
 Bank credit to infrastructure +4.6% YoY in Oct 2025, recovering from 2.3% a year earlier
 NBFC net financing to commercial sector 43.3% CAGR FY20–FY25
 Non-food bank credit, comparison 25% CAGR FY20–FY25
 PPP approvals 129 projects; total project cost ~₹5.61 lakh crore
 VGF 72 projects approved; GoI VGF ~₹7,941.8 cr; ~₹6,314.9 cr disbursed by Dec 2025
 High-speed corridors ~550 km in 2014 → ~5,364 km by Dec 2025
 Rail electrification ~99.1% by Oct 2025

- ****Major Infrastructure Themes****
- PPP institutional support: project appraisal, model concessions, IIPDF and VGF seek to improve bankability and risk allocation.
- REITs/InvITs: recycle operational assets into fresh investment and bring institutional capital into long-duration infrastructure.
- Roads/highways: high-speed corridors and asset monetisation are shifting the network toward access-controlled logistics efficiency.
- Railways: higher capex, electrification, dedicated freight and technology raise capacity and energy efficiency.
- Ports and shipping: cargo capacity and turnaround improvements are treated as export-competitiveness reforms.
- Inland waterways: rapid growth creates a lower-cost modal option; Kochi Water Metro is presented as a scalable urban-water-transport model.
- Power and DISCOMs: distribution finances remain the last-mile constraint; reforms focus on loss reduction, billing/collection and consumer agency.
- Telecom/BharatNet: connectivity and falling data costs constitute productive infrastructure for services and digital commerce.
- Private space participation: institutional reforms seek to move space from state-only capacity toward an innovation ecosystem.
- Infrastructure finance is moving from bank dependence toward a portfolio of NBFCs, REITs, InvITs and capital-market vehicles, reducing bank asset-liability mismatch.
- VGF should distinguish economic infrastructure from social-sector PPPs; the latter can receive higher support because user charges cannot fully recover costs.
- Asset monetisation is not privatisation of the underlying public purpose; it is a way to recycle mature assets into new infrastructure.
- The India Energy Stack is presented as a digital layer that can improve consumer agency, interoperability and system efficiency.
- Infrastructure is increasingly judged by quality and throughput, not only kilometres, capacity or spending.
- ****Core Analysis****
- Public capex has created the base: Ex: Union capex rose from ₹5.92 lakh crore in FY22 to ₹11.21 lakh crore in FY26 BE, an 89% increase.
- Bank finance alone is unsuitable for long-gestation assets: maturity mismatches justify greater use of bonds, NBFCs and institutional capital.
- Non-bank finance is scaling quickly: NBFC net financing to the commercial sector grew at 43.3% CAGR FY20–FY25, faster than non-food bank credit.
- PPP outcomes depend on project design: risk must be allocated to the party best able to manage it; weak contracts create renegotiation and fiscal liabilities.
- VGF can make socially valuable projects bankable: by Dec 2025, 72 projects had approvals with about ₹7,942 crore of central VGF.
- InvITs/REITs create capital recycling: completed assets can be monetised and proceeds reinvested in greenfield projects.
- Connectivity has direct productivity effects: expanded high-speed roads, electrified rail, ports and waterways reduce logistics time and input costs.
- Last-mile institutions matter: power distribution, urban utilities and maintenance can undermine the return on large upstream capex if operational performance is weak.

Risks and constraints

Poor project preparation raises delays and contingent liabilities.
 Private investors require predictable tariffs, contracts and dispute resolution.
 Municipal/State entities often lack bankable project pipelines.
 Distribution-sector losses can weaken the full value of generation/transmission investment.

Policy direction / way forward

- Strengthen PPP project-development institutions before bidding.
- Scale InvIT/REIT and bond-market participation by long-term investors.
- Use public capex to crowd in rather than replace private capital.
- Prioritise maintenance, throughput and service quality alongside new asset creation.
- Improve DISCOM and urban-utility finances so infrastructure systems are financially sustainable.

Chapter 10: Environment and Climate Change: Building A Resilient, Competitive and Development-driven India

- The environment chapter argues for a development-compatible climate strategy. Its key idea is sequencing: renewables, grids, storage, finance, industrial materials and institutional capacity must advance together, otherwise a rapid transition can produce reliability stress, high costs and lower competitiveness.
- **Energy and Climate Snapshot****

Key data

- Non-fossil share of installed electricity capacity 51.93% by end-Dec 2025
- New RE capacity, Apr-Dec FY26 38.61 GW
- Solar addition, Apr-Dec FY26 ~30.16 GW
- Wind addition, Apr-Dec FY26 ~4.47 GW
- Domestic resilience-related expenditure Rose from ~3.7% of GDP in FY16 to ~5.6% in FY22
- Estimated annual climate-finance need by 2035 ~US\$310–365 bn
- Current climate-finance flow cited ~US\$26 bn
- Carbon market architecture Carbon Credit Trading Scheme with compliance and offset mechanisms

- **Major Policies / Illustrations****
- National Green Hydrogen Mission and BioE3: clean-energy and bio-manufacturing initiatives are linked to industrial competitiveness.
- SHANTI Act, 2025: the Survey discusses nuclear-sector reform as part of clean firm-power strategy.
- KERA: Kerala Climate Resilient Agri-Value Chain Modernisation is presented as adaptation linked to productivity/income.
- MISHTI: mangrove restoration combines coastal resilience, livelihoods and carbon sinks.
- Carbon Credit Trading Scheme: creates market mechanisms for emissions-performance incentives.
- Sovereign and municipal green bonds: public green finance is assessed alongside the problem of greenium and investor risk appetite.
- Waste-to-wealth: Odisha is presented as a case of circular-economy implementation.
- Pollution trading: evidence is used to assess whether market-based regulation can work in developing economies.

New Observations of the Survey

- System readiness must precede or accompany capacity targets: renewable penetration without storage, balancing and transmission can create congestion and reliability stress.
- Climate policy must protect competitiveness: high energy/input costs can push industry offshore or weaken manufacturing, reducing political durability of transition.
- Material security is part of the energy transition: renewable systems are mineral- and metal-intensive, creating new strategic dependencies.
- Climate finance has a risk-appetite problem, not only a capital-supply problem: abundant global capital may still avoid emerging-economy projects because of perceived risk.
- Adaptation is productive investment: resilience spending can prevent output losses and enhance agriculture, water and infrastructure performance.

- **Core Analysis****
- India has already crossed a major capacity milestone: non-fossil sources reached 51.93% of installed electricity capacity by end-Dec 2025.
- Capacity growth must be system-integrated: Ex: 38.61 GW of renewable capacity was added in Apr-Dec FY26, mostly solar; this raises the need for balancing and transmission.
- International experience shows the cost of poor sequencing: the Survey cites grid congestion in the Netherlands and Spain's 2025 disruption as warnings about complexity outrunning infrastructure.
- Energy security remains non-negotiable: firm power, storage and flexible thermal/nuclear capacity may remain necessary during transition.
- Climate finance is far below estimated needs: annual requirement is cited at US\$310–365 bn by 2035 versus current flows of around US\$26 bn.

- Adaptation is economically productive: resilience investment reduces future disaster and productivity losses; the KERA example links water/productivity gains to farmer incomes.
- Carbon markets can lower transition cost: market-based mechanisms reward least-cost abatement if measurement and integrity are strong.
- Industrial competitiveness should guide design: green policies that sharply raise electricity/material costs can weaken domestic manufacturing and the political sustainability of climate action.

Risks and constraints

Intermittency, transmission and storage investment can lag generation capacity.
Critical minerals and technology supply chains create new import dependencies.
High financing costs make clean infrastructure more expensive in developing economies.
Greenwashing and weak measurement can undermine market instruments.

Policy direction / way forward

Sequence generation targets with grid, storage and balancing investments.
Mobilise blended and risk-sharing climate finance rather than relying on headline commitments.
Develop domestic materials, manufacturing and recycling capabilities.
Use carbon markets with credible MRV and transparent standards.
Treat adaptation, water security and resilience as core development spending.

Chapter 11: Education and Health: What Works and What's Next

- The chapter treats education and health as productivity and human-capital systems. It moves beyond access indicators toward learning outcomes, meaningful assessment, industry-academia linkages, preventive health, nutrition, NCDs, obesity, ultra-processed foods, digital addiction and social connectedness.
- ****Education – Scale and Outcomes****

Key data

Students, UDISE+ 2024-25 24.69 crore
Schools 14.71 lakh
Teachers >1.01 crore
Government schools 69% of schools; nearly half of students
Private schools 26% of schools; 41% of enrolment
School-going-age share, 2024 ~27% of population aged 3–18
School-going-age share projected for 2047 Still >20%
Basic learning participation/achievement indicator cited Improvement from ~85.9% in 2019 to ~89.3% in 2024 in Survey discussion

- ****Health – Progress and Emerging Risks****

Key data

Infant Mortality Rate 40 per 1,000 live births in 2013 → 25 in 2023
AB PM-JAY cards 42.78 crore
Hospital admissions under AB PM-JAY 10.98 crore
Female share of beneficiaries 49%
Senior citizens covered 6 crore
Health transition Growing NCD burden, obesity and mental-health challenges
Nutrition concern Rising ultra-processed-food consumption alongside obesity
Digital health ABDM and digital systems used for access/data infrastructure

- ****Policy and Institutional Themes****
- NEP 2020 and RTE: access and equity remain foundations, but quality and learning are the next constraint.
- PARAKH and meaningful assessment: evaluation should diagnose learning and improve accountability rather than merely certify progression.
- Vocational education and STEM-industry linkage: education must connect more directly to skills, apprenticeships and innovation.
- Internationalisation of higher education: mobility, quality and institutional capacity can turn education into a knowledge/service export.
- Preventive health: NCD screening, nutrition and lifestyle interventions can reduce future curative expenditure.
- Community participation: school and health outcomes improve when citizens participate in monitoring and behaviour change.

- Social and Behaviour Change Communication: Rajasthan's Cash Plus model is used to show how information and local practices can improve maternal/child nutrition.

New Observations of the Survey

Human-capital policy must move from inputs to outcomes: schools, teachers and enrolment are necessary, but learning quality determines productivity.
 Obesity and undernutrition can coexist: India's nutrition challenge now includes excess calories/poor diet quality as well as deficits.
 Ultra-processed foods are treated as a public-health and productivity issue, motivating discussion of information and behavioural tools.
 Digital addiction among youth is an emerging health/education risk, not only a technology issue.
 Social connectedness has measurable health effects: the chapter explores community ties and suicide outcomes, broadening health policy beyond medical infrastructure.
 Technology should identify local hotspots: UDISE+, AISHE, ABDM and AI-enabled analysis can direct interventions to where outcomes lag.

- ****Core Analysis****
- The education system is enormous: Ex: 24.69 crore students are served by 14.71 lakh schools and over 1.01 crore teachers, so even small quality gains have macroeconomic effects.
- Demographic advantage increases urgency: about 27% of the population was aged 3–18 in 2024, and the share remains above 20% even in 2047.
- Learning outcomes, not enrolment alone, determine productivity: Survey learning charts show improvement but continuing gaps, supporting assessment reform.
- Public-private/community roles are complementary: government provides universal foundations while communities and private institutions can support innovation, accountability and delivery.
- Health progress is significant: IMR fell from 40 in 2013 to 25 in 2023, showing long-run gains in survival and primary care.
- AB PM-JAY has achieved scale: 42.78 crore cards and 10.98 crore admissions expand financial protection, but insurance does not substitute for preventive/public health.
- The disease burden is changing: obesity, UPF consumption, NCDs and mental-health risks increasingly affect the working-age population and future productivity.
- Behavioural change is an economic intervention: nutrition, exercise, screen use and preventive care can reduce future healthcare costs and improve labour productivity.

Risks and constraints

Learning quality varies sharply across regions and socio-economic groups.
 Digital and physical infrastructure gaps persist.
 NCDs and obesity can rise even while undernutrition remains.
 Insurance expansion can face supply-side capacity and quality constraints.
 Education-to-employment linkages remain uneven.

Policy direction / way forward

Strengthen foundational learning and meaningful assessment.
 Integrate vocational/STEM pathways with industry and apprenticeships.
 Use high-quality administrative data to target local learning/health gaps.
 Shift healthcare toward prevention, nutrition and NCD management alongside insurance.
 Use community participation and behavioural communication as core delivery tools.

Chapter 12: Employment and Skill Development: Getting Skilling Right

- The chapter links employment to a demographic turning point. India's working-age share is expected to peak around 2030 even as ageing begins, making job quality, female participation, factory scale, gig-work regulation, apprenticeships and skill-system flexibility immediate growth issues.
- ****Demography and Labour Market****

Key data

Demographic-dividend peak Around 2030
 Population aged 15–59 at peak Nearly 65%
 Female LFPR trend cited 23.3% in 2017–18 → 41.7% in 2023–24 (usual-status series in chapter discussion)
 Unemployment rate trend cited 5.6% → 3.2% over comparable period
 Employed persons, Q2 FY26 ~56.2 crore persons aged 15+; +8.7 lakh over Q1
 Factory structure Large factories are a minority of units but employ the dominant share of factory workers
 Labour reform Four Labour Codes notified; implementation/rules form part of ongoing transition in Survey context
 Emerging workforce Gig/platform work, AI exposure, green jobs and ageing workforce

- ****Skills and Employment Policy Architecture****
- e-Shram, NCS and Skill India Digital Hub: the Survey points toward an integrated labour-market digital infrastructure for worker identity, jobs and skills.
- Apprenticeships: work-based learning is presented as a stronger bridge from classroom to occupation.
- ITI modernisation: Odisha's experience is highlighted for upgrading training quality and industry linkage.
- Skill vouchers: proposed as a more flexible, demand-driven way to give individuals choice in training.
- Early vocational exposure: school-level vocational education can reduce the academic-vocational divide.
- Labour Codes: the economic case rests on simplification, flexibility, formalisation and social protection.
- Gig work: regulation should protect workers without destroying the flexibility that creates platform opportunities.
- Female work: childcare, safe mobility, flexible arrangements and redistribution of unpaid care are central to labour supply.

New Survey Observations

Longevity dividend: ageing can generate economic value if health spans, lifelong learning and age-friendly work arrangements improve.
 Time use is an employment variable: unpaid care explains part of the gender participation gap. The 2024 Time Use Survey shows much higher female care work.
 Factory scale is linked to productivity and wages: larger factories tend to employ more workers per unit, pay more and display higher labour productivity.
 Gig work requires a new regulatory balance: employment status and flexibility do not fit neatly into the binary formal/informal model.
 Skilling should be demand-responsive: systems must be measured by employment and productivity outcomes, not training enrolments alone.

- ****Core Analysis****
- The demographic window is time-bound: India's dividend is expected to peak around 2030, with nearly 65% of the population aged 15–59.
- Female participation is a major latent growth source: the chapter reports FLFPR rising markedly over 2017–18 to 2023–24, but unpaid care and social constraints still restrict labour supply.
- Employment quantity must be matched by quality: formal wage employment, productivity and earnings matter more than a low unemployment rate alone.
- Larger factories show scale benefits: Survey evidence links factory size with higher employment, wages and labour productivity.
- Skills need employer validation: apprenticeships, industry-linked ITIs and early vocational exposure can improve school-to-work transitions.
- Gig work expands flexibility but weakens traditional protection: policy must make social security portable across jobs and platforms.
- Ageing is already beginning: lower fertility and longer life expectancy create pension/health challenges but also a possible longevity dividend.
- AI raises the premium on foundational skills: workers need problem-solving, communication and learning capacity in addition to narrow technical training.

Risks and constraints

Skill mismatch can coexist with open vacancies and educated unemployment.
 Unpaid care reduces female participation and hours worked.
 Informal and gig workers have weak portable protection.
 Training systems can become supply-driven and certificate-oriented.
 Ageing will increase health and social-support needs.

Policy direction / way forward

- Integrate e-Shram, NCS and Skill India data for a coherent labour-market platform.
- Scale apprenticeships and employer-linked vocational training.
- Use childcare, safe mobility and flexible work to raise female labour participation.
- Make social protection portable across formal, informal and platform work.
- Promote lifelong learning to convert longer lives into a longevity dividend.

Chapter 13: Rural Development and Social Progress: From Participation to Partnership

- The chapter records sharp progress in multidimensional poverty and basic services, but its distinctive contribution is institutional: rural development is framed as a movement from government delivery toward community participation, local capacity, women's collectives, technology and asset/property formalisation.
- **Poverty, Services and Rural Institutions****

Key data

- National MPI 55.3% in 2005-06 → 14.96% in 2019-21 → estimated 11.28% in 2022-23
- World Bank extreme-poverty estimate cited 5.3% for India in 2022-23 under revised international line
- Social-protection coverage ~22% in 2016 → ~64.3% in 2025
- Improved rural drinking-water access ~94.6% in 2015-16 → ~99.6% in 2024-25
- SVAMITVA survey coverage Drone survey in ~3.28 lakh villages against ~3.44 lakh target
- SVAMITVA property cards ~2.76 crore cards across ~1.82 lakh villages
- DILRMP RoR computerisation ~99.8%
- Sub-Registrar Office integration ~95.73%

- **DAY-NRLM and Community-Led Rural Transformation****

Key data

- Self-Help Groups ~90.90 lakh SHGs
- Households mobilised ~10.05 crore
- Community investment/capital support ~₹62,453.85 crore
- Bank credit mobilised ~₹11.92 lakh crore
- Enterprises ~4.02 lakh
- Mahila Kisan ~4.92 crore
- Custom Hiring Centres ~36,205
- Agri-nutri gardens ~3.34 crore

New Observations of the Survey

- Poverty reduction is increasingly multidimensional: housing, water, sanitation, electricity, finance, health and education reinforce income gains.
- Community institutions are productive infrastructure: SHGs are treated as channels for finance, enterprise, agriculture, nutrition and local leadership—not merely savings groups.
- Land/property formalisation supports rural capital formation: SVAMITVA, computerised records and ULPIN reduce ambiguity and can improve transactions and access to finance.
- The Panchayat Advancement Index localises SDGs: local governments can use composite data to diagnose gaps rather than rely only on scheme inputs.
- Technology needs social capability: tribal digital inclusion and rural communication require trusted intermediaries and community participation.
- Rural employment policy is being reassessed in the Survey's 2025 context, with attention to asset quality, livelihoods and development outcomes.

- **Core Analysis****
- Multidimensional poverty has fallen sharply: from 55.3% in 2005-06 to 14.96% in 2019-21, with an estimated 11.28% in 2022-23.
- Basic services reduce vulnerability directly: near-universal rural drinking-water access and electrification reduce time poverty, health risk and productivity losses.
- SHGs convert social capital into economic capital: Ex: DAY-NRLM has mobilised about 10.05 crore households and ₹11.92 lakh crore of bank credit.
- Women's collectives widen agency: enterprise, Mahila Kisan and Lakhpati Didi pathways link financial inclusion with income and decision-making.

- Property rights improve local economic capability: SVAMITVA property cards and digital land records make household assets clearer and more transactable.
- Social protection has broadened: Survey coverage estimates rise from about 22% in 2016 to 64.3% in 2025.
- Local data improves targeting: Panchayat-level indices and digital platforms can identify village-specific deficits.
- Partnership is more durable than one-way delivery: community resource persons and local institutions can solve information and trust problems that centralised administration cannot.

Risks and constraints

Quality of local institutions varies substantially.
 Digital access can reproduce exclusion if authentication/connectivity fail.
 Land records may be computerised without fully resolving title disputes.
 Transfers without productive opportunities may not create durable mobility.

Policy direction / way forward

Strengthen SHGs/FPOs and local producer networks as enterprise institutions.
 Complete land-record integration and improve dispute resolution.
 Use Panchayat-level data for outcome-based planning.
 Link social protection with skills, enterprise, health and productive assets.
 Invest in local administrative and community capacity, not only scheme funds.

Chapter 14: Evolution of the AI Ecosystem in India: the Way Forward

- The AI chapter argues that AI is no longer speculative: adoption has accelerated sharply, but India should not simply replicate compute-intensive frontier strategies of high-income economies. The Survey favours application-led, resource-efficient AI built around human capital, domestic data value, open models and phased governance.
- ****AI Adoption and Structural Context****

Key data

Firms using AI in ≥ 1 business function 50% in 2022 → 55% in 2023 → 72% in 2024 → 88% in 2025 (McKinsey survey cited)
 Firms scaling AI in 2025 31% of AI users in cited survey
 Fully deployed/integrated AI 7% in cited survey
 Global AI usage share HICs 58.4%; UMICs 22.5%; LMICs 18.7% in cited evidence
 Data-centre concentration >70% of data centres by count in high-income countries as of June 2025
 India data-centre share cited ~3% of global count
 Strategic tension Compute/energy/capital intensity vs application-led frugal AI
 Governance principle Phased: coordination → capability → stronger obligations as ecosystem matures

- ****Development-Oriented AI Architecture****
- Frugal and local AI: small/domain models and open/open-weight systems can solve Indian problems without requiring frontier-scale compute for every use case.
- Human capital: foundational reasoning, communication and domain expertise become more valuable as routine cognitive tasks are automated.
- Data as a strategic resource: policy should enable trusted use and cross-border flows while retaining domestic economic value.
- Compute expansion: finance, power, land, grid connections and imported hardware can become bottlenecks.
- AI Economic Council: the Survey proposes a high-level institutional mechanism to calibrate adoption with labour-market and development realities.
- Safety and risk: governance must cover model/system risks without freezing innovation prematurely.
- Late-mover advantage: India can learn from global deployment mistakes and choose architectures better suited to resource constraints.

New Observations of the Survey

AI policy is an economic-development choice, not only a technology policy: compute strategy affects energy, capital allocation, labour and external dependence.

Frontier-model scale is not the only path: smaller, domain-specific systems can yield high social returns in agriculture, health, education, governance and MSMEs.

Foundational skills can become more—not less—important: employers value judgement, communication and adaptability when AI handles routine tasks.

Data should create domestic value: extraction of Indian data without local capability can reproduce dependence even if digital adoption is high.

Governance should be sequenced: premature hard regulation can lock in incumbent architectures, while no governance can externalise risks.

- ****Core Analysis****
- Adoption is already rapid: Ex: 88% of firms in the cited 2025 survey used AI in at least one business function, up from 50% in 2022.
- India faces a compute-capital constraint: more than 70% of global data centres by count are located in high-income economies, while India's cited share is around 3%.
- Resource efficiency is therefore strategic: application-specific models can deliver value with lower compute, electricity and imported hardware intensity.
- Open models reduce entry barriers: they enable local firms and researchers to customise systems and avoid excessive dependence on a few global providers.
- Human capital is the decisive complement: foundational skills, domain knowledge and problem-solving determine whether AI augments or displaces workers.
- Domestic data must become a productive asset: governance should enable trusted access while preventing uncompensated extraction of strategic value.
- AI adoption must be paced with labour transitions: an AI Economic Council could coordinate technology, skills, employment and competition concerns.
- Safety institutions should evolve with capability: early emphasis on testing, transparency and coordination can precede heavier binding obligations.

Risks and constraints

Compute, electricity, cooling water and financing can become physical bottlenecks.

Concentration among global technology providers can create dependency.

AI can displace routine service tasks before reskilling systems adjust.

Weak data governance can undermine privacy and domestic value capture.

Policy direction / way forward

Prioritise high-social-return sectoral use cases and frugal AI.

Expand compute and data infrastructure while accounting for energy/water constraints.

Build open research, local-language datasets and model-evaluation capacity.

Connect AI policy to apprenticeships, higher education and lifelong learning.

Adopt phased, adaptive governance that preserves experimentation while building safety capability.

Chapter 15: Urbanisation: Making India's Cities Work for Its Citizens

- The urbanisation chapter reframes cities as economic infrastructure. Agglomeration can raise productivity, but Indian cities underperform their potential because governance, municipal finance, land markets, mobility, housing, sanitation, informality and civic order have not scaled with urban growth.
- ****Urbanisation and Productivity****

Key data

Agglomeration effect Doubling city size associated with ~12% productivity gain in India in cited meta-analysis

Urban projection ~600 million people by 2036; ~40% of population

Urban economic role Urban areas projected/estimated to generate almost 70% of GDP

Top 10 cities ~9% of population but ~28% of GDP

Municipal own-source revenue ~0.15% of GDP nationally

Comparator own-source revenue ~0.3–0.6% of GDP in many middle-income countries; 2–4% in OECD economies

Metro/RRTS network ~1,036 km operational across ~24 cities by 2025

Class I cities, Census 2011 >70% of urban population; 52 million-plus metros contained ~42.3% of urban residents

- ****Binding Constraints Identified****
- Governance deficit: fragmented agencies and limited city economic agency make metropolitan coordination difficult.
- Municipal finance: weak property-tax bases, user charges and own-source revenues constrain service quality and borrowing capacity.
- Land as dead capital: unclear titles, restrictive floor-space rules and slow land-use conversion limit housing and business-location efficiency.
- Mobility: road space cannot scale indefinitely; mass transit, walking, cycling, regional transit and congestion management are needed.
- Water and sanitation: circular water use, sewage treatment and reuse can turn scarcity into a resource-management opportunity.
- Informality: the Survey shifts from eradication toward integration—street vending, informal work and settlements are structural urban outcomes.
- Civic order/social contract: behaviour, enforcement legitimacy and public-space norms affect urban liveability beyond capital expenditure.
- Non-tangible city quality: trust, public realm, culture and governance influence talent attraction and productivity.

New Observations of the Survey

Official urbanisation may understate functional urbanisation: spatial/night-light and Kerala evidence show settlement patterns that cross statutory boundaries.

Cities should be treated as production systems: housing, transport and land-use rules determine labour-market matching and firm productivity.

Municipal finance is a national growth issue: local fiscal weakness reduces the productivity of India's fastest-growing economic spaces.

Namo Bharat is presented as a 'network of networks': regional rail integration can expand effective labour markets beyond municipal limits.

Congestion pricing is discussed as demand management: road scarcity can be priced rather than addressed only through more road construction.

Contextual compliance: regulatory/enforcement approaches should recognise local conditions and citizen behaviour rather than rely on rigid uniform rules.

- ****Core Analysis****
- Agglomeration has measurable productivity benefits: cited evidence finds that doubling city size typically raises productivity by around 12% in India.
- The urban transition is large and ongoing: India could have about 600 million urban residents by 2036, around 40% of the population.
- Cities already dominate value creation: urban areas are expected to generate nearly 70% of GDP, making city dysfunction a macroeconomic cost.
- Municipal fiscal capacity is exceptionally weak: own-source revenues are only about 0.15% of GDP, limiting maintenance and service investment.
- Land-market constraints raise housing and business costs: low/rigid FSI, unclear titles and fragmented planning reduce density where it is economically valuable.
- Mass transit expands labour markets: Ex: about 1,036 km of Metro/RRTS was operational across ~24 cities by 2025; Nammo Bharat shows regional integration benefits.
- Informality should be integrated, not wished away: street vendors, renters and informal workers need legal/service frameworks compatible with how cities actually function.
- Urban climate resilience is inseparable from infrastructure: water reuse, drainage, waste management and public transport reduce both productivity losses and environmental stress.

Risks and constraints

Fragmented metropolitan governance creates coordination failures.

Weak municipal revenue reduces accountability and creditworthiness.

Housing supply responds slowly to jobs because of land-use restrictions.

Congestion, pollution, flooding and heat impose large external costs.

Informal livelihoods can be harmed by rigid enforcement.

Policy direction / way forward

Strengthen city own revenues, property taxation and transparent user charges.

Create empowered metropolitan planning/transport institutions.

Reform land titles, FSI and transit-oriented development to align housing with jobs.

Use mass transit plus walking/cycling and congestion management rather than road expansion alone.

Integrate informal workers and settlements into service and planning systems.

Build circular water and climate-resilient urban infrastructure.

Chapter 16A: From Import Substitution to Strategic Resilience and Strategic Indispensability

- Part I of the final chapter argues that the return of geopolitics makes some degree of indigenisation unavoidable, but rejects blanket import substitution. The Survey proposes a tiered framework that differentiates critical vulnerabilities from economically feasible capability building and from goods where domestic substitution would be wasteful.
- ****Tiered Framework for Strategic Indigenisation****

Key data

Tier I – Critical vulnerabilities Denial would impose immediate asymmetric national costs; supply is highly concentrated Assured domestic capacity may be justified even at initial cost, but support should be targeted and time-bound

Tier II – Economically feasible capability with strategic payoffs Domestic production can become competitive; barriers are coordination, scale or path dependence Temporary support tied to productivity, cost convergence, learning and export readiness

Tier III – Low urgency / high-cost substitution Imports are diversified or domestic replacement would impose high economy-wide costs Prefer diversified sourcing, inventory buffers and contracts rather than protection

- ****Strategic Logic Developed by the Survey****
- Swadeshi is a disciplined strategy, not blanket doctrine: historical import substitution often bred complacency where protection lacked exit conditions.
- Export discipline is essential: support should expose firms to world prices/standards so learning becomes measurable.
- Input costs are strategic: expensive steel, aluminium, fibres, power, logistics or finance can make downstream 'indigenised' production globally uncompetitive.
- National Input Cost Reduction Strategy: lowering structural costs can be superior to raising tariffs.
- Advanced manufacturing disciplines institutions: sectors such as semiconductors, defence, electronics and energy require precision in regulation, skills, procurement and infrastructure.
- The entrepreneurial state coordinates under uncertainty: public action can solve first-mover/coordination failures without replacing market allocation.
- Strategic indispensability is higher ambition than resilience: India should aim to become a supplier others cannot easily exclude, not merely reduce its own import dependence.

New Observations of the Survey

Protection is justified by specific market/coordination failures or security externalities, not by the fact that a good is imported.

Permanent protection of general-purpose inputs can function as an implicit tax on downstream manufacturing. Strategic security may sometimes require domestic capacity even when it is initially more expensive, but the objective is a minimum assured capability, not permanent inefficiency.

India's policy objective should move from resilience to influence: capabilities that make global partners depend on Indian supply can create strategic leverage.

Attracting large multinational anchor firms can catalyse supplier ecosystems because global manufacturing is organised around integrated corporate networks.

- ****Core Analysis****
- Not all dependencies are vulnerabilities: Tier III goods can be safely sourced globally when supply is diversified and substitution costs are high.
- Critical vulnerabilities justify assured capacity: Tier I includes defence, energy, public-health and foundational industrial inputs where denial could impose asymmetric costs.
- Economic feasibility should guide Tier II: domestic production deserves temporary support when scale/coordination failures—not genuine comparative disadvantage—explain import dependence.
- Support must contain an exit rule: performance should be measured by productivity, cost convergence and export readiness.
- Downstream competitiveness is the discipline: protecting a general-purpose upstream input can raise costs across many exporters and reduce national resilience rather than increase it.
- Input-cost reduction can outperform tariffs: cheaper finance, electricity, logistics and regulatory compliance can create domestic capacity without taxing users.
- Advanced manufacturing creates institutional spillovers: it forces improvements in quality systems, procurement, engineering, logistics and public administration.
- Strategic indispensability is the end state: India gains influence when its capabilities become essential to global supply chains, not merely when it can produce everything domestically.

Risks and constraints

Protection can become politically difficult to withdraw.
Incumbents may seek negotiated shelter instead of investing in productivity.
High-cost domestic inputs can weaken labour-intensive exports.
Strategic criteria can be stretched until most sectors claim special treatment.

Policy direction / way forward

Use transparent Tier I–III classification with periodic review.
Tie Tier II support to exports, learning and cost benchmarks.
Reduce economy-wide input costs before raising border protection.
Develop buffers and source diversification where domestic production is uneconomic.
Use procurement and mission-mode platforms to create first markets for genuinely strategic technologies.

Chapter 16B (Part II): Building Strategic Resilience and Strategic Indispensability: State, Private Sector and Citizens

- Part II identifies state capacity as a central constraint in India's next stage of development. It defines capacity as the ability to 'get the right things done' and argues that incentives, risk processing, bureaucratic culture, regulatory design, private-sector behaviour and citizen norms jointly determine execution.
- **State Capacity — Core Framework****
- Capability, not authority: state capacity means designing policy, implementing it and reliably delivering commitments under constraints and uncertainty.
- Incentives are the binding constraint: retrospective scrutiny, procedural metrics and asymmetric punishment for visible action can create bureaucratic risk aversion.
- Entrepreneurial state: government should structure risk, experiment, learn and correct course without displacing markets.
- Bounded safe spaces: mission cells, regulatory sandboxes, good-faith protection and ex-post learning reviews can allow experimentation while preserving accountability.
- Mission Karmayogi / human system: skills, culture, teamwork and judgement are treated as institutional infrastructure.
- Regulatory capacity: fewer rules are not enough; institutions need the capability to design, monitor and enforce high-value rules well.
- Cooperative federalism through State Support Mission: stronger State-level institutions are essential because implementation is geographically decentralised.
- Private-sector national capability: large firms should invest, innovate and compete rather than seek negotiated shelter at the expense of downstream firms.
- Citizens and norms: compliance, trust and public-goods behaviour shape how much coercive administrative capacity is required.
- **Deregulation and Compliance Reform****

Key data

Priority areas 23 priority areas across land use, building/construction, labour, utilities/permissions and overarching reforms
Scale of reform matrix 36 States/UTs × 23 areas → 828 reform actions
Implemented by 23 Jan 2026 ~630 reforms; ~76%
Under implementation ~79 reforms; ~10%
State legal reform States including Chhattisgarh, Gujarat, Haryana, Karnataka and Uttar Pradesh introduced Jan Vishwas-like approaches
Underlying principle Shift scarce administrative effort from low-value policing toward problem-solving, monitoring and execution

Distinctive Institutional Observations

Procedure can crowd out purpose: systems built for accountability can become a Catch-22 when compliance is rewarded even if outcomes deteriorate.

Good-faith error and corruption must be distinguished: otherwise uncertainty-sensitive decisions are avoided even when experimentation has high social value.

Entrepreneurial bureaucracy need not mean the entire bureaucracy is experimental: successful countries created bounded institutional spaces for risk-taking while routine administration remained stable.

Policy reversibility is a capability: temporary measures should actually expire or be corrected when evidence changes.

State capability is co-produced: private firms, academia and citizens influence whether regulation, innovation and public services work.

Deregulation can strengthen the state: removing low-value permissions lets administrative capacity move toward high-value enforcement and delivery.

- ****Core Analysis****
- The constraint is execution, not policy scarcity: the Survey defines capacity as the ability to 'get the right things done' consistently.
- Risk aversion can be rational under current incentives: officials may prefer procedural continuity when good-faith experimentation faces retrospective audit or legal scrutiny.
- Entrepreneurial safe spaces can change incentives: mission cells and sandboxes allow bounded experimentation with differentiated accountability.
- Deregulation is already measurable: Ex: by 23 Jan 2026, about 630 of 828 identified State/UT reform actions (76%) were reported implemented, with another 79 under implementation.
- Human capability inside government matters: training alone is insufficient; organisational culture must reward judgement, coordination and learning.
- Regulatory quality matters more than rule quantity: a capable state can use fewer, clearer rules while monitoring outcomes better.
- Federal capability is essential: land, labour, utilities, cities and local delivery depend heavily on States and local institutions.
- Private-sector behaviour affects national capability: firms that seek protection can weaken downstream competitiveness; firms that innovate and scale can become strategic assets.
- Citizen norms reduce enforcement costs: trust, civic behaviour and voluntary compliance are part of the productive capacity of the state.

Risks and constraints

Retrospective accountability can discourage experimentation.

Fragmented agencies create coordination failures.

Regulatory reform can remove rules without improving frontline capability.

Political populism and bureaucratic insularity can pull institutions in opposite directions.

Private rent-seeking can convert strategic policy into incumbent protection.

Policy direction / way forward

Create legally bounded experimental/mission spaces with ex-post learning reviews.

Protect good-faith decisions while maintaining strict anti-corruption accountability.

Measure institutions by outcomes and learning, not only procedural compliance.

Deepen State Support Mission and cross-State learning.

Continue deregulation while strengthening high-value supervisory capacity.

Align corporate incentives with innovation, exports, supply-chain capability and national resilience.

- ****Quick Revision****

Key data

Real GDP growth, FY26 FAE 7.4% Ch.1
 Potential growth 7.0% Ch.1
 Union fiscal deficit FY25 / FY26 BE 4.8% / 4.4% of GDP Ch.2
 Centre medium-term debt anchor 50 $\pm$ 1% of GDP Ch.2
 Money multiplier, end-Dec 2025 6.21 Ch.3
 Total exports FY25 US\$825.3 bn Ch.4
 H1 FY26 CAD 0.8% of GDP Ch.4
 CPI headline, Oct 2025 0.3% Ch.5
 Agriculture workforce share 46.1% Ch.6
 Services share in GDP, H1 FY26 ~53.6% Ch.7
 Electronics production FY25 ~₹11.3 lakh crore Ch.8
 Union capex FY26 BE ₹11.21 lakh crore Ch.9
 Non-fossil installed-capacity share, Dec 2025 51.93% Ch.10
 Students in school system 24.69 crore Ch.11
 Demographic dividend peak ~2030; ~65% aged 15–59 Ch.12
 National MPI estimated 2022–23 11.28% Ch.13
 Organisations using AI in cited 2025 survey 88% Ch.14
 Municipal own-source revenue ~0.15% of GDP Ch.15
 State/UT deregulation actions implemented ~630 of 828 (76%) Ch.16B

• ****Major Schemes / Missions / Institutional Reforms Appearing Across the Survey****

Key data

Fiscal GST 2.0; SASCI; SNA-SPARSH; fiscal devolution and expenditure–efficiency reforms
 Finance RBI easing/liquidity measures; GIFT City; Securities Markets Code 2025; PMMY/PM SVANidhi in financial inclusion
 External/Industry FTAs/GVC strategy; PLI; National Manufacturing Mission; India Semiconductor Mission; ANRF; RDI Fund
 Agriculture Krishonnati Yojana; PM-KISAN; PDMC; Digital Agriculture Mission; NMEO-OS/OP; FPOs; PM Dhan Dhaanya Krishi Yojana
 Infrastructure PPP/VGF/IIPDF; InvITs/REITs; road/rail/port/IWT reforms; India Energy Stack; BharatNet
 Climate National Green Hydrogen Mission; SHANTI Act 2025; KERA; MISHTI; CCTS; Sovereign/municipal green bonds
 Human capital NEP 2020; PARAKH; AB PM-JAY; ABDM; NCD programmes; vocational education/apprenticeships
 Employment Labour Codes; e-Shram; NCS; Skill India Digital Hub; apprenticeship and ITI reforms
 Rural/social DAY-NRLM; SVAMITVA; DILRMP/ULPIN; Panchayat Advancement Index; social-justice schemes
 AI Economic Council proposal; data strategic-resource framework; phased AI governance
 Urban Namoh Bharat/RTTS; municipal bonds; congestion pricing/circular water approaches; metropolitan governance reform
 State capacity State Support Mission; Mission Karmayogi; Compliance Reduction and Deregulation Initiative; State Jan Vishwas-type reforms

- ****Ten Cross-Cutting Observations Unique to the Survey's Framing****
- Macro success does not guarantee strategic insulation: geopolitics can still disrupt capital, trade and the currency.
- A persistent current-account deficit contributes to a structurally high cost of capital; export strength and domestic savings matter for financing costs.
- Services exports stabilise the economy but manufacturing exports create deeper ecosystem and state-capacity effects.
- Protection can weaken resilience when it raises the cost of general-purpose inputs for downstream exporters.
- Climate transition needs sequencing and system readiness, especially grids, storage, materials and finance.
- Scale often raises productivity: large factories, cities and integrated infrastructure can generate productivity gains if governance permits them.
- Human capital must be evaluated through outcomes—learning, health span, employability and productivity—not access alone.
- Community capability is part of development capacity: SHGs, Panchayats and local institutions can convert public schemes into durable outcomes.
- AI strategy should maximise development value per unit of compute/capital/energy, rather than copy frontier models uncritically.
- State capacity is ultimately an incentive and learning problem: fewer rules help only when institutions can execute high-value functions better.

CHAPTER 61

Union Budget 2026-27

Budget at a Glance

- Presented on 1 February 2026 by Finance Minister Nirmala Sitharaman in Parliament; first budget prepared at Kartavya Bhawan
- Her 9th consecutive budget (8 full + 1 interim); earlier, C.D. Deshmukh presented 7 consecutive budgets (6 full + 1 interim), of which the first two came before the first Lok Sabha (1952); after the first Lok Sabha she now holds the record for consecutive budgets
- Inspired by "Yuva Shakti" and built on three "Kartavyas" (duties)

Kartavya	Focus
First	Accelerate and sustain economic growth; build resilience to a changing global environment
Second	Fulfil aspirations of the people and build their capacity
Third	"Sabka Saath, Sabka Vikas": every family, community, region and sector gets access to resources and opportunities

- Under the first kartavya: six interventions, including expanding manufacturing in seven strategic sectors, rebuilding legacy industrial clusters, creating "champion MSMEs", strong push on infrastructure, long-term energy security and City Economic Regions

Aggregate (₹ crore)	2024-25 Actual	2025-26 BE	2025-26 RE	2026-27 BE
Revenue receipts	30,36,619	34,20,409	33,42,323	35,33,150
Tax revenue (net to Centre)	25,00,039	28,37,409	26,74,661	28,66,922
Non-tax revenue	5,36,580	5,83,000	6,67,662	6,66,228
Capital receipts	16,16,249	16,44,936	16,22,519	18,14,165
Borrowings and other liabilities	15,74,431	15,68,936	15,58,492	16,95,768
Total receipts = total expenditure	46,52,867	50,65,345	49,64,842	53,47,315
Expenditure on revenue account	36,00,914	39,44,255	38,69,087	41,25,494
Interest payments	11,15,575	12,76,338	12,74,338	14,03,972
Capital account expenditure	10,51,953	11,21,090	10,95,755	12,21,821
Revenue deficit	5,64,296 (1.7%)	5,23,846 (1.5%)	5,26,764 (1.5%)	5,92,344 (1.5%)
Effective revenue deficit	2,91,640 (0.9%)	96,654 (0.3%)	2,18,613 (0.6%)	99,642 (0.3%)
Fiscal deficit	15,74,431 (4.8%)	15,68,936 (4.4%)	15,58,492 (4.4%)	16,95,768 (4.3%)
Primary deficit	4,58,856 (1.4%)	2,92,598 (0.8%)	2,84,154 (0.8%)	2,91,796 (0.7%)

- Percentages are shares of GDP; GDP for 2026-27 is estimated at ₹3,93,00,393 crore, 10% more than 2025-26 (₹3,57,13,886 crore)
- Total expenditure ₹53.47 lakh crore (13.6% of GDP), +7.7% over RE 2025-26 (₹49.65 lakh crore)
- Revenue expenditure ₹41.25 lakh crore (10.5% of GDP) and revenue receipts ₹35.33 lakh crore (9.0% of GDP); ratio of revenue receipts to revenue expenditure 85.6%
- Net market borrowing through dated securities ₹11.7 lakh crore; gross market borrowing ₹17.2 lakh crore
- Debt-to-GDP: 56.1% (RE 2025-26) → 55.6% (BE 2026-27)

Deficit concepts (exam favourites)

Revenue deficit = revenue expenditure – revenue receipts

Effective revenue deficit = revenue deficit – grants for creation of capital assets (so it is 0.3% of GDP here)

Fiscal deficit = total expenditure – (revenue receipts + recovery of loans + other non-debt receipts)

Primary deficit = fiscal deficit – interest payments

Fiscal deficit target 4.3% of GDP; FRBM Act 2003; FRBM Rules 2004 effective 5 July 2004

- Revenue receipts account for 66.08% of total receipts and capital receipts 33.92%; tax revenue 81.14% and non-tax 18.86% of revenue receipts
- Of total expenditure, 77.15% (₹41.25 lakh crore) is on revenue account and 22.85% (₹12.21 lakh crore) on capital account
- Interest payments ₹14.04 lakh crore, about 10% above 2025-26 BE (₹12.76 lakh crore); 26% of total expenditure

Taxes and Subsidies

- Gross tax revenue (GTR) ₹44.04 lakh crore (11.2% of GDP); net tax revenue ₹28.67 lakh crore; non-tax revenue ₹6.66 lakh crore
- Direct taxes ₹26.97 lakh crore (61.2% of GTR); indirect taxes ₹17.07 lakh crore
- Top three: income tax ₹14.66 lakh crore, corporation tax ₹12.31 lakh crore, GST ₹10.19 lakh crore
- Transfer of taxes to states ₹15.26 lakh crore (3.9% of GDP), ₹1.33 lakh crore more than RE 2025-26
- Income tax slabs unchanged (new regime): nil up to ₹4 lakh; 5% up to ₹8 lakh; 10% up to ₹12 lakh; 15% up to ₹16 lakh; 20% up to ₹20 lakh; 25% up to ₹24 lakh; 30% above ₹24 lakh
- New Income-tax Act, 2025: enacted by Parliament, effective 1 April 2026; replaces the Income Tax Act, 1961

Major subsidy (2026-27 BE)	₹ crore
Food	2,27,629
Fertiliser	1,70,799 (urea 1,16,799)
Petroleum / LPG	12,084.51
Interest subsidy	27,441
Total major subsidies	About 4.11 lakh crore = 1.0% of GDP, about 10% of revenue expenditure

- Total subsidy (as shown in budget): ₹4,54,773 crore (BE 2026-27) against ₹4,69,505 crore (RE 2025-26)
- Pensions (civil + defence) commitment ₹2.96 lakh crore (0.8% of GDP), against ₹2.87 lakh crore in RE

Capital Expenditure

- Public capital expenditure raised from ₹11.2 lakh crore (BE 2025-26) to ₹12.2 lakh crore (₹12.22 lakh crore, 3.1% of GDP) in 2026-27; it was ₹2 lakh crore in 2014-15
- Grants for creation of capital assets ₹4.93 lakh crore (1.3% of GDP); effective capital expenditure ₹17.15 lakh crore (4.4% of GDP), +10.8% over RE
- Ratio of fiscal deficit to capital expenditure 72.1% (RE 2025-26: 70.3%; 2024-25: 66.8%)
- Fiscal deficit to effective capital expenditure 101.1%
- Special Assistance to States for Capital Investment (SASCI) pushes states to capex of about 2.4% of GDP; states' combined fiscal deficit about 3.2% of GDP in 2024-25

Ministry-wise Allocation (₹ crore, BE 2026-27)

Ministry	Allocation
Defence	7,84,678 (14.68% of budget, the largest)
Road Transport and Highways	3,09,875
Railways	2,81,377
Home Affairs	2,55,234
Rural Development	2,73,108
Consumer Affairs, Food and Public Distribution	2,39,521
Agriculture and Farmers' Welfare	1,40,529

Scheme	Allocation (₹ crore)
Pension	2,96,214
PM Poshan	12,750
PM Gram Sadak Yojana	19,000
PM-KISAN	63,500
PM Garib Kalyan Anna Yojana	2,27,429
MGNREGA	30,000
PM Awas Yojana (Urban)	18,625
PM Awas Yojana (Gramin)	54,917
Jal Jeevan Mission	67,670
Samagra Shiksha	42,100
Saksham Anganwadi and Poshan 2.0	23,100
DAY-NRLM	19,200
Fasal Bima Yojana	12,200
Swachh Bharat Mission (Urban)	2,500
Swachh Bharat Mission (Gramin)	7,192

CHAPTER 62

Union Budget 2026-27: Announcements and Tax Changes

Sector Announcements

Theme	Key announcement
Manufacturing	Scale up manufacturing in seven strategic and frontier sectors; rebuild legacy industrial clusters
MSME	₹10,000 crore SME Growth Fund to create "future champions"; Self-Help Entrepreneur (SHE) Marts as community-owned retail outlets for women's SHGs
Biopharma	Biopharma SHAKTI with outlay of ₹10,000 crore over five years for biologics and biosimilars; new NIPER institutions and upgrade of 7 existing ones
Medical tourism	Five regional medical hubs with private sector support
Health	Customs duty exemption on 17 drugs for cancer and rare diseases; NIMHANS-2; Ranchi and Tezpur mental health institutes upgraded to regional apex institutes
Textiles	Integrated programme with five sub-parts, including a National Fibre Scheme, Textile Expansion and Employment Scheme, National Handloom and Handicraft Programme, Tex-Eco initiative, Samarth 2.0
Creative economy	AVGC (animation, visual effects, gaming, comics) content creator labs in 15,000 secondary schools and 500 colleges; Indian Institute of Creative Technologies, Mumbai; upgraded National Institute of Hospitality
Agriculture	Bharat-VISTAR (Virtually Integrated System to Access Agricultural Resources); multilingual AI tool integrated with AgriStack and ICAR packages
Veterinary	Credit-linked capital subsidy to raise veterinary professionals above 20,000
Logistics	New Dedicated Freight Corridor connecting Dankuni (East) with Surat (West)
Waterways	20 new National Waterways in five years, beginning with NW-5 in Odisha (Talcher, Angul, Kalinganagar, Paradip, Dhamra)
High-speed rail	Seven high-speed rail corridors as "growth connectors": Mumbai-Pune, Pune-Hyderabad, Hyderabad-Bengaluru, Hyderabad-Chennai, Chennai-Bengaluru, Delhi-Varanasi, Varanasi-Siliguri
Regional	Focus on Purvodaya states and the North-East

Quick facts: Economic Survey 2025-26

Presented in Parliament on 29 January 2026

Warns of three global scenarios: "fragile sustainability", "disorderly multipolar disruption", "systemic turbulence"

Key line: India must "run a marathon and a sprint at the same time"

FY26 First Advance Estimate: real GDP 7.4%, GVA 7.3%; PFCE 7% (61.5% of GDP, highest since 2012); GFCF 7.8% (about 30% of GDP)

Total exports FY25 US\$825.3 billion (goods + services), +6.1%; services exports US\$387.5 billion; non-petroleum exports US\$374.3 billion

Gross FDI FY25 US\$81.0 billion; India 4th globally in greenfield FDI announcements (2024)

GNPA ratio 2.2% and net NPA 0.5% (September 2025); multi-decade lows; bank credit growth 14.5% (December 2025)

Tax Proposals (Direct)

- Safe harbour for IT services: threshold raised from ₹300 crore to ₹2,000 crore; single category with 15.5% common safe harbour margin
- Tax holiday up to 2047 for foreign companies providing global cloud services using data centres in India; 15% safe harbour on cost for related-party data-centre services
- STT on futures raised from 0.02% to 0.05%
- TCS under the Liberalised Remittance Scheme for education and medical purposes cut from 5% to 2%; TCS on overseas tour packages cut from 5%/20% to 2%
- Dividend income exemption: 3-year relief for dividends received by certain entities (as proposed)
- Penalty and prosecution rationalised; assessment and penalty proceedings merged into a common order; pre-deposit for appeals cut from 20% to 10%
- Updated return facility extended even after reassessment proceedings, with an additional 10% tax rate over the applicable rate
- No penalty for non-disclosure of foreign assets below ₹20 lakh (effective retrospectively from 1 October 2024); prosecution immunity proposed
- Contractors' payments: workforce supply services brought within TDS at 1% or 2%
- Foreign asset disclosure schemes and CPC 2.0 (unified centralised processing centre for ITR) launched
- Equalisation levy on e-commerce supplies (2%, abolished 1 August 2024) and on specified services (6%, abolished 1 April 2025) already stand abolished

Customs and Indirect

- Basic customs duty on all dutiable imported goods for personal use reduced from 20% to 10%
- Duty exemption on personal imports of Food for Special Medical Purposes (FSMP) for rare diseases
- Duty-free courier exports: value limit of ₹10 lakh per consignment removed
- Binding advance ruling validity extended from 3 to 5 years; duty deferral period raised from 15 to 30 days for eligible manufacturers and AEO Tier 2 and 3 operators
- Duty exemptions extended to capital goods used in manufacturing lithium-ion cells for batteries
- Fish caught by Indian vessels in the EEZ or on the high seas is duty-free
- Electronic manufacturing: safe harbour for bonded-warehouse component warehouses at 2% profit margin on invoice value (resulting tax about 0.7%)
- Some primary cooperative societies' relief extended to cattle feed and cotton seed

Prelims pointers: Union Budget 2026-27

Largest expenditure: Defence ₹7.85 lakh crore (14.68% of total)
 Fiscal deficit 4.3% of GDP; revenue deficit 1.5%; primary deficit 0.7%; effective revenue deficit 0.3%
 Capex ₹12.22 lakh crore; effective capex ₹17.15 lakh crore (4.4% of GDP)
 Debt/GDP 55.6%; new Income-tax Act, 2025 effective 1 April 2026
 Third kartavya "Sabka Saath, Sabka Vikas"; Yuva Shakti theme

CHAPTER 63

UP Economic Survey 2025-26: State of the Economy

Size, Growth and Structure

- Uttar Pradesh: most populous state (over 25 crore), fourth largest by area (about 2,40,928 sq km, 7.3% of India); target: One Trillion Dollar Economy (OTD)
- Investment proposals of nearly ₹50 lakh crore received; 34 policies implemented

Indicator (current prices)	Value	Remark
GSDP 2016-17	₹13.30 lakh crore	Base year of comparison
GSDP 2023-24	₹26.67 lakh crore	Provisional
GSDP 2024-25 (Advance Estimate)	₹29.62 lakh crore	Revised advance: ₹29.78 lakh crore
GSDP 2024-25 (Quick Estimate)	₹30.25 lakh crore	Growth 13.4%
GSDP 2025-26	About ₹36 lakh crore	Projected
CAGR 2016-17 to 2024-25	10.8%	Eight years
UP share in India's GDP (2024-25 QE)	9.1%	Vision chapter cites 9.5%
GSVA 2024-25 (basic prices)	₹27,90,433 crore	Growth 14.5%

- Upward revision happened as manufacturing GVA rose from ₹2.82 lakh crore (advance) to ₹3.26 lakh crore after ASI 2023-24 data

Exam trap: growth rates

GSDP growth: 2022-23 13.2%; 2023-24 16.2%; 2024-25 13.4%

Do not confuse GSDP growth (13.4%) with GSVA growth (14.5%) in 2024-25

SBI Research: India to be 3rd largest economy by 2027, with UP's role decisive

Sector (2024-25)	GSVA (₹ crore)	Share	Growth
Agriculture, forestry and fishing	6,95,120	24.9%	12.7%
Mining and quarrying	24,890	0.9%	5.7%
Primary sector	7,20,010	25.8%	12.5%
Manufacturing	3,26,386	11.7%	12.7%
Electricity, gas, water	73,145	2.6%	7.7%
Construction	3,60,604	12.9%	22.3% (highest)
Secondary sector	7,60,135	27.2%	16.5%
Trade, hotels, restaurants	2,32,033	8.3%	15.0%
Transport, storage, communication	2,06,374	7.4%	18.5%
Financial services	1,04,258	3.7%	12.0%
Real estate and professional services	3,88,844	13.9%	15.3%
Tertiary sector	13,10,288	47.0%	14.5%

- Secondary share rose from 25.4% to 27.2% (India: 27.0% to 25.3%); UP strengthening industry while India turns service-dependent
- Within agriculture: crops 67.4%, livestock 24.7%, forestry 4.5%, fisheries 3.5%; fisheries fastest-growing (25.6% in 2024-25)
- Within secondary: construction 47.4%, manufacturing 42.9%, power 9.6%

- Within services: real estate 29.7%, trade-hotels 17.7%, other services 16.6%, transport 15.8%, public administration 12.3%, finance 8.0%
- Sector GVA CAGR 2016-17 to 2024-25: agriculture 11.2%, secondary 10.8%, services 10.4%
- PLFS 2023-24: services employ 22.7% of workers but produce 47.0% of GSVA

Per Capita Income

Indicator	Value
Per capita NSDP 2016-17	₹54,564
Per capita NSDP 2024-25	₹1,09,844 (CAGR about 9.1%)
Per capita GSDP 2024-25	₹1,26,304

- UP per capita income as share of India: 82.4% (1970-71) → low of 50.2% (2014-15) → 53.5% (2024-25)
- Vision 2047 target: reach at least the national average (about ₹26 lakh a year by 2047)

Industry, Exports and Investment

- ASI 2023-24: UP industrial GVA grew 25%, highest among major states (India 11.9%)
- Registered factories: 14,169 (2016-17) → 27,351 (2024-25) → 30,695 (November 2025)
- Exports: ₹0.84 lakh crore (2016-17) → ₹1.86 lakh crore (2024-25); ₹1.31 lakh crore by November 2025
- Export Preparedness Index 2024: UP 4th (after Maharashtra, Tamil Nadu, Gujarat), up from 7th; 1st among landlocked states
- Deregulation Phase-I (Cabinet Secretariat): UP 1st nationally, January 2026
- 5th State Startup Ranking (DPIIT, January 2026): UP "Top Performer"
- WEF Davos January 2026: MoUs worth ₹2,94,255 crore
- PM MITRA Park at the Lucknow-Hardoi border: investment over ₹10,000 crore; over 1 lakh direct and 2 lakh indirect jobs; Sant Kabir Textile and Apparel Park at Ramna, Varanasi (75 acres)
- IMLCs (Integrated Manufacturing and Logistics Clusters): 29 complexes in 26 districts along expressways
- City identities: Noida IT hub, Lucknow AI City, Kanpur Drone City ("Manchester of the East")

Infrastructure and Services Snapshot

Item	Status
Expressways	7 operational, 3 under construction, 12 proposed
Airports	12 domestic + 4 international (Lucknow, Varanasi, Kushinagar, Ayodhya); Jewar will make 5 international airports, a first for any state
Air passengers	59.99 lakh (2016-17) → 142.28 lakh (2024-25)
National Highways	12,123 km; 90 NHs pass through UP
Urban ropeway	Country's first, under construction in Varanasi
Electric vehicles	14.38 lakh by December 2025
Internet subscribers	13.82 crore (September 2025), 1st in India
Tourism	64.91 crore tourists (2024) → 156.18 crore (2025, including Maha Kumbh); UP ranks 1st, ahead of Tamil Nadu

Public Finance and Banking Snapshot

- Budget: ₹3.47 lakh crore (2016-17) → ₹8.33 lakh crore (2025-26)
- State's own tax revenue: ₹0.86 lakh crore → ₹2.09 lakh crore (2024-25 RE)
- Public debt/GSDP: 29.3% (2016-17) → 28.0% (2024-25); India 81.3%, world 92.8% (IMF Global Debt Monitor 2025)
- PM Jan Dhan: 10.22 crore accounts, 1st in India (17.76% of 57.49 crore); CD ratio 60.39 (December 2025); population per bank branch 11,565
- "Your Capital, Your Right" campaign: ₹52.48 crore returned to 6,525 accounts

Employment, Inflation and Governance

- CMIE: employment rate 36% (December 2025); unemployment fell from 5.64% (April 2025) to 2.24% (November 2025)
- UP CPI inflation fell from 4.59% (January 2025) to -1.71% (October 2025), lowest among major states

- UP Facilitation of Business (Amendment of Provisions) Act, 2025: over 40 provisions in 10 Acts amended; 200 compliances decriminalised
- Nivesh Mitra 3.0: services of 40+ departments cut from 530 to under 200; linked to the National Single Window System
- Labour reforms: women allowed in night shifts; 10 hours a day, 48 hours a week; factory licence validity 3, 5 or 10 years

Demography: India's Young State

Indicator	Value
Population, March 2026 (PFI projection)	25.19 crore = 17.8% of India, 3.0% of world
Census 2011 population	19.98 crore
Projected population	2031: 26.65 cr; 2041: 28.87 cr; 2051: 30.72 cr
Annual growth	1.85% (2011) → 1.70% (2021) → 0.58% (2026-51, projected)
Total Fertility Rate	2.7 (NFHS-4) → 2.4 (NFHS-5)
Life expectancy 2011 → 2051	Males 62.5 → 73.2 years; females 65.0 → 77.1 years
Sex ratio at birth	111 boys per 100 girls (2011) → 104-106 by 2051

- If UP were a country, it would be 5th most populous

UP ranks first in the country in

Foodgrains 737.4 lakh MT; sugarcane 2,453.5 lakh MT; potato 245.9; banana 71.4; mango 61.5; guava 11.3; amla 4.5; mentha 0.36 lakh MT; milk 388.15 lakh MT
 PMJDY accounts; Stand-Up India (₹3,790 crore to 21,891 entrepreneurs); PMAY (Rural 36.37 lakh, Urban 17.03 lakh); PM Ujjwala (1.85 crore connections)
 First state to pay agriculture investment grant through DBT and to pay farmers under the Agro-Forestry Carbon Credit initiative
 LEADS 2024 "Achiever" for the 3rd consecutive time; Ayodhya Deepotsav 2025: 26.17 lakh lamps (Guinness record)
 "Ek Ped Maa Ke Naam": 37.21 crore saplings in 2025-26; Lucknow State Capital Region 26,756 sq km
 AES cases down 85% and deaths down 99%; JE cases down 91% and deaths down 98% (2017-2025)

Sports Promotion

- Cash incentive: Olympic participants ₹10 lakh; Asian/Commonwealth Games ₹5 lakh; new national record ₹1 lakh
- Major Dhyani Chand Sports University, Sardhana (Meerut); UP Sports Policy 2023; One District One Sport with Khelo India Centres in every district

CHAPTER 63

UP Economic Survey 2025-26: Public Finance, Land and Forests

Public Finance

Indicator	Value
Total budget 2008-09	₹1.12 lakh crore
Total budget 2016-17	₹3.47 lakh crore
Total budget 2025-26	₹8.33 lakh crore (CAGR 10.3%)
Revenue receipts 2025-26 BE	₹6.63 lakh crore (+21.0%)
Revenue expenditure 2025-26 BE	₹5.83 lakh crore (+19.2%)
Revenue expenditure/revenue receipts	92% (2016-17) → 89.2% (2024-25 RE) → 87.9% (2025-26)
Revenue surplus	₹0.33 lakh crore (2021-22) → ₹0.79 lakh crore (2025-26)
Fiscal deficit/GSDP	3.0% (2023-24 actual); 3.1% (2024-25 RE)

- Central tax share in the state's total tax revenue fell from 56.0% (2016-17) to 46.4% (2025-26 BE); state taxes rose from 44.0% to 53.6%
- Own tax revenue ₹0.86 lakh crore → ₹2.09 lakh crore (2024-25 RE) → ₹2.95 lakh crore (2025-26 BE); growth 41.2% in 2025-26 (Gujarat 7.3%, Maharashtra 5.5%, Tamil Nadu 14.6%, Karnataka 15.4%)
- Share in central taxes ₹2.55 lakh crore; central grants ₹0.88 lakh crore; own non-tax revenue ₹0.25 lakh crore
- Largest own-tax components 2025-26: SGST 44.21% > state excise 21.36% > VAT 15.36% > stamps 12.93%
- GST collection: ₹0.59 lakh crore (2017-18) → ₹1.15 lakh crore (2024-25); target 2025-26 ₹1.76 lakh crore
- UP has the most GST-registered traders: 21.25 lakh active taxpayers; return filing compliance 98.7% (2024-25)

Key concept: Next-Gen GST Reform 2.0 (22 September 2025)

12% and 28% slabs abolished; mainly 5% and 18% remain (plus 40% for luxury/sin goods)
 Health insurance, medicines and cancer treatment made tax-free
 Automobiles, refrigerators and ACs capped at 18%; tractors, drip and sprinkler equipment at 5%
 Exporters entitled to 90% refund within seven days

Expenditure and Debt

- Committed expenditure: ₹1.40 lakh crore (2016-17) → ₹3.34 lakh crore (2025-26) = 57.3% of revenue expenditure, 50.40% of revenue receipts
- Within committed expenditure: salary 53.64%, pension 27.17%, interest 19.19%
- Capital outlay 2025-26 BE ₹1.65 lakh crore = 20.4% of total expenditure; capital outlay/GSDP 2.6% (2017-18) → 4.1% (2023-24) → 4.9% (2024-25 RE)
- Debt/GSDP 28.0% (below the FRBM limit of 30%); India 81.3%; Japan 236.7%, Italy 135.3%, USA 120.8%
- Market loans share of debt: 50% (2017-18) → 71.12% (2025-26)
- UP had a revenue deficit from 1988-89 to 2005-06; after the FRBM Act 2004 it reached a revenue surplus in 2006-07 and has stayed in surplus
- 15th Finance Commission year one (2020-21): fiscal deficit limit raised from 3% to 5% of GSDP
- NITI Aayog Fiscal Health Index: UP in the leading category

Land and Forest Resources

- Land Use Statistics 2023-24: UP cultivable land 75.9% (national 61.9%), highest after Punjab and Haryana
- UP 2023-24: net sown area 67.9%; forest 7.4%; non-agricultural use 15.1%; culturable waste 1.2%; current fallow 3.4%

Agro-climatic zone (9)	Representative districts
Bhabhar and Tarai	Saharanpur, Bijnor, Pilibhit, Lakhimpur Kheri, Bahraich, Shravasti
Western Plain	Meerut, Baghpat, Ghaziabad, Hapur, Gautam Buddha Nagar, Bulandshahr

Agro-climatic zone (9)	Representative districts
Central-Western Plain	Amroha, Moradabad, Sambhal, Bareilly, Budaun, Sitapur
South-Western Semi-Arid	Agra, Mathura, Firozabad, Mainpuri, Aligarh, Hathras, Etah, Kasganj
Central Plain	Kanpur Nagar, Kanpur Dehat, Fatehpur, Prayagraj, Hardoi, Unnao, Rae Bareli, Lucknow
Bundelkhand	Jhansi, Jalaun, Lalitpur, Hamirpur, Mahoba, Banda, Chitrakoot
North-Eastern Plain	Gonda, Basti, Siddharthnagar, Maharajganj, Gorakhpur, Kushinagar, Deoria
Eastern Plain	Ayodhya, Varanasi, Jaunpur, Ghazipur, Azamgarh, Ballia, Pratapgarh
Vindhyan	Mirzapur, Sonbhadra and southern Prayagraj

- ULPIN (Bhu-Aadhaar): 14-digit alphanumeric ID for each land parcel, implemented from December 2023
- Irrigation: canals 76,527 km; 71 dams; 36,094 state tube wells

Forest indicator (ISFR 2023)	Value
Forest + tree cover	23,437.53 sq km (2021) → 23,996.72 sq km (2023)
Increase	559.19 sq km (2.39%); UP 2nd after Chhattisgarh (683.62 sq km)
Share of geographical area	9.73% (2021) → 9.96% (2023)
Tree cover growth 2021-23	UP 5.17% vs India 1.16%
Target	15% forest and tree cover by 2030

- Plantation: 36.80 crore (2024-25, highest in India); 37.21 crore under "Ek Ped Maa Ke Naam" by October 2025
- Carbon Credit Finance Scheme (UP first in India): farmers paid for CO₂ absorbed by trees; partners TERI and VNV Advisory; USD 6 per credit every five years

Wildlife	Key fact
Tigers	109 (2006) → 173 (2018) → 205 (2022)
Tiger reserves (4)	Dudhwa, Pilibhit, Amangarh, Ranipur (Chitrakoot, notified 19 October 2022)
Gangetic dolphins	UP highest: 2,397 of 6,327 (first census 2024)
Sarus crane (State Bird)	17,329 (2021) → 20,281 (2025); most in Etawah, Mainpuri, Auraiya
Jatayu Conservation and Breeding Centre	Campierganj, Gorakhpur; India's first for Red-headed Vulture
Kukrail Night Safari, Lucknow	India's first night safari

- UP Clean Air Management Project: India's first air-shed based project, World Bank loan ₹2,658.09 crore plus grant ₹83.44 crore
- NCAP action plans in 17 cities

CHAPTER 64

UP Economic Survey 2025-26: Banking, Agriculture and Food Management

Banking and Institutional Finance (December 2025)

Indicator	Value
Banking outlets	4,49,756 = 20,913 branches + 19,191 ATMs + 39,880 BC Sakhis + 3,69,772 Bank Mitras
Population per branch	12,082 (2022-23) → 11,565
Banks	12 public sector, 16 private, 1 RRB, 2 state cooperative, 8 small finance, 4 payment banks
Branch share	PSBs 51.8%, RRB 20.7%, private 16.2%, state cooperative 8.1%, SFBs 2.7%, payment banks 0.5%
Branch location	Rural 43.5%, urban/metro 32.7%, semi-urban 23.8%
Deposits	₹19.37 lakh crore (2024-25) → ₹20.44 lakh crore
Advances	₹11.43 lakh crore (2024-25) → ₹12.35 lakh crore
Credit-Deposit ratio	59.04 (March 2025) → 60.39; national benchmark 60%
Digital transactions	CAGR 41.3% (2017-18 to 2024-25)

- Priority sector advances ₹6.37 lakh crore (2024-25) = 55.7% of advances (RBI minimum 40%); weaker sections 18.14%
- Annual Credit Plan 2025-26: ₹6.45 lakh crore target (MSME 56.7%, agriculture 37.8%); achieved ₹4.25 lakh crore (65.9%) by December 2025
- Per capita credit: highest Gautam Buddha Nagar (₹1,29,720); lowest Shravasti (₹5,270); state average ₹18,180

Credit scheme	Key features	UP performance
Kisan Credit Card (1998)	Limit valid 5 years	75.82 lakh cards, ₹1.50 lakh crore (2024-25)
Agriculture Infrastructure Fund	₹1 lakh crore national fund; interest subvention + credit guarantee	₹5,802 crore in 12,046 accounts
PM Mudra Yojana	Shishu up to ₹50,000; Kishore to ₹5 lakh; Tarun to ₹10 lakh; Tarun Plus ₹10-20 lakh	₹52,180 crore, 50.32 lakh accounts (2024-25)
Stand-Up India	₹10 lakh to ₹1 crore for SC/ST and women, greenfield	UP 1st: ₹3,790 crore to 21,891 entrepreneurs

Financial Inclusion and Insurance

- PMJDY (launched 15 August 2014): 10.22 crore accounts (UP 1st); 9.48 crore active; women 5.43 crore (53.13%)
- PMJJBY (18-50 years, ₹436 a year): UP 1st with 292 lakh; PMSBY (18-70 years, ₹20 a year): UP 1st with 794 lakh; APY (18-40 years): 14.77 lakh enrolments in 2025-26
- All districts fully digitised in October 2024 (pilots: Firozabad and Siddharth Nagar)
- Aspirational Block Programme: UP's ABP+ has 50 indicators (40 national + 10 state) for 108 blocks in 42 districts
- "Your Capital, Your Right" (October-December 2025; RBI, IRDAI, SEBI, IEPFA): UP has about 3.13 crore unclaimed accounts worth ₹9,128 crore
- NPS Vatsalya: announced in Union Budget 2024-25, launched 18 September 2024, run by PFRDA, for children below 18; minimum ₹1,000 a year

Agriculture: Overview

- Agriculture and allied share in GSVA: 23.9% (2016-17) → 24.9% (2024-25); GSVA CAGR 11.2% vs national 9.96%

- CAGR 2016-17 to 2024-25: fisheries 22.4% (highest), crops 11.8%, livestock 9.4%, forestry 8.4%
- Foodgrains 737.4 lakh MT (2024-25): national share 20.6%; UP has about 13.5% of India's cropped area but 20.6% of foodgrain output
- PLFS 2023-24: 53.2% of workers in agriculture; 78.8% of employed women vs 44.0% of men
- Net sown area 166.8 lakh ha (69%); irrigated area 2.76 crore ha (2024-25), 85.4% of sown area
- 29 districts above 90% irrigation (Muzaffarnagar 95.9%); below 70%: Mahoba (54.2%), Jhansi, Hamirpur, Lalitpur, Chitrakoot (Bundelkhand)
- Cropping intensity 162.7 (2016-17) → 193.7 (2024-25) against national about 156; highest Hathras 247.0%, lowest Banda 151.5%

Major irrigation project	Cost (₹ crore)	Note
Madhya Ganga Canal Stage-II	4,909.92	4.10 lakh farmers
Kanhar Irrigation Project	3,394.65	53,000 farmers
Erch Multipurpose Dam	1,876.61	Jhansi
Bhaurat Dam	1,237.25	8,200 farmers
Ken-Betwa Link (UP portion)	5,735.85	Total ₹44,605 crore; Bundelkhand

- Cow-based natural farming started 2022-23 on 23,500 ha in seven Bundelkhand districts; Soil Health Cards 225.44 lakh; first Seed Park at Atari, Lucknow

Crop (2024-25)	Performance
Paddy	Area +19.4%, production +23.6%, yield 29.4 q/ha
Wheat	Area +2.6%, production +6.3%, yield 41.2 q/ha; UP 1st
Rapeseed-mustard	Production +7.5%; UP 2nd
Oilseeds	Production +57.9% (highest); area 10.87 → 28.8 lakh ha
Maize	Rapid Maize Programme: 19.52 → 30.55 lakh MT (2022-23 to 2024-25)
Moong	Area +114.8%, production +162.5%
Groundnut	Area +331.7%, production +310.0%

- Targets 2025-26: foodgrains 766.43 lakh MT; oilseeds 51.11 lakh MT
- IRRI-ISARC Varanasi: mechanised direct-seeded rice gave a record 10 tonnes/ha (variety Sawa 7501)

Sugarcane and Sugar Industry

Indicator	Value
Production 2024-25	2,453.46 lakh MT; about 54% of national output; 1st
Area 2024-25	29.51 lakh ha
Yield	72.67 t/ha (2016-17) → 84 t/ha (2024-25)
Sugar mills	122 = 3 State Sugar Corporation + 23 cooperative + 96 private
Sugar produced	92.45 lakh t from 956.09 lakh t cane crushed
Crushing capacity	1,84,300 TCD
Khandsari	Online licensing since 2018-19 (licence within 100 hours)
Cane farmers	46.50 lakh

Prelims pointers: sugarcane

Hariyanwa sugar mill: potassium sulphate from distillery ash, first plant of its kind in the world
 New corporation mills at Pipraich (Gorakhpur) and Munderwa (Basti): 5,000 TCD each, 27 MW co-generation
 Smart Sugarcane Farmer (ERP) project since 2018-19; 131 drones run by "Drone Didis"
 Drip under "Per Drop More Crop" on 57,549 ha of cane

Farmer Schemes, Horticulture, Livestock and Fisheries

Scheme	Coverage
PM-KISAN	21 instalments, ₹94,668.58 crore to 3.12 crore farmers (to November 2025)
PM Fasal Bima Yojana	₹5,110.23 crore to 61.98 lakh farmers (2017-18 to 2024-25)
PM-KUSUM	86,128 solar pumps
Farm ponds	32,732

- Horticulture output 2024-25: 603.04 lakh MT, about 16.4% of national output; top in mango, potato, pea, vegetables and honey; vegetables about 70% of horticulture output
- UP Food Processing Industry Policy 2023: 35% subsidy up to ₹5 crore for new units; PMFME 35% subsidy for micro food enterprises
- Milk 277.7 → 388.15 lakh MT (15.66% of India, 1st); 2025-26 target 447.83 lakh MT; eggs 229 crore → 611 crore (national share 4.1%)
- Dairy Policy 2022 (second amendment, May 2025): interest subsidy replaced by 35% capital grant; solar up to 75 KVA gets 50% subsidy (90% for women-owned units)
- Stray Cattle Participation Scheme: ₹900 per animal per month
- Fish production 6.17 lakh MT (2016-17) → 13.31 lakh MT (2024-25); self-sufficient in Indian Major Carp seed; fisheries GVA ₹4,780 crore → ₹24,090 crore
- Vision 2047 agriculture targets: crop intensity 193.66% → 250%; soil organic carbon 0.8 → 1.0; 30 lakh ha barren land brought under cultivation

Food Management and PDS

Indicator (December 2025)	Value
Fair price shops	78,510 (67,114 rural, 11,396 urban); 18,032 women dealers
Ration cards	362.35 lakh = Antyodaya 40.85 lakh + Patra Grihasthi 321.50 lakh
PMGKAY	Extended from 1 January 2024 for five years
e-KYC	92.3% of 14.62 crore ration card units

- One Nation One Ration Card since May 2020: 1.12 crore UP card holders have drawn ration in other states

Crop	MSP 2017-18	MSP 2025-26
Wheat	₹1,625	₹2,425 (+49.23%)
Paddy (common)	₹1,550	₹2,369 (+52.84%)
Maize	₹1,700	₹2,400 (+41.18%)
Bajra	₹2,350 (2022-23)	₹2,775
Jowar	₹3,180 (2023-24)	₹3,699

- Fortified rice (iron, folic acid, B12) in all districts since August 2023; WFP evaluation at Chandauli: child anaemia 65.7% → 58.2%
- PM Ujjwala: 185 lakh connections; two free refills a year; Annapurna Bhavan (Model FPS): 75 per district per year since 2023-24
- Warehouses 234 → 290 (capacity 68.04 lakh MT); pilot of world's largest cooperative grain storage plan at Kotwa Pandey, Mirzapur
- Multidimensional poverty (NITI Aayog): UP 42.59% (2013-14) → 17.40% (2022-23); India 29.17% → 11.28%; UP had the most people exit poverty: 5.94 crore of 24.82 crore

CPI inflation 2025 (%)	January	September	October
Uttar Pradesh	4.59	-0.66	-1.71
Gujarat	3.82	0.59	-0.58
Madhya Pradesh	4.42	0.10	-1.62
Maharashtra	3.39	1.53	0.89
Tamil Nadu	4.99	2.52	1.29

CHAPTER 64

UP Economic Survey 2025-26: Rural Development, Industry and Health

Rural Development and Panchayati Raj

- About 77.7% of UP's population is rural (Census 2011); rural development spending ₹10,508 crore (2017-18) → ₹20,081 crore (2025-26 BE)

MGNREGA indicator	Value
Person-days	1,814.34 lakh (2017-18) → 3,363.97 lakh (2024-25); 1st in India
2024-25 coverage	75.83 lakh workers from 65.26 lakh households
Expenditure	₹4,501 crore → ₹11,981 crore
Women participation	35% (2018-19) → 42% (2024-25)
Amrit Sarovar	Over 19,000, highest in India
Social audit	55,991 Gram Panchayats

- DAY-NRLM: 7.94 lakh SHGs covering 95.60 lakh families; Lakshpati Didi: over 17.09 lakh; BC Sakhis 39,880; Namo Drone Didi 2025-26: 530 selected
- Women's milk producer companies: Balini (Bundelkhand), Samarthya (Raebareli, Sultanpur, Pratapgarh, Ayodhya, Kanpur Nagar, Amethi), Kashi (Ballia, Mirzapur, Sonbhadra, Ghazipur, Chandauli, Varanasi, Sant Ravidas Nagar), Shri Baba Gorakhnath Kripa
- PMAY-G: 36.37 lakh houses; target met 99.48% (2nd after Sikkim 99.57%); PMGSY: 24,874.76 km, 2,807.86 km in 2024-25 (highest in India)
- Mukhyamantri Awas Yojana-Gramin: fully state-funded for SECC left-outs, disaster-affected, Musahar, Van Tangia, Tharu, Kol, Sahariya
- MLA Local Area Development Fund: ₹5 crore per MLA per year from 2023-24
- Jal Jeevan Mission: norm 55 litres per person per day; 2.43 crore households (91.10%) connected; 33,157 of 40,955 schemes are solar-powered

Panchayati Raj tier (2024-25)	Number
Zila Panchayat	75
Kshetra Panchayat	826
Gram Panchayat	57,694

- Gram Chaupal every Friday since December 2022; SBM-G Phase 2 (2020-27) for ODF Plus; UP 1st in individual and community toilets
- Rural unemployment (PLFS): 5.5% (2017-18) → 2.2% (2023-24)

Industrial Development

Indicator	Value
Secondary GVA	₹3.34 lakh crore → ₹7.60 lakh crore (CAGR 10.8%)
Manufacturing GVA	₹1.81 → ₹3.26 lakh crore
Organised vs unorganised manufacturing	75.5% : 24.5%
Mineral revenue 2024-25	₹4,376.75 crore; sand (maurang) the largest item
IIP 2024-25	Manufacturing 156.4 (+3.0%); general index +2.6%
UP share in India's ASI GVA	5.7% (2019-20) → 6.8% (2023-24)
MSMEs (Udyam, January 2026)	About 0.47 crore of India's 4.53 crore; UP 2nd

- ASI 2023-24 GVA growth: UP 25%, Karnataka 18.8%, Tamil Nadu 11.2%, Maharashtra 9.3%, Gujarat 7.5%, India 11.9%

- Exports ₹1.86 lakh crore (2024-25), about 5.0% of India's exports (UP 5th); Gautam Buddha Nagar ₹94,300 crore (50.7%); UP exports from all 75 districts (ODOP effect)
- Export Promotion Policy 2025-30; UPITS 2025 (3rd edition, Greater Noida); UP National Trade Show in every district
- Electronics: UP produces about 65% of India's mobile phones; Noida-Greater Noida-Yamuna Expressway = "Component Valley of India"
- Four Ground Breaking Ceremonies (4th in February 2024); proposed investment about ₹50 lakh crore
- BIDA (Bundelkhand Industrial Development Authority), modelled on Noida: 56,662 acres in two phases
- 31 SEZs approved (about 74% IT/ITeS); Semiconductor Park near Jewar; Semiconductor Policy 2024; GI tags 77 products, highest in India
- Startups: 19,042; 76 incubators; MSME Act 2020 exempts units from inspections for 1,000 days
- PLEDGE scheme: MSME parks on 10-50 acres; 90% of land cost as loan at 1% interest

Self-employment scheme	Key numbers
Udyam registrations (UP)	4.13 lakh (2021-22) → 13.02 lakh (January 2026); trade 51%, services 25%, manufacturing 24%
PMEGP	₹2,602.82 crore margin money, 6.23 lakh jobs
CM YUVA (Mukhyamantri Yuva Udyami Vikas Abhiyan, 2024-25)	Interest-free loans up to ₹5 lakh; 1 lakh units a year; 10 lakh in 10 years
ODOP financing	₹890.44 crore, 3.22 lakh jobs
ODOP Common Facility Centres	28 projects in 23 districts approved

Prelims pointers: industry

Perfume Park (Kannauj), Plastic Park (Gorakhpur), Medical Device Park (YEIDA), Film City (Noida), Trans-Ganga City (Unnao)

Defence Industrial Corridor nodes: Agra, Aligarh, Lucknow, Kanpur, Jhansi, Chitrakoot

MSE-CDP Common Facility Centres: Pottery (Khurja), Scissors (Meerut), Zari-Zardozi (Unnao)

Medical and Health

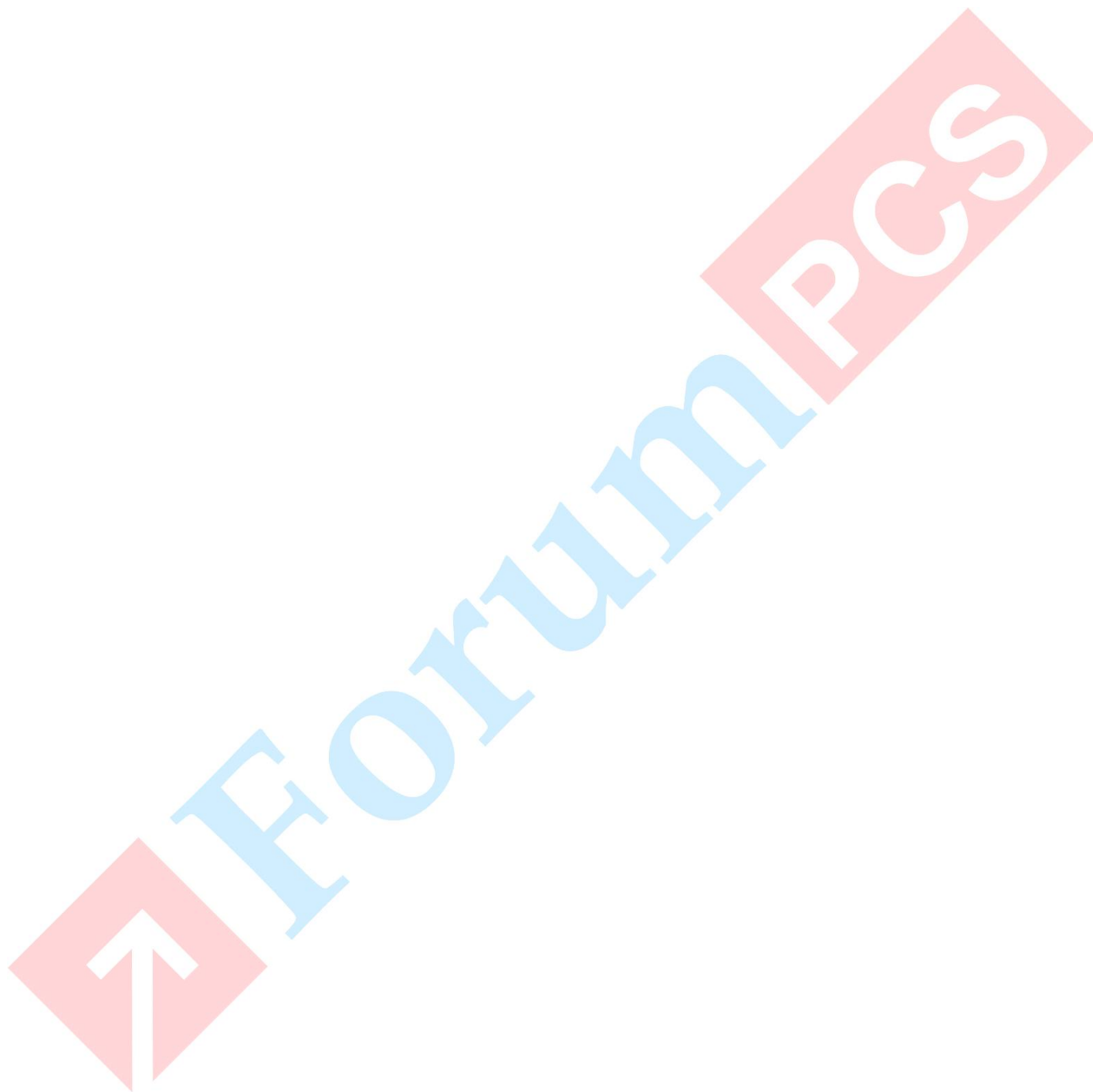
Health facility (2025)	Number
Sub-Centres	28,056
Primary Health Centres	3,754
Community Health Centres	976
District Hospitals	103

Medical education	2017	2025
Medical colleges	36	81 (45 government + 36 private)
MBBS seats	4,540	12,800
PG seats	1,221	4,995
Nursing colleges	53	79

- Atal Bihari Vajpayee State Medical University, Lucknow; e-Sanjeevani tele-consultation since 11 May 2021; 102 ambulance service (2,270) and 108 EMTS (2,200)
- Health budget 2025-26 ₹46,728.48 crore, the largest sectoral share

Health insurance	Detail
Implementing agency	SACHI (State Agency for Comprehensive Health and Integrated Services)
AB-PMJAY	NFSA-listed families, all Buksa tribe families, all senior citizens aged 70+
Mukhyamantri Jan Arogya Yojana (2019)	For those left out: SECC-excluded, Antyodaya, BOCW families, accredited journalists
Ayushman cards	5.42 crore, highest in India
Empanelled hospitals	6,257 (2,948 government + 3,309 private), highest in India

- Institutional deliveries 41 lakh in 2024-25 = 96.12%; full immunisation 100% in 2024-25



CHAPTER 65

UP Economic Survey 2025-26: Infrastructure, Tourism and Education

Roads, Rail, Air and Water

- UP has the largest rail network and most extensive road network in India; capex CAGR 10.05% (2016-17 to 2025-26), about 20% of budget; 2023-24 capex ₹1.11 lakh crore, ahead of Maharashtra, Gujarat, Karnataka and Tamil Nadu

Operational expressway	Length (km)	Under construction / proposed	Length (km)
Agra-Lucknow	302.222	Ganga Expressway (u/c)	593.947
Purvanchal	340.824	Delhi-Saharanpur-Dehradun (u/c)	210
Bundelkhand	296.070	Lucknow-Kanpur (u/c)	63
Yamuna	165.50	Vindhya (proposed)	277
Meerut-Delhi	96	Gorakhpur-Shamli (NHAI proposed)	700
Gorakhpur Link	91.35	Gorakhpur-Siliguri (NHAI proposed)	519
Noida-Greater Noida	25	Ghaziabad-Kanpur (NHAI proposed)	380

- Road length 2.41 lakh km (2017-18) → 2.84 lakh km (2024-25): rural roads 69%, other district roads 21%, NH 4% (12.12 thousand km), SH 4%
- Vehicles 262.8 lakh (2016-17) → 523.40 lakh (December 2025); EVs 14.38 lakh (e-rickshaws about 8.97 lakh)
- UP first state with a mobile app-based e-challan; 45 vehicle scrapping centres; "One UP One Card" mobility card
- Railway route length 8,821 km, largest in India (about 12.50%); longest section of the Eastern DFC lies in UP
- Metro: Noida, Ghaziabad, Lucknow, Kanpur, Agra; Namoo Bharat (Delhi-Ghaziabad-Meerut RRTS, 82.15 km): India's first regional rail service
- Airports: 4 (April 2017) → 16 (12 domestic + 4 international); 8 IAF airfields; air cargo 7.5 → 28.36 thousand MT
- National Waterway-1 (Haldia to Prayagraj): 425 km in UP; India's first multimodal terminal at Varanasi; freight villages at Ramnagar, Chandauli, Mirzapur

Energy

Indicator	Value
Installed capacity	23.66 GW (March 2017) → 36.74 GW (December 2025): state 9.86, central 11.63, private 15.25 GW
Generation	122.77 thousand GWh (2018-19) → 167.49 (2024-25); the highest despite lower capacity than Gujarat, Maharashtra, Tamil Nadu, Karnataka
Consumption 2024-25	Domestic 47%, others 30%, industrial 14%, commercial 8%
Peak demand	16,110 MW (March 2017) → 31,486 MW (June 2025)
Line losses	21.47% (2017) → 13.77% (March 2025)
AT&C losses	32.80% (2016-17) → 19.21% (2024-25)
Renewable capacity	5.53 GW (March 2017) → 9.79 GW (December 2025); solar 2,815 MW

- Power structure: UPRVUNL (thermal generation: Anpara, Obra, Parichha, Harduaganj, Jawaharpur, Panki) → UPJVNL (7 hydro projects, 524.90 MW) → UPPTCL (transmission, 132 kV and above) → UPPCL (holding) with 5 discoms: Purvanchal (Varanasi), Madhyanchal (Lucknow), Dakshinanchal (Agra), Paschimanchal (Meerut), KESCO (Kanpur)
- Ghatampur (Kanpur Nagar) 3 × 660 MW supercritical; Panki 660 MW unit commissioned April 2025

- Solar parks: Jalaun 1,200 MW (largest), Chitrakoot 800, Jhansi 600, Lalitpur 600; Solar Energy Policy 2022 targets 22,000 MW; Ayodhya model solar city
- Bio-Energy Policy 2022: 36 CBG plants, 1st in India; Green Hydrogen Policy 2024: 30-40% capital subsidy
- PM-KUSUM C-1: Centre 30% + State 60%; C-2 feeder solarisation: Centre 30% + state viability gap funding

Communication and Urban Development

- Internet subscribers (TRAI, September 2025): UP 13.82 crore (1st), Maharashtra 11.36, Tamil Nadu 6.60, Karnataka 6.41, Gujarat 5.87
- Urbanisation 22.28% (Census 2011), about 25% (2021); about 35% needed for the trillion-dollar target; 113 new urban local bodies after 2017
- State Capital Region: Lucknow, Hardoi, Sitapur, Barabanki, Raebareli, Unnao (six districts)
- Smart Cities: 17 (10 central + 7 state); AMRUT 1.0: 60 ULBs, ₹10,297.87 crore; PMAY-Urban 17.03 lakh houses completed
- Rashtra Prerna Sthal, Lucknow: bronze statues of Atal Bihari Vajpayee, Deendayal Upadhyay and Syama Prasad Mookerjee

Tourism and Culture

Domestic tourism 2024	Tourists (crore)	Share	Rank
Uttar Pradesh	64.68	21.9%	1
Tamil Nadu	30.68	10.4%	2
Karnataka	30.46	10.3%	3
Andhra Pradesh	29.03	9.9%	4
Rajasthan	23.01	7.8%	5

- UP overtook Tamil Nadu in 2022 (18.4%); total tourists 64.91 crore (2024) → 156.18 crore (2025 provisional, including Maha Kumbh); foreign tourists 22.69 lakh (2024), rank 4th
- Tourism budget ₹440.3 crore (2017-18) → ₹2,026.1 crore (2025-26)
- Ayodhya received 29.96 crore tourists in 2025 (16.44 crore in 2024); Prayagraj grew 26.5 times between 2022 and 2025

Key concept: Prayagraj Maha Kumbh 2025

Held 13 January to 26 February 2025 (43 days) at the Triveni Sangam; attendance 66.30 crore (Kumbh 2019: 24.05 crore; Maha Kumbh 2013: 7.87 crore)

Maha Kumbh Nagar created as the 76th (temporary) district; plastic-free; 2,500-drone show; AI chatbot in 11 languages
Kumbh is on UNESCO's Intangible Cultural Heritage list; Kumbh sites: Prayagraj, Haridwar, Ujjain, Nashik

- Tourism Policy 2022: 12 thematic areas and 12 circuits; industry status for star hotels

Circuit	Key sites
Ramayana	Ayodhya, Chitrakoot, Shringverpur, Bithoor
Krishna / Braj	Mathura, Vrindavan, Govardhan, Gokul, Barsana, Nandgaon
Buddhist	Kapilvastu, Sarnath, Kushinagar, Shravasti, Kaushambi
Mahabharata	Hastinapur, Kampilya, Ahichhatra, Barnawa, Vidurkuti
Shakti Peeth	Vindhyachal, Devipatan, Shakumbhari Devi, Vishalakshi
Bundelkhand	Charkhari, Kalinjar, Jhansi, Mahoba, Chitrakoot
Wildlife and Eco	Dudhwa, Pilibhit, Etawah Lion Safari, Amargarh, Katarniaghat
Craft	Agra marble inlay, Firozabad glass, Moradabad brass, Banarasi sari, Aligarh locks
Freedom Struggle	Meerut, Shahjahanpur, Kakori, Chauri-Chaura, Bawan Imli

- Swadesh Darshan 1.0: 8 projects completed; PRASAD: 6 projects (Varanasi, Mathura-Vrindavan, Govardhan)
- Best Tourism Village: Korouna, Varanasi (2023); Pura Mahadev, Baghpat (2024)
- Ram temple flag (22 ft × 11 ft) hoisted on the 161-ft spire on 25 November 2025
- Deepotsav lamps: 1.71 lakh (2017) → 26.17 lakh (2025); Diwali added to UNESCO's Intangible Cultural Heritage list in December 2025
- Film Policy 2023: subsidy up to 50% for regional films (Awadhi, Braj, Bundeli, Bhojpuri), 25% for Hindi/English; Film City on 1,000 acres in Noida

Education

School education (UDISE+ 2024-25)	Value
Total schools	2,62,358 (primary 1,35,658; upper primary 90,243; secondary 11,938; higher secondary 24,519)
Management	Government 52.28%, private 39.83%, aided 3.15%
Teachers	16,15,427
Dropout (primary)	7.2 (2017-18) → 0 (2024-25)
Dropout (secondary)	19.0 → 7.0
Pupil-teacher ratio (primary)	36 → 20
Literacy (PLFS 2023-24)	UP male 86.0%, female 70.4% (India: male 87.2%, female 74.6%)

- PM SHRI: 1,722 schools; KGBVs 746; CM Model Composite Schools two per district; Atal Residential Schools in 18 divisions

Higher education	Value
Colleges	6,681 (2017-18) → 7,984 (2024-25)
Universities	State 16 → 24; private 27 → 52
GER (18-23 years)	24.1%; targets 30% (2030), 50% (2035), 65% (2047)
NAAC A++ universities	0 (2017) → 9 (2025)
Patent applications (HEIs)	65 (2017) → 5,677 (2025)

- Government ITIs 286 → 331; UP Skill Development Mission: 12.58 lakh trained, 6.31 lakh placed
- India Skill Report 2025: UP 1st in numerical skills (80.12%), 6th in employability

CHAPTER 65

UP Economic Survey 2025-26: Social Welfare, Labour, Policies and Vision 2047

Social Welfare

- Social security spending ₹18,674 crore (2017-18) → ₹34,504 crore (2025-26 BE)

Scheme	Benefit	Coverage
Old age pension (60+, BPL)	₹1,000 a month	60.99 lakh (2024-25); 67.50 lakh by December 2025
Divyang pension	₹300 → ₹500 → ₹1,000 a month (December 2021)	10.84 lakh
Destitute women pension	₹12,000 a year	35.30 lakh
Leprosy pension	₹3,000 a month (December 2021)	12,186
National Family Benefit	On death of BPL earning head	1,13,300
Mukhyamantri Samuhik Vivah	Mass marriages	95,466 marriages
Mukhyamantri Kanya Sumangala (2019-20)	₹25,000 in 6 stages (raised from ₹15,000 in 2025-26)	4.29 lakh girls
Mukhyamantri Bal Sewa Yojana (2021-22)	Monthly aid to orphaned children	78,852

Kanya Sumangala stage	Amount
Birth	₹5,000
Full vaccination up to one year	₹2,000
Admission in Class 1	₹3,000
Admission in Class 6	₹3,000
Admission in Class 9	₹5,000
After Class 10/12, admission to diploma or graduation	₹7,000

- Eligibility: UP resident, family income up to ₹3 lakh, maximum 2 children
- Mukhyamantri Abhyudaya Yojana (February 2021): free competitive-exam coaching in 163 centres
- Disability: 4% reservation in state services, 5% in educational institutions; free bus travel since 21 June 2019; Dr Shakuntala Mishra Rehabilitation University (Lucknow) and Jagadguru Rambhadracharya Divyang University (Chitrakoot)
- Special schools: Prayas (physically disabled), Sanket (speech and hearing), Mamta (intellectual), Sparsh (visually impaired)
- Anganwadi centres 1,89,996; ICDS projects 897; One Stop Centres in all districts; child helpline 1098

Key concept: Women's Economic Empowerment Index (WEE-Index) 2024

Published by UP Planning Department; 49 indicators, 5 pillars, district scores 0-100

Pillars: entrepreneurship, employment, education and skill, livelihood, mobility-safety-gender-sensitive infrastructure

Top districts: Lucknow (86.9), Kanpur Nagar (82.4), Varanasi (79.3), Gautam Buddha Nagar (74.8), Ghaziabad (73.8)

Labour and Employment

Indicator	Value
Female LFPR (PLFS)	22.2% (2022-23) → 25.2% (2023-24)
LFPR 15+ (PLFS 2023-24)	Male 79.5%, female 34.5%
PLFS quarterly (July-September 2025)	LFPR 47.3; unemployment 5.9%; WPR 44.5%

Indicator	Value
Public sector employees	15.96 lakh (2022-23) → 19.85 lakh (June 2025)

- e-Shram (launched 26 August 2021): UP highest with 8.42 crore registrations (Bihar 3.22 crore, West Bengal 2.65 crore); women 52.62%
- UP Employment Mission (July 2025); Rojgar Sangam portal; BOCW Welfare Board 131.77 lakh registered construction workers
- "Act establishments" under the Employment Exchanges Act: 25 or more employees; "Non-Act": 10 to 24

State Policies (34 policies in eight years)

Sector	Policy	Key provision
Agriculture	Food Processing Industry Policy 2023	Up to 35% capital subsidy
Agriculture	Dairy Development Policy 2022	Target ₹5,000 crore investment in 5 years
Industry	Industrial Investment and Employment Promotion Policy 2022	Incentives by region
Industry	Semiconductor Policy 2024	UP 4th state with such provisions
Industry	Electronics Components Manufacturing Policy 2025	20% capital incentive; 6 years from 1 April 2025
Industry	EV Manufacturing and Mobility Policy 2022	100% road tax and registration exemption
Industry	Startup Policy 2020	10,000 startups; 8 CoEs
IT	IT and ITeS Policy 2022; GCC Policy 2024; Data Centre Policy 2021	Land subsidy up to 50% in Bundelkhand/Purvanchal
Energy	Solar Energy Policy 2022	22,000 MW
Energy	Green Hydrogen Policy 2024; Bio-Energy Policy 2022	Capital subsidy
Environment	Urban Green Policy 2025	Green+, Green++, Green+++ rankings
Environment	Bio-Plastic Industry Policy 2024	UP first state; 50% capital subsidy
Investment	FDI, Fortune Global 500 Policy 2023	First by any state
Trade	Export Promotion Policy 2025-30	About ₹882 crore incentives
Logistics	Warehousing and Logistics Policy 2022	30% advance land subsidy for MMLPs
Defence	Defence and Aerospace Policy 2022	Capital subsidy 7% (Agra, Aligarh, Lucknow, Kanpur), 10% (Jhansi, Chitrakoot)
Aviation	Aircraft MRO Policy 2022	Subsidy 5-12%
Culture	Film Policy 2023; Sports Policy 2023; Tourism Policy 2022	Film subsidy 50%/25%

- Upcoming: Sustainable Aviation Fuel (SAF) Manufacturing Promotion Policy 2025 (UP to be the first state)

Vision @2047: Viksit Bharat, Viksit Uttar Pradesh

- A 24-hour legislature session on 13-14 August 2025 discussed the vision; "5 Ts" (Trade, Tourism, Technology, Tradition, Talent) and three powers: Arth Shakti, Srijan Shakti, Jeevan Shakti

Phase	Period	Targets
Short term	Up to 2029-30	\$1 trillion economy; zero poverty; exports 4×
Medium term	Up to 2035-36	EVs, semiconductors, AI cities, GCCs, unicorns
Long term	Up to 2046-47	\$6 trillion economy; per capita income at or above national average

Target	Present	2047 target
Growth rate	14-15%	20% within five years
Share in India's GDP	9.5%	Beyond population share (16%)
Debt/GSDP	Nearly 30%	20%
Capital outlay share of expenditure	About 18%	30%
Development expenditure share	About 60%	70%

- Four pillars: Economic Competitiveness, Security, Global Connectivity, Good Governance
- Public consultation: 97,70,696 suggestions; over 35 lakh from women; over 75 lakh from rural areas
- SDG India Index: UP score 42 (2018) → 67 (Index 4.0, 2023-24), fastest-improving state (+25); category Front Runner; rank 29th → 18th

UP at a Glance and Quick Revision of Ranks

Item	Value
Administrative units	18 divisions, 75 districts, 351 tehsils, 826 development blocks
Census 2011	Population 19.98 crore; density 829 per sq km; literacy 67.7%; sex ratio 912
Local bodies	Municipal corporations 17; municipal councils 200; nagar panchayats 545; cantonment boards 13
SRS 2023	Birth rate 23.6; death rate 6.5; IMR 37; MMR 141 (2021-23)

Area	UP rank / record
Foodgrains, wheat, sugarcane, milk, potato, mango, mentha	1st in India
Mustard	2nd
Forest and tree cover increase (ISFR 2023)	2nd (after Chhattisgarh)
Dolphins (2024 census)	Highest (2,397)
PMJDY, Stand-Up India, PMJJBY, PMSBY	1st
GST active taxpayers	1st (21.25 lakh)
MGNREGA person-days; Amrit Sarovars	1st
PMAY-G completion	2nd (after Sikkim)
ASI GVA growth 2023-24 (25%)	1st among major states
MSME (Udyam) registrations	2nd
Export Preparedness Index 2024	4th overall; 1st among landlocked
GI tags (77)	1st
Ayushman cards; empanelled hospitals	1st
Internet subscribers	1st (13.82 crore)
Tourist arrivals	1st (overtook Tamil Nadu)
e-Shram registrations	1st (8.42 crore)

CHAPTER 66

Uttar Pradesh Budget 2026-27

Budget at a Glance

- Presented on 11 February 2026 by Finance Minister Suresh Kumar Khanna

Item	2026-27 BE
GSDP (current prices)	₹39.8 lakh crore (₹39,75,500 crore); growth 28% over 2025-26 RE
Total expenditure	₹9,12,696 crore (net of debt repayment ₹8,50,901 crore, +26%)
Debt repayment	₹61,795 crore
Net receipts (excluding borrowings)	₹7,32,420 crore (+26%)
Borrowings	₹1,15,813 crore
Fiscal deficit	3.0% of GSDP (₹1,18,481 crore); 2025-26 RE also 3.0%
Revenue surplus	1.6% of GSDP (₹64,458 crore); 2025-26 RE 2.4%
Primary deficit	1.2% of GSDP (₹49,560 crore) = fiscal deficit minus interest (₹68,921 crore)
Revenue expenditure	₹6,64,471 crore (+31%)
Capital outlay	₹1,77,744 crore (+11%)
Revenue receipts	₹7,28,928 crore (+26%); 50% own resources, 50% from the Centre
Committed expenditure	₹3,53,743 crore = 49% of revenue receipts
Outstanding liabilities	23.1% of GSDP at end-2026-27 (27.6% in 2025-26 RE)

- Salaries 25.1% (₹1,82,921 crore), pension 14.0% (₹1,01,901 crore, +43%), interest 9.5% (₹68,921 crore) of revenue receipts
- Centre gives states 50-year interest-free capex loans (since 2020-21), kept outside the borrowing ceiling; UP received ₹17,224 crore in 2024-25

Economy and Policy Highlights

- Real GSDP growth 2024-25: 9.0% (2011-12 prices) against India 6.5%
- Sector shares 2024-25 (current prices): agriculture 27%, industry 26%, services 47%
- Per capita GSDP 2024-25: ₹1,24,366 (+11.6%); India ₹2,34,859; UP about 53% of the national level

Area	Announcement
Technology	Missions on emerging technologies and AI; data-centre clusters; digital entrepreneurship programme
MSMEs	Sardar Vallabhbhai Patel Employment and Industrial Zone (₹575 crore)
Skilling	Expansion of skill centres; separate centres for women
Urban development	Infrastructure at Meerut, Mathura-Vrindavan and Kanpur Development Authorities (₹750 crore)
Agriculture	Programme for agricultural marketing and exports
Ease of doing business	Next phase on the principle of Jan Vishwas; simpler licensing and registration

Exam trap: Budget vs Economic Survey figures

Budget analysis uses 2024-25 GSDP ₹29,78,224 crore and per capita ₹1,24,366
 Economic Survey 2025-26 quick estimates give ₹30.25 lakh crore and ₹1,26,304
 Fiscal deficit 2024-25: 2.1% (actuals, Budget) vs 3.1% (revised estimate, Survey)

Receipts in 2026-27

Item (₹ crore)	2025-26 RE	2026-27 BE
State's own tax	2,26,181	3,34,491
State's own non-tax	13,664	26,754
Share in central taxes	2,49,885	2,68,911
Grants from Centre	90,112	98,772
Revenue receipts	5,79,842	7,28,928

- Own resources ₹3,61,245 crore (50%); from the Centre ₹3,67,683 crore (50%): tax devolution 36.9% and grants 13.6% of revenue receipts
- Own tax/GSDP: 8.4% (2026-27 BE) vs 7.3% (2025-26 RE) and 7.1% (2024-25)
- Tax devolution ₹2,68,911 crore is the highest for any state in the Union Budget 2026-27 (all-state total ₹15,26,255 crore; next Bihar ₹1,51,832 crore)
- Centrally sponsored scheme grants: ₹31,955 crore (2024-25) → ₹70,961 crore (2025-26) → ₹77,994 crore (2026-27)

Own-tax source	2026-27 BE
State GST (largest, about 45%)	₹1,49,956 crore
State excise	₹71,278 crore
Sales tax / VAT	₹48,115 crore
Stamps and registration	₹43,802 crore
Vehicle tax	₹15,808 crore
Electricity duty	₹4,715 crore
Land revenue	₹817 crore

- Own-source revenue of local bodies is weak: rural 0.05% of agricultural GDP (Kerala 2.38%, Maharashtra 1.21%); urban 0.20% of non-agricultural GDP (Maharashtra 1.4%, Gujarat 0.84%)

Expenditure in 2026-27

Sector (₹ crore)	2025-26 RE	2026-27 BE	Major provision
Education, sports, arts and culture	84,654	1,08,154 (+28%)	₹55,792 crore aid to non-government primary schools
Energy	48,561	56,621 (+17%)	₹21,500 crore power subsidy
Health and family welfare	42,962	53,326 (+24%)	Urban ₹5,793 crore; rural ₹6,818 crore
Transport	48,909	50,391 (+3%)	₹38,592 crore capital outlay on roads and bridges
Rural development	30,877	49,044 (+59%)	PMAY-G ₹6,102 crore; MGNREGS ₹5,544 crore; NRLM ₹4,580 crore
Social welfare and nutrition	36,580	42,263 (+16%)	Old age/farmer pensions ₹8,950 crore
Police	32,176	41,898 (+30%)	District police ₹27,200 crore
Agriculture and allied	20,504	30,938 (+51%)	Private tubewell power subsidy ₹2,400 crore
Urban development	22,397	27,532 (+23%)	PMAY-Urban ₹6,842 crore

- Education is the largest sector; rural development has the highest growth (59%); revenue expenditure drivers: rural development +83%, pension +43%, grants to local bodies +39%, energy +38%
- Capital outlay underspending: on average 28% below budget in 2021-22 to 2024-25 (2024-25 budgeted ₹1,54,747 crore; actual ₹1,14,001 crore)

Prelims pointers

UP spends above the state average on energy, roads and rural development; below average on education and agriculture
 Discom accumulated losses about ₹1 lakh crore (March 2025); annual loss ₹10,796 crore (2024-25)
 AT&C losses 19.6% (2024-25) vs national average 15%
 Outstanding guarantees ₹1,71,924 crore = 5.8% of GSDP (31 March 2025)
 UP FRBM Act, 2004; liabilities projected to fall from 33.4% (2021-22) to 20.6% of GSDP (2028-29)

16th Finance Commission and UP

- Chair Dr Arvind Panagariya; report tabled 1 February 2026; period 2026-27 to 2030-31
- States' share in the divisible pool 41% (unchanged); total grants ₹9.47 lakh crore, only for local bodies and disaster management
- Revenue deficit grants, sector-specific and state-specific grants discontinued
- Fiscal deficit limit 3% of GSDP for 2026-31

State	14th FC	15th FC	16th FC
Uttar Pradesh	17.96	17.94	17.62
Bihar	9.67	10.06	9.95
Madhya Pradesh	7.55	7.85	7.35
West Bengal	7.32	7.52	7.22
Maharashtra	5.52	6.32	6.44
Rajasthan	5.50	6.03	5.93
Karnataka	4.71	3.65	4.13
Tamil Nadu	4.02	4.08	4.10
Gujarat	3.08	3.48	3.76
Sikkim (lowest)	0.37	0.39	0.34

- UP has the highest share; grants to UP (2026-31): rural local bodies ₹83,261 crore (highest of all states), urban local bodies ₹33,543 crore, disaster management ₹15,321 crore
- Lucknow and Kanpur eligible for special grants (up to ₹5,000 crore each) for wastewater management

CHAPTER 67

Uttar Pradesh Budget 2026-27: Schemes

New Schemes and Announcements (2026-27 BE)

Scheme	Allocation (₹ crore)	Purpose
Sardar Vallabhbhai Patel Employment and Industrial Zone	575	MSME-oriented industrial and employment zones
One District One Cuisine	75	Promote district cuisine and food entrepreneurship
Uttar Pradesh AI Mission	225	AI capacity, applications and ecosystem
AI Labs in 49 ITIs (IndiaAI collaboration)	32.82	AI training labs and data labs
Cyber Security Operations Centre	95.16	State cybersecurity monitoring and response
Meerut, Mathura-Vrindavan, Kanpur Development Authorities	750	Infrastructure upgrade
City Economic Region Scheme	100	Integrated city-region development
Awasiya Balika Vidyalayas	580	Residential girls' schools in blocks without KGBV
Primary Smart Schools (Samagra Shiksha)	300	State-funded smart schools
Remedial maintenance of aided schools	300	Safety-audit repairs
Student Mental Health and Welfare Policy	14.50	Higher education institutions
Swami Shukdevanand University, Shahjahanpur	21	New state university
Kashi Naresh University, Bhadohi	21	New university
FPO Revolving Fund	75	Working capital for farmer producer organisations
Agri-Export Hubs (UP AgriBiz / UP-AGREES)	245	Export-oriented aggregation and marketing
Fish Wholesale Market, Aqua Park and Processing Centre	100	Integrated fisheries infrastructure
Cooperative Grain Storage Warehouses	25	Cooperative warehouses
Mukhyamantri Zero Fatality Vision Scheme	50	Road-crash prevention and response
Uttar Pradesh Rozgar Mission Committee	200	Employment opportunities and job matching
Working Women Hostels	100	Safe accommodation for working women
Mukhyamantri Shramjeevi Mahila Hostel Scheme	35	Hostel construction
New dairy plant (1 lakh litres a day)	23	Dairy supply chain
Digital Libraries at Gram Panchayat and ward level	454	Grassroots digital learning
Diesel pumps to solar pumps	637.84	Solar irrigation pumps

Continuing Schemes with Major Allocations

Scheme	Allocation (₹ crore)
Annapurna Yojana / food security	15,480
Jal Jeevan Mission (all components)	22,452
Mukhyamantri Industrial Area Expansion scheme	5,000
Atal Infrastructure Mission	2,000
Swami Vivekanand Yuva Sashaktikaran Yojana (tablets and smartphones)	2,374
Mukhyamantri Yuva Udyami Vikas Abhiyan (target 1 lakh new units yearly)	1,000
Atal Bihari Vajpayee Powerloom Flat Rate Yojana	4,423
PM Awas Yojana-Gramin	6,102
PM Awas Yojana-Urban	6,842
MGNREGA	5,544
National Rural Livelihood Mission (Ajeevika)	4,580
National Rural Health Mission	about 8,641
Ayushman Bharat-National Health Protection Mission	2,000
Ayushman Bharat-Mukhyamantri Jan Arogya Yojana	500
Old age / farmer pension (67.5 lakh recipients at ₹1,000 a month)	8,950
Destitute Women Pension	3,500
Divyangjan Pension (₹1,000 a month)	1,470
Mukhyamantri Krishak Durghatna Kalyan Yojana	1,150
Mukhyamantri Samuhik Vivah Yojana (₹1.01 lakh per marriage)	750
Free LPG Cylinder Refilling Yojana	1,500
PM Surya Ghar / solar household energy	1,500
PM Gram Sadak Yojana	822
Mukhyamantri Shahri Vistarikaran / Naye Shahar Protsahan Yojana	3,500
Twarit Arthik Vikas Yojana	2,400
Mukhyamantri Paryatan Sthalon Ka Vikas Yojana	500
UP Clean Air Management Project (World Bank; 2025-26 to 2030-31)	194
PM Matsya Sampada Yojana	310
National Mission on Natural Farming	298
Mukhya Mantri Kanya Sumangala Yojana	400
Social Forestry Scheme	800

CHAPTER 68

Economy Current Affairs 2026 (January to August)

Monetary, Banking and Financial Regulation

Event	Detail	Date
RBI repo rate	5.25% (Standing Deposit Facility 5.00%; MSF rate 5.50%; Bank rate 5.50%)	April 2026
RBI new NBFC category	"Unregistered Type-I NBFC" (assets below ₹1,000 crore), exempt from RBI registration	29 April 2026
RBI four-layer NBFC structure	Base, Middle, Upper and Top; Upper Layer NBFCs: 15 in 2024-25; asset threshold of ₹1 lakh crore or more proposed for Upper Layer	10 April 2026
RBI urban cooperative banks lending norms	Total unsecured loans and advances capped at 20% of total loans and advances	June 2026
RBI prudential framework on stressed non-financial assets (SNFA)	Effective 1 October 2026	July 2026
RBI Payments Vision 2028	User empowerment, fraud protection, cross-border payment reform, ease of doing business	27 March 2026
RBI cancelled licence	Paytm Payments Bank Limited	24 April 2026
RBI "Initiative of the Year" award	Central Banking (London)	March 2026
Proposal	₹10 and ₹20 polymer banknotes	July 2026
NBFC-MFI	Credit Guarantee Scheme for Microfinance Institutions 2.0 (via National Credit Guarantee Trustee Company Limited)	20 March 2026
CBDC	Food subsidy delivery pilot using CBDC tokens (digital wallets) in Puducherry	26 February 2026
India Post Payments Bank	Launched Self-Help Group savings account	30 April 2026
SEBI	Komppella Venkata Ramamurthy appointed whole-time member; GARUDA mechanism proposed for alternative investment funds	May 2026
IRDAI	Approved acquisition of Magma General Insurance; Patanjali Ayurved and co-acquirer trusts to buy 73.56% stake (about ₹4,500 crore)	28 July 2026

- UPI: about 24,161.69 crore transactions in FY 2025-26, +30%, worth ₹314 lakh crore
- UPI accepted in nine countries; Cambodia added through NPCI International and Aceda Bank (June 2026)
- Global Finance magazine: SBI "World's Best Consumer Bank 2026"
- NSE launched Nifty500 Ahimsa Index (10 July 2026) and India's first domestic benchmark-based natural gas futures (27 July 2026)
- Capital markets: Taiwan overtook India to become the 5th largest equity market (25 May 2026; Taiwan US\$4.95 trillion); India fell to 7th by June 2026, market value US\$4.84 trillion

- Bharat Maritime Insurance Pool (cabinet approval 18 April 2026): first sovereign-backed insurance product launched 30 July 2026; designed by The New India Assurance; first P&I policy issued to Shipping Corporation of India

Growth, Rankings and Forecasts

Source	Forecast / ranking
OECD (March 2026)	India fastest-growing major economy; 2025-26 growth 7.6%, 2026-27 6.1%
Fitch (March 2026)	FY2025-26 growth raised to 7.5%
World Bank (9 April 2026)	FY2026-27 growth raised from 6.3% to 6.6%
Moody's (May 2026)	6% for both 2026 and 2027
IMF WEO April 2026	"War shadow over the global economy"; India now 6th largest by nominal GDP
IMF WEO Update July 2026	India 2026-27 real GDP growth 6.4%
IMF January 2026 WEO	Global growth 3.3% (2026) and 3.2% (2027)
WTO Global Trade Outlook (March 2026)	Global GDP growth 2.8% for 2026
SBI Ecowrap 2026	India to become an upper-middle-income country by 2030

- India slipped to 6th place in GDP ranking due to exchange rate and data revisions
- PLFS annual (calendar 2025): unemployment rate (15 years and above) 3.1%; labour force participation rate 59.3%; 61.6 crore employed; educated persons' unemployment 6.5%
- NSO 80th round (health): out-of-pocket health expenditure; over 50% of public-hospital hospitalisation cases cost ₹1,100 or less
- SRS 2024: birth rate 18.3 per 1,000 (down 2.7 points from 2014); IMR 24; death rate 6.4; TFR 1.9; sex ratio at birth 917 (2021-23); MMR 88 per lakh (2021-23); life expectancy 70.6 years (male 68.7, female 72.8); population expected to peak in the mid-2060s
- India world's largest milk producer (about 25% of global output); milk CAGR 5.41% over 2014-15 to 2024-25

Trade, Industry and Policy

- India-UK CETA: effective 15 July 2026; quota-based duty concession on UK-origin vehicles notified 9 July 2026
- India-France: amended DTAC (Double Taxation Avoidance Convention), signed during Emmanuel Macron's visit (23 February 2026); capital gains on share sales taxed by the country of residence of the seller; MFN clause removed
- India's third-largest export destination: China overtook the Netherlands (March 2026); ranking: USA > UAE > China > Netherlands (February 2026)
- India-EU Trade and Technology Council: third meeting at Brussels (15 July 2026)
- India became party no. 123 to the WTO Fisheries Subsidies Agreement (30 July 2026); WTO 14th Ministerial Conference at Yaoundé, Cameroon (26-30 March 2026)
- Windfall taxes on exports of petrol, diesel and aviation turbine fuel reduced (15 August 2026)
- Gold and silver import duty raised on 13 May 2026: effective tax with IGST about 18.4% (earlier about 9.2%)
- Core machinery and raw material customs duty exemption for electronics manufacturing extended to 31 March 2029
- Mobile Phone Manufacturing Scheme (MPMS): ₹62,500 crore, five years (cabinet 15 July 2026); BHAVYA (Bharat Industrial Development Scheme): 100 plug-and-play industrial parks, outlay ₹33,660 crore
- India's first Telecom Manufacturing Zone (TMZ) at Gwalior, Madhya Pradesh; Micron ATMP plant at Sanand, Gujarat (28 February 2026)
- Cabinet policy: NIPU-2026 (Self-reliant India: Protection and Indemnity policy for shipping)
- Investor Friendliness Index 2026 (NITI Aayog): Gujarat top, followed by Maharashtra, Tamil Nadu, Goa and Odisha (as listed)
- Wholesale Price Index to be replaced by Producer Price Index (PPI) series; WPI to run in parallel for five years; new WPI base year 2022-23
- Nodal for GeM Womaniya: women-led micro and small enterprises and SHGs; National Monetisation Pipeline 2.0 (NITI Aayog; asset monetisation plan 2025-30; launched 23 February 2026)
- Emergency Credit Line Guarantee Scheme (ECLGS 5.0) launched 5 May 2026 in view of West Asia disruption; RELIEF (Resilience and Logistics Intervention for Export Facilitation) under the Export Promotion Mission, implemented by ECGC (19 March 2026)
- Cotton Productivity Mission approved (5 May 2026): raise yield from 440 to 755 kg per hectare by 2030-31
- FRP for sugarcane for the 2026-27 sugar season: ₹365 per quintal
- Major ports handled 915.17 million tonnes in FY2025-26; top port Deendayal Port Authority, Gujarat (160.11 million tonnes); Visakhapatnam handled 50.87% (FY25) and 48.89% (FY26) of India's marine product exports (value ₹73,890.46 crore)
- Marine fish landings 2025: about 3.57 million tonnes; Tamil Nadu top; Kerala had highest marketing efficiency (72.83%)
- IMF approved immediate release of about US\$1.32 billion to Pakistan (May 2026)

- Brookfield launched "Lumara" renewable energy platform in India (US\$600 million); UP Cabinet approved Data Centre Policy 2026 (6 July 2026), replacing the 2021 policy (expired 27 January 2026)
- Ayushman Bharat Pradhan Mantri Jan Arogya Yojana is the government health insurance scheme



CHAPTER 69

Schemes and Laws in the News (2024-2026)

Viksit Bharat G RAM G Act, 2025 (Replaces MGNREGA)

- Viksit Bharat – Guarantee for Rozgar and Aajeevika Mission (Gramin) Act, 2025: passed by Parliament in December 2025, assent of the President received; replaces the Mahatma Gandhi National Rural Employment Guarantee Act, 2005

Feature	Provision
Guarantee	125 days of wage employment per rural household in a financial year (earlier 100 days under MGNREGA), for adult members willing to do unskilled manual work
Employment within	15 days of application; unemployment allowance if employment is not provided
Four work areas	Water security works; core rural infrastructure; livelihood infrastructure; works to mitigate extreme weather events
Agricultural peak season	States may notify up to 60 days in a year (sowing and harvest) when no work is done under the Act; the 125-day guarantee otherwise remains
Funding pattern	90:10 for North-East and Himalayan states; 60:40 for other states and UTs with legislature; 100% Centre for UTs without legislature
Administrative cost	Limit raised from 6% to 9%; materials component capped at 40%
Budget 2026-27	Centre's share ₹95,692.31 crore; total outlay with states' share above ₹1.51 lakh crore

Agriculture and Rural Schemes

Scheme	Key facts
PM Dhan-Dhaanya Krishi Yojana	Approved 16 July 2025; 6 years; from 2025-26 in 100 districts (at least one per state) chosen on low productivity, low cropping intensity and low credit; convergence of existing schemes
PM-KISAN	₹6,000 a year in three instalments of ₹2,000 (launched 24 February 2019 at Gorakhpur); extended to all landholders from 1 June 2019; Budget 2026-27 ₹63,500 crore
PM Kisan Maandhan Yojana	Voluntary contributory pension; entry age 18-40; assured ₹3,000 a month at age 60; Centre matches contribution; approved 31 May 2019
Jal Jeevan Mission	Announced 15 August 2019; 15.89 crore rural households (82.09%) had tap water by 27 July 2026; JJM 2.0 (approved 10 March 2026) extends mission to December 2028; revised outlay ₹8.69 lakh crore (Centre ₹3.59 lakh crore); Budget 2026-27 ₹67,670 crore
PM Surya Ghar: Muft Bijli Yojana	Launched 13 February 2024; aim 1 crore households with rooftop solar by March 2027; world's largest domestic rooftop solar initiative
PM-JI-VAN Yojana	Biofuel scheme (second-generation ethanol); period extended to 2028-29; includes advanced biofuels, agricultural and forestry residues, industrial waste, syngas and algae feedstocks
PM Vishwakarma	Launched 17 September 2023; 18 traditional trades (carpenter, boat maker, armourer, blacksmith, hammer and toolkit maker, locksmith, goldsmith, potter, sculptor, cobbler, mason, basket/mat/broom maker, doll and toy maker, barber, garland maker, washerman, tailor, fishing net maker); tagline "Samman, Samarthya, Samriddhi"; FY 2023-24 to 2027-28; Budget 2026-27 ₹3,861 crore

Scheme	Key facts
PM-Vidyalaxmi	Approved 6 November 2024; collateral- and guarantee-free education loans; 75% credit guarantee for loans up to ₹7.5 lakh; 3% interest subvention on loans up to ₹10 lakh for family income up to ₹8 lakh
Bima Sakhi Yojana	Launched 9 December 2024 at Panipat, Haryana; women aged 18-70 as LIC agents; stipend ₹7,000, ₹6,000, ₹5,000 over three years plus commission
Subhadra Yojana (Odisha)	Launched 17 September 2024; women aged 21-60 receive ₹50,000 over five years (2024-25 to 2028-29) in two instalments of ₹5,000 a year via DBT; largest women-centric scheme
Mahila Samriddhi Yojana (Delhi)	₹2,500 a month for eligible women
PM-RAHAT	Cashless treatment up to ₹1.5 lakh for each road accident victim for up to 7 days; stabilisation treatment within 24 hours (non-life-threatening) and 48 hours (life-threatening); funded from Motor Vehicle Accident Fund
Swavalambini	Women entrepreneurship programme launched 7 February 2025 by the Ministry of Skill Development and Entrepreneurship with NITI Aayog; initially Assam, Meghalaya, Mizoram; NIESBUD (Noida) and IIE (Guwahati) implement
Antyodaya Shramik Suraksha Yojana	Accident insurance cover ₹5 lakh and ₹10 lakh for unorganised workers; pilot launched 8 July 2023 at Nadiad, Gujarat; India Post Payments Bank
Mukhyamantri Bunkar Saur Urja Yojana (UP)	Powerloom weavers get 50% grant on solar plant (75% for SC/ST); UPNEDA is the implementing agency
PM-DevINE	Prime Minister's Development Initiative for North East Region; approved 12 October 2022; 100% centrally funded central sector scheme; original outlay ₹6,600 crore; 2022-23 to 2025-26
PM Adi Adarsh Gram Yojana	Ministry of Tribal Affairs; 36,428 villages with at least 50% tribal population and 500 STs
Poshan Abhiyaan	Merged into Saksham Anganwadi and Poshan 2.0 (launched 2017-18, 315 districts, then 235, then rest by December 2018); Mission Shakti and Mission Vatsalya are the other umbrella missions of the Ministry of Women and Child Development
SAATHI	Sustainable and Accelerated Adoption of efficient Textile technologies to Help small Industries; energy-efficient powerloom kits via EESL
Bio-RIDE	Biotechnology Research Innovation and Entrepreneurship Development; approved 18 September 2024; merges R&D and Industrial and Entrepreneurship Development schemes

Electoral Bond Scheme, 2018 (struck down)

Notified 2 January 2018; bonds of ₹1,000, ₹10,000, ₹1 lakh, ₹10 lakh and ₹1 crore; validity 15 days; donor/recipient names not printed

Eligible political parties: registered under Section 29A of the RP Act, 1951 and securing at least 1% votes in the last Lok Sabha or assembly election

Supreme Court struck down the scheme on 15 February 2024

CHAPTER 70

Macro Dashboard: Status as of October 2026

Latest Numbers at a Glance

Indicator	Latest value	Date / source note
RBI repo rate	5.50% (raised 25 bps from 5.25%, unanimous)	MPC decision 7 October 2026; first hike since February 2023
RBI stance	Changed from neutral to "calibrated tightening" (4-2 vote)	7 October 2026
SDF / MSF / Bank rate	5.25% / 5.75% / 5.75%	After the October 2026 hike
RBI projections FY2026-27	Real GDP 7.1% (raised by 40 bps); CPI inflation 5.2%	October 2026 policy
Real GDP growth Q1 FY27 (April-June 2026)	7.8% (6.9% a year earlier); nominal GDP 10.3%; GVA 8.2%	Released 31 August 2026
Sector growth Q1 FY27	Tertiary 10.0%, secondary 8.6%, primary 2.9% (agriculture and allied 3.6%)	New 2022-23 series
CPI inflation (new base 2024=100)	5.54% in September 2026 (August 4.83%); food (CFPI) 7.74%; rural 6.08%, urban 4.88%	Released 12 October 2026
GST gross collection	₹2.04 lakh crore in September 2026 (+14.7%); net ₹1.77 lakh crore (+18.1%)	Third straight month above ₹2 lakh crore
Foreign exchange reserves	US\$734.6 billion (2 October 2026); peak US\$785.71 billion (4 September 2026)	Fourth weekly fall; RBI selling dollars to slow rupee's fall
Rupee	All-time low near ₹95.8-95.9 per US\$ on 14 May 2026	Oil prices and West Asia conflict

- Hike drivers: food inflation (onion up 108% year-on-year), oil prices, rupee weakness, rising US yields and foreign equity outflows
- Union Budget 2026-27 fiscal deficit target: 4.3% of GDP; debt-to-GDP target 55.6% (old series); the new GDP series lowers nominal GDP by about 3-4%, raising ratios (Centre's debt-to-GDP for 2025-26 from 56.2% to 58.1%)

National Accounts Revision (February 2026)

Feature	Old series	New series
GDP base year	2011-12	2022-23 (released 27 February 2026)
CPI base year	2012 = 100	2024 = 100 (first data for January 2026 released 12 February 2026)
IIP base year	2011-12	2022-23 (from April 2026)
WPI	Base 2011-12	New base 2022-23; to be replaced by PPI after five years' parallel run
CPI items	299 (259 goods, 40 services)	358 (308 goods, 50 services)
Food and beverages weight	45.86%	36.75% (food still largest)
Housing weight	10.07%	17.67% (rural house rent included for the first time)
CPI markets	Rural 1,181; urban 1,114	Rural 1,465; urban 1,395; plus 12 online marketplaces
CPI classification	6 groups	12 divisions under COICOP 2018

- New GDP series growth: 2023-24 7.2%; 2024-25 7.1%; 2025-26 7.6% (estimate); nominal growth 11.0%, 9.7% and 8.6%; GDP about US\$3.8 trillion in 2025-26
- Method changes: double deflation in manufacturing and agriculture; Supply and Use Table framework; GST, UPI, e-Vahan and MCA-21 data; PLFS and ASUSE; COICOP 2018 for household consumption; over 260 item-level CPI indices used for deflating
- Agriculture estimated about 5% larger in the new series; manufacturing grew at double-digit rates in 2023-24 and 2025-26
- January 2026 CPI (first print under the new series): 2.75% (food 2.13%)

Exam trap: base years

Economic Survey 2025-26 numbers (GDP 7.4%) use the old 2011-12 base; the new series puts 2025-26 growth at 7.6% CPI series with 2012 base ended with December 2025 data; all prints from January 2026 are on 2024 base
Do not compare old and new CPI directly: basket, weights and market coverage differ

Why It Matters for Prelims

- Repo path: 6.50% (till February 2025) → 6.25% (February 2025) → 6.00% (April 2025) → 5.50% (June 2025) → 5.25% (December 2025) → 5.50% (7 October 2026)
- CRR was cut by 100 bps to 3.0% in 2025; SLR 18%
- The MPC has six members (three RBI, three external) and a four-percent inflation target with a $\pm 2\%$ band; Governor Sanjay Malhotra

CHAPTER 71

Master Table 1: Committees and Commissions (Economy)

Banking and Finance

Committee	Year	Subject / Recommendation
Chakravarty Committee	1985	Monetary system review: monetary targeting with feedback, treasury bills, interest rate structure
Vaghul Committee	1987	Money market development; Certificates of Deposit, Commercial Paper, Inter-bank participation
Narasimham Committee I	1991	Financial system: reduce SLR and CRR, deregulate interest rates, prudential norms, entry of private banks, four-tier banking structure
Narasimham Committee II	1998	Banking sector: higher capital adequacy, merge strong banks, three-tier structure, Asset Reconstruction Fund, reduce government stake
Khan Working Group	1995	Harmonise role of development finance institutions and banks (universal banking)
Verma Committee	1999	Restructuring of weak public sector banks
Tarapore Committee I	1997	Capital account convertibility; benchmarks for fiscal deficit, inflation and NPA
Tarapore Committee II	2006	Roadmap to fuller capital account convertibility
Raghuram Rajan Committee	2008	Financial sector reforms (Committee on Financial Sector Reforms)
Usha Thorat Committee	2010	Urban cooperative banks
Y. H. Malegam Committee	2011	Microfinance institutions; 26% margin cap on interest
Nachiket Mor Committee	2013-14	Financial inclusion; payments banks and small banks; Universal electronic bank account
P. J. Nayak Committee	2014	Governance of bank boards; Bank Investment Company
Urjit Patel Committee	2014	Monetary policy framework; CPI inflation target; MPC
Bimal Jalan Committee	2018-19	RBI Economic Capital Framework; transfer of ₹1.76 lakh crore (2019)
K. V. Kamath Committee	2020	COVID-19 stress resolution; financial parameters
Gadgil Study Group	1969	Lead Bank Scheme
Shivaraman Committee	1979	Created NABARD (1982)
Narasimham Working Group	1975	Regional Rural Banks

Committee	Year	Subject / Recommendation
R. V. Gupta Committee	1998	Kisan Credit Card
Tandon Committee	1975	Working capital finance norms; Chore Committee (1980) followed
Kelkar Committee	2002 and 2012	Direct and indirect tax reforms (2002); roadmap for fiscal consolidation (2012)

Fiscal, Tax and Planning

Committee	Year	Subject
Raja Chelliah Committee	1991 and 1992	Tax reforms; introduce VAT; Input Tax Credit
Kelkar Task Force	2003	Recommended GST; FRBM roadmap
Parthasarathi Shome Committee	2012	GAAR; retrospective taxation
Easwar Committee	2016	Simplification of Income Tax law
Akhilesh Ranjan Task Force	2017-19	New Direct Tax Code
Arvind Subramanian Committee	2015	GST revenue-neutral rate and three rates
FRBM Review Committee (N. K. Singh)	2016-17	Debt-to-GDP 60% (Centre 40%, states 20%); fiscal deficit 3%; Fiscal Council
Vijay Kelkar Committee on PPP	2015	Public-private partnership in infrastructure
Atanu Chakraborty Committee	2019	National Infrastructure Pipeline
Rangarajan Commission	2001	National Statistical Commission
Alagh Working Group	1979	Poverty line using nutritional norms
Lakdawala Expert Group	1993	State-specific poverty lines
Tendulkar Committee	2009	Poverty line 2004-05 (41.8% rural, 27.5% urban)
Rangarajan Expert Group	2012-14	Poverty line 2011-12 (30.9% rural, 26.4% urban; overall 29.5%)
Sarkaria Commission	1983-88	Centre-State relations
Punchhi Commission	2007-10	Centre-State relations
Second Administrative Reforms Commission (Veerappa Moily)	2005-09	Public administration
Mahalanobis Committee	1960-64	Distribution of income and levels of living
Dutt Committee	1969	Industrial licensing; Hazari Committee (1967) also
Bhagwati Committee	1973	Unemployment estimates
Karve Committee	1955	Village and small industries
Abid Hussain Committee	1997	Small-scale industries
Nayak Committee	1992	Working capital for small scale industries
Shanta Kumar Committee	2015	Restructuring the Food Corporation of India; DBT in PDS
Abhijit Sen Committee	2002	Long-term grain policy
Ashok Dalwai Committee	2016	Doubling farmers' income by 2022-23
Swaminathan Commission (National Commission on Farmers)	2004-06	MSP at C2 plus 50%

Committee	Year	Subject
Kothari Commission	1964-66	Education; 6% of GDP
Sachar Committee	2005-06	Socio-economic condition of Muslims
Balwant Rai Mehta Committee	1957	Three-tier Panchayati Raj
Ashok Mehta Committee	1977	Two-tier Panchayati Raj
L. M. Singhvi Committee	1986	Constitutional status for Panchayats
Birla Committee (Kumar Mangalam)	1999	Corporate governance (SEBI)
Narayana Murthy Committee	2003	Corporate governance
Uday Kotak Committee	2017	Corporate governance reforms
Goiporia Committee	2011	Customer service in banks
Nandan Nilekani Committee	2011	Technology for subsidies (UID, direct transfers)
14th Finance Commission (Y. V. Reddy)	2013-14	42% devolution
15th Finance Commission (N. K. Singh)	2017-20	41% devolution; 2021-26
16th Finance Commission (Arvind Panagariya)	2023-25	2026-31 report submitted 17 November 2025; retained 41%

CHAPTER 72

Master Table 2: Acts, Laws and Constitutional Provisions (Economy)

Economic and Financial Laws

Act	Year	Key feature
Reserve Bank of India Act	1934	Established RBI (started 1 April 1935); Section 45ZB MPC; Section 49 bank rate
Banking Regulation Act	1949	Regulates banks; renamed from Banking Companies Act; extended to cooperative banks in 1966; Section 35A
Bank Nationalisation	1969 (14 banks with deposits above ₹50 crore); 1980 (6 banks with deposits above ₹200 crore)	State Bank of India formed in 1955 from Imperial Bank
RBI nationalised	1949	Reserve Bank (Transfer to Public Ownership) Act
Foreign Exchange Regulation Act (FERA)	1973	Replaced by FEMA 1999 (civil, from 1 June 2000)
Foreign Exchange Management Act (FEMA)	1999	Facilitate external trade; ED enforces
Securities Contracts (Regulation) Act	1956	Regulate stock exchanges
SEBI Act	1992	Statutory SEBI
Depositories Act	1996	Dematerialisation
Prevention of Money Laundering Act (PMLA)	2002	Enforcement Directorate
SARFAESI Act	2002	Enforce security interest without court; ARCs
Securitisation (ARCs)	2002	ARCIL first ARC (2003)
Fiscal Responsibility and Budget Management Act	2003	Deficit rules; in force 5 July 2004
Competition Act	2002	Replaced MRTP Act 1969; CCI formed 2009
Companies Act	2013	Replaced 1956 Act; CSR (Section 135), NCLT/NCLAT (2016)
Insolvency and Bankruptcy Code	2016	IBBI; CIRP 180 days (extendable to 270, max 330)
Real Estate (Regulation and Development) Act	2016	RERA
GST (101st Constitution Amendment)	2016	In force 1 July 2017; CGST, IGST, UTGST, SGST laws
Benami Transactions (Prohibition) Act	1988; amended 2016	Confiscation of benami property
Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act	2015	Foreign black money
Fugitive Economic Offenders Act	2018	Confiscation of assets
Payment and Settlement Systems Act	2007	RBI regulates payments (NPCI)
Negotiable Instruments Act	1881	Cheque bounce Section 138

Act	Year	Key feature
Indian Contract Act	1872; Sale of Goods Act 1930	
Consumer Protection Act	2019	CCPA; e-commerce rules; replaced 1986 Act
Essential Commodities Act	1955	Stock limits; amended in 2020 and repealed items
Industries (Development and Regulation) Act	1951	Industrial licensing
MSMED Act	2006	MSME classification
SEZ Act	2005	Special Economic Zones
Telecommunications Act	2023	Replaced Telegraph Act 1885
Digital Personal Data Protection Act	2023	Data privacy; rules 2025
Income-tax Act, 2025	2025	Effective 1 April 2026; replaces Income-tax Act 1961
Insurance Laws (Amendment) Act, 2025 (Sabka Bima Sabki Raksha)	2025	100% FDI in insurance
SHANTI Act	2025	Private participation in nuclear power
VB-G RAM G Act	2025	Replaced MGNREGA; 125 days guaranteed
Labour Codes	2019-20; in force 21 November 2025	Four codes replaced 29 laws
Banking Laws (Amendment) Act	2025	Nominee provisions (four nominees), cooperative bank director tenure, audit changes
Jan Vishwas Act	2023	Decriminalised minor offences in 42 laws
Securities Markets Code Bill	2025	Proposed consolidation of SEBI, SCRA, Depositories Acts (pending)

Agriculture and Rural Laws

Act	Year	Feature
APMC Acts	State laws	Regulated markets
Farm Laws Repeal Act	2021	Three 2020 farm laws repealed
Seeds Act	1966; Seeds Bill pending	
Insecticides Act	1968	
Fertiliser Control Order	1985 under Essential Commodities Act	
National Food Security Act	2013	75% rural, 50% urban
MGNREGA	2005	Replaced
Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act (LARR)	2013	Consent and SIA; replaced Land Acquisition Act 1894
Forest Rights Act	2006	
PESA	1996	Panchayats (Extension to Scheduled Areas) Act
Protection of Plant Varieties and Farmers' Rights Act	2001	
Biological Diversity Act	2002	

Act	Year	Feature
Agricultural Produce (Grading and Marking) Act	1937	AGMARK
Warehousing (Development and Regulation) Act	2007	WDRA
Sugarcane (Control) Order	1966	FRP
Dairy	National Dairy Development Board Act 1987	

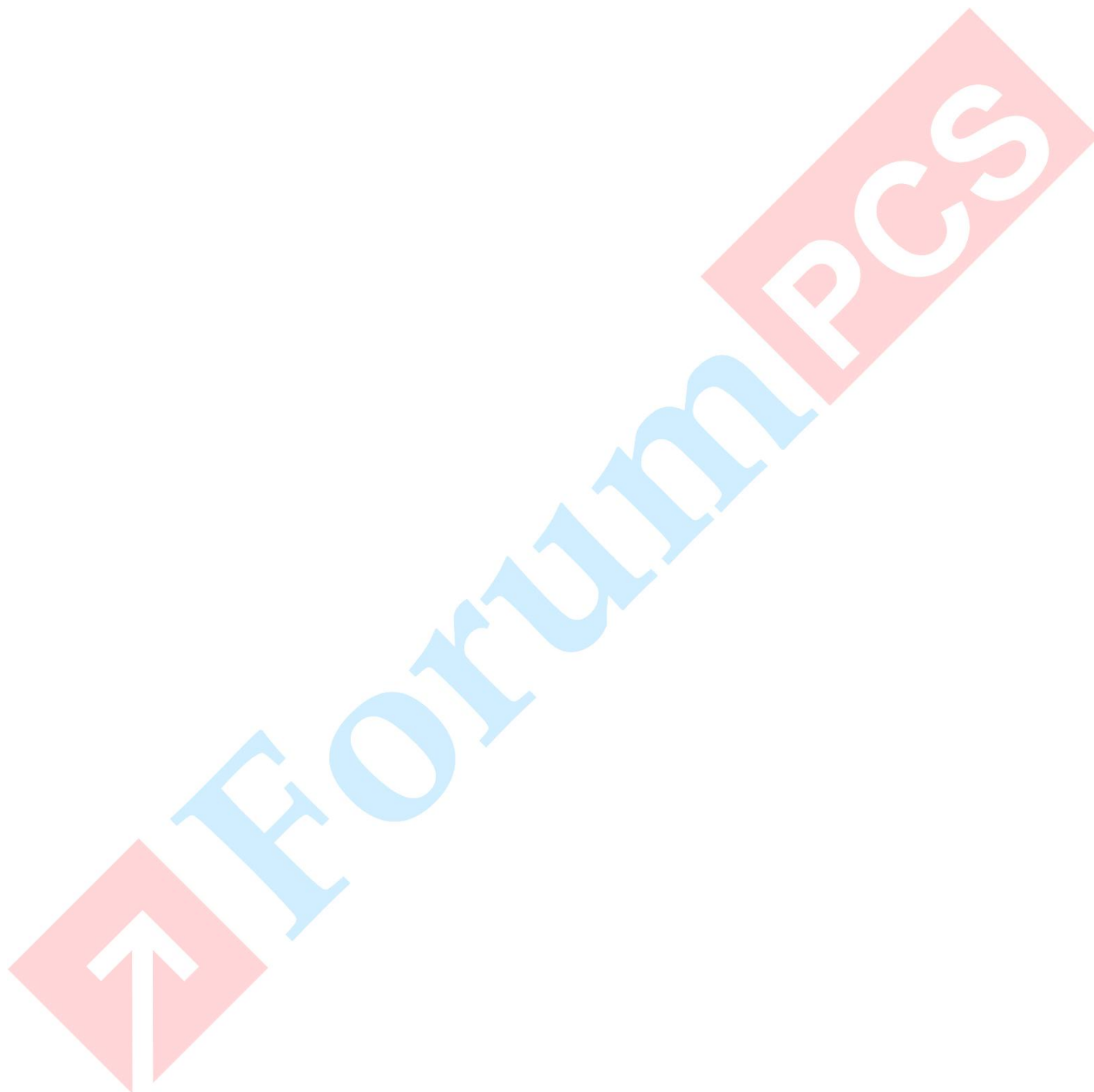
Labour and Social Security Laws

Act	Year	Feature
Factories Act	1948	Replaced by OSH Code
Industrial Disputes Act	1947	Replaced by IR Code
Minimum Wages Act	1948	Replaced by Wage Code
Payment of Gratuity Act	1972	
Employees Provident Funds and Miscellaneous Provisions Act	1952	EPFO
Employees' State Insurance Act	1948	ESIC
Equal Remuneration Act	1976	Replaced
Maternity Benefit Act	1961	26 weeks (2017)
Child Labour (Prohibition and Regulation) Amendment Act	2016	Under 14 banned
Right to Education Act	2009	Article 21A
Unorganised Workers' Social Security Act	2008	
Building and Other Construction Workers Act	1996	

Constitutional Provisions on Economy

Article / Entry	Provision
Article 112	Annual Financial Statement (Budget)
Article 110	Money Bill
Articles 265-267	Taxation by law; Consolidated Fund; Contingency Fund
Article 280	Finance Commission
Article 246A	Special provision for GST (101st Amendment)
Article 279A	GST Council
Article 292-293	Borrowing by Union and States
Article 300A	Right to property (44th Amendment 1978)
Article 301	Freedom of trade, commerce and intercourse
Article 39(b),(c)	DPSP: distribution of resources and prevention of concentration of wealth
Article 43	Living wage; Article 43A (participation of workers; 42nd Amendment); Article 43B (cooperatives; 97th Amendment)
Article 46	Promote education and economic interests of SC/ST
Article 47	Raise nutrition and public health
Article 48	Organise agriculture and animal husbandry

Article / Entry	Provision
Article 19(1)(g)	Right to practise any profession or carry on any occupation, trade or business
Article 21A	Right to education
Ninth Schedule	Laws protected from judicial review (land reforms; 1st Amendment 1951)
42nd Amendment 1976	Added 'socialist' to the Preamble



CHAPTER 73

Master Table 3: Government Schemes A to Z (Economy)

Economy, Finance and Inclusion

Scheme	Year	Ministry	Key feature
Pradhan Mantri Jan Dhan Yojana	2014	Finance	Universal bank accounts; RuPay card, ₹2 lakh accident cover
Pradhan Mantri Mudra Yojana	2015	Finance	Collateral-free loans up to ₹20 lakh (Shishu, Kishore, Tarun, Tarun Plus)
Stand-Up India	2016	Finance	Loans ₹10 lakh to ₹1 crore for SC/ST and women entrepreneurs
Atal Pension Yojana	2015	Finance	Pension ₹1,000-5,000 at 60 for unorganised sector aged 18-40
PM Jeevan Jyoti Bima Yojana	2015	Finance	₹2 lakh life cover at ₹436 a year
PM Suraksha Bima Yojana	2015	Finance	₹2 lakh accident cover at ₹20 a year
Sovereign Gold Bond	2015	Finance	2.5% interest; discontinued for fresh issues
PM SVANidhi	2020	Housing and Urban Affairs	Street vendor loans ₹10,000, ₹20,000, ₹50,000
Credit Guarantee Scheme for Startups	2022	DPIIT	Collateral-free loans
Emergency Credit Line Guarantee Scheme	2020 (ECLGS 5.0 in 2026)	Finance	COVID and West Asia relief
Production Linked Incentive (PLI)	2020	DPIIT and line ministries	14 sectors, ₹1.97 lakh crore
PM Vishwakarma	2023	MSME	₹13,000 crore for artisans; credit and toolkit
PM MITRA	2021	Textiles	Seven mega textile parks
One District One Product	2018	DPIIT	Promote local products
Vibrant Villages Programme	2023	Home	Border villages development
Viksit Bharat Rozgar Yojana (ELI)	2025	Labour	Incentive up to ₹15,000 for first job
PM Internship Scheme	2024-25	Corporate Affairs	12-month internship with ₹5,000 monthly stipend
Digital India, Startup India, Make in India	2015, 2016, 2014	Electronics, DPIIT	Digital and industrial push
UPI, e-RUPI, Digital Rupee	2016, 2021, 2022	NPCI, RBI	Digital payments
Mission Shakti, Lakhpati Didi	2022, 2023	Women and Child	Women SHG income above ₹1 lakh

Agriculture and Rural

Scheme	Year	Ministry	Key feature
PM-KISAN	2019	Agriculture	₹6,000 a year in three instalments; Budget 2026-27 ₹63,500 crore
PM Fasal Bima Yojana	2016	Agriculture	Crop insurance premium 2%, 1.5%, 5%
Kisan Credit Card	1998	Agriculture, Finance	Credit up to ₹5 lakh
PM Krishi Sinchayee Yojana	2015	Jal Shakti and Agriculture	Har Khet Ko Pani; Per Drop More Crop
Soil Health Card	2015	Agriculture	Soil nutrient report every 2 years
Paramparagat Krishi Vikas Yojana	2015	Agriculture	Cluster organic farming
e-NAM	2016	Agriculture	Online mandi
PM Kisan Maandhan Yojana	2019	Agriculture	Pension ₹3,000 for farmers aged 60+
Agriculture Infrastructure Fund	2020	Agriculture	₹1 lakh crore for post-harvest infrastructure
Digital Agriculture Mission	2024	Agriculture	Agristack
PM-AASHA	2018	Agriculture	MSP price support, deficiency payment, stabilisation fund
PM Dhan-Dhaanya Krishi Yojana	2025	Agriculture	100 districts; ₹24,000 crore a year
Mission for Aatmanirbharta in Pulses	2025	Agriculture	₹11,440 crore; tur, urad, masoor
National Mission on Edible Oils	2024-25	Agriculture	Oilseeds and oil palm; self-reliance
National Mission on Natural Farming	2024	Agriculture	₹2,481 crore; 1 crore farmers
PM-KUSUM	2019	New and Renewable Energy	Solar pumps and farm feeders
Rashtriya Gokul Mission	2014	Fisheries, Animal Husbandry and Dairying	Indigenous breeds
PM Matsya Sampada Yojana	2020	Fisheries	₹20,050 crore for fisheries
Operation Greens	2018	Food Processing	Tomato, onion and potato supply chain (TOP to TOTAL)
PM Formalisation of Micro Food Processing Enterprises	2020	Food Processing	Credit-linked subsidy 35%
MGNREGA to VB-G RAM G	2005 to 2025	Rural Development	125 days guarantee
DAY-NRLM	2011	Rural Development	SHGs
PMAY-Gramin	2016	Rural Development	Houses for rural poor
PMGSY	2000	Rural Development	Roads
National Social Assistance Programme	1995	Rural Development	Pensions
Jal Jeevan Mission	2019	Jal Shakti	Piped water to every rural household
Swachh Bharat Mission Gramin	2014	Jal Shakti	ODF; Phase II
SVAMITVA	2020	Panchayati Raj	Property cards

Scheme	Year	Ministry	Key feature
PM-JANMAN	2023	Tribal Affairs	PVTG development (₹24,000 crore)
Dharti Aaba Janjatiya Gram Utkarsh Abhiyan	2024	Tribal Affairs	Tribal villages

Energy, Infrastructure and Urban

Scheme	Year	Ministry	Key feature
Pradhan Mantri Ujjwala Yojana	2016	Petroleum	Free LPG connections; 10.3 crore beneficiaries
Saubhagya	2017	Power	Household electrification
UDAY	2015	Power	DISCOM debt takeover
RDSS	2021	Power	DISCOM reforms; smart meters
PM Surya Ghar Muft Bijli Yojana	2024	New and Renewable Energy	1 crore rooftops; 300 units free
PM E-DRIVE	2024	Heavy Industries	EV subsidy; charging
National Green Hydrogen Mission	2023	New and Renewable Energy	5 MMT by 2030
UDAN	2016	Civil Aviation	Regional air connectivity
Sagarmala	2015	Ports	Port-led development
Bharatmala Pariyojana	2017	Road Transport	Economic corridors
PM Gati Shakti	2021	DPIIT	Multi-modal infrastructure planning
Smart Cities Mission	2015	Housing and Urban Affairs	100 cities
AMRUT 2.0	2021	Housing and Urban Affairs	Water supply and sewerage
PMAY-Urban 2.0	2024	Housing and Urban Affairs	1 crore urban houses
Swachh Bharat Mission Urban 2.0	2021	Housing and Urban Affairs	Garbage-free cities
India Semiconductor Mission	2021	Electronics	₹76,000 crore
IndiaAI Mission	2024	Electronics	₹10,372 crore
Digital India	2015	Electronics and IT	Digital infrastructure

Social Sector

Scheme	Year	Ministry	Key feature
Ayushman Bharat PM-JAY	2018	Health	₹5 lakh per family; 70+ from 2024
Ayushman Bharat Digital Mission	2021	Health	ABHA digital health ID
Poshan Abhiyaan / Saksham Anganwadi and Poshan 2.0	2018 / 2021	Women and Child	Nutrition
PM POSHAN	2021	Education	Mid-day meal for Classes 1-8
Samagra Shiksha	2018	Education	School education
PM SHRI	2022	Education	14,500 model schools
PM eVidya, DIKSHA	2020	Education	Digital education

Scheme	Year	Ministry	Key feature
Skill India, PMKVY	2015	Skill Development	Short-term training
Beti Bachao Beti Padhao	2015	Women and Child	Sex ratio and education
Sukanya Samriddhi Yojana	2015	Finance	Girl child savings; 8.2% interest
PM Matru Vandana Yojana	2017	Women and Child	₹5,000 maternity benefit
Pradhan Mantri Garib Kalyan Anna Yojana	2020	Consumer Affairs, Food	Free foodgrains to 81 crore for 5 years from 2024
One Nation One Ration Card	2019	Consumer Affairs, Food	Ration portability
NFSA	2013	Consumer Affairs, Food	Subsidised foodgrains
PM-JANMAN, Eklavya Model Residential Schools	2023, 2018	Tribal Affairs	Tribal education
Nai Roshni, PM Virasat Ka Samvardhan (PM VIKAS)	2018, 2023	Minority Affairs	Skill and livelihood for minorities
SHRESHTA, PM-AJAY, SMILE	Various	Social Justice	SC/OBC and transgender support
Accessible India Campaign	2015	Social Justice	Disability access
Mission Karmayogi	2020	DoPT	Civil services capacity building

CHAPTER 74

Master Table 4: Institutions, Regulators and Headquarters

Regulators and Apex Bodies

Institution	Year	HQ	Key point
Reserve Bank of India	1935 (nationalised 1949)	Mumbai	Governor Sanjay Malhotra (since 11 December 2024); central bank; Section 45ZB MPC
SEBI	1988 (statutory 1992)	Mumbai	Securities regulator; Chairman Tuhin Kanta Pandey (since March 2025)
IRDAI	1999	Hyderabad	Insurance regulator
PFRDA	2003 (statutory 2013)	New Delhi	NPS regulator
IFSCA	2020	GIFT City, Gandhinagar	Regulator of International Financial Services Centre
IBBI	2016	New Delhi	Insolvency and Bankruptcy Board of India
CCI	2003 (functional 2009)	New Delhi	Competition Commission of India
NPCI	2008	Mumbai	UPI, RuPay, IMPS; umbrella for retail payments (not-for-profit)
DICGC	1978	Mumbai	Deposit insurance; ₹5 lakh
NABARD	1982	Mumbai	Agricultural and rural development bank
SIDBI	1990	Lucknow	Small Industries Development Bank (HQ Lucknow)
EXIM Bank	1982	Mumbai	Export-Import Bank of India
NHB	1988	New Delhi	National Housing Bank
NaBFID	2021	Mumbai	National Bank for Financing Infrastructure and Development
IFCI, IDBI	1948, 1964	New Delhi, Mumbai	Development finance; IDBI now private-sector bank (LIC holds the majority; privatisation process)
LIC	1956	Mumbai	Life insurer; IPO 2022
GIC Re	1972	Mumbai	National reinsurer
SBI	1955	Mumbai	Largest bank (Imperial Bank 1921 to SBI 1955)
Finance Commission	Constituted every five years	New Delhi	Article 280
NITI Aayog	2015	New Delhi	Policy think tank; Vice Chairman Suman Bery
Central Statistics Office / NSO	1951 / 2019	New Delhi	National accounts (MoSPI)

Institution	Year	HQ	Key point
CBDT	1963 (statutory)	New Delhi	Direct taxes
CBIC	1964 (as CBEC)	New Delhi	Indirect taxes (customs, GST)
GSTN	2013	New Delhi	GST technology
GST Council	2016	New Delhi	Chair: Union FM
DIPAM	2016 (from Department of Disinvestment)	New Delhi	Disinvestment
FCI	1965	New Delhi	Food procurement; NAFED (1958)
CACP	1965	New Delhi	MSP recommendations
APEDA	1985	New Delhi	Agri export
FSSAI	2008	New Delhi	Food safety (Food Safety and Standards Act 2006)
BIS	1947 (statutory 2016)	New Delhi	Standards; hallmark
DGFT	1991	New Delhi	Foreign trade policy
ECGC	1957	Mumbai	Export credit insurance
EPFO	1952	New Delhi	Provident fund
ESIC	1952	New Delhi	Employees' state insurance
TRAI	1997	New Delhi	Telecom regulator
CERC	1998	New Delhi	Central Electricity Regulatory Commission
PNGRB	2006	New Delhi	Petroleum and Natural Gas Regulatory Board
DGTR	2018 (from DGAD)	New Delhi	Directorate General of Trade Remedies
CGA	1976	New Delhi	Controller General of Accounts
CAG	1860	New Delhi	Article 148 audit; auditor of accounts of Union and states
Planning Commission (abolished)	1950–2015	New Delhi	Replaced by NITI Aayog

International Institutions

Institution	Year	HQ	Head / Note
IMF	1944 (operations 1947)	Washington DC	Kristalina Georgieva; 191 members
World Bank	1944	Washington DC	Ajay Banga; IBRD, IDA
WTO	1995	Geneva	Ngozi Okonjo-Iweala
UNCTAD	1964	Geneva	World Investment Report
BIS	1930	Basel	Central bank of central banks; Basel norms
OECD	1961	Paris	India not member
OPEC	1960	Vienna	12 members
ADB	1966	Manila	India is a member
AIIB	2016	Beijing	India 2nd largest shareholder
New Development Bank (BRICS)	2015	Shanghai	Dilma Rousseff president

Institution	Year	HQ	Head / Note
ISA	2015	Gurugram	International Solar Alliance
World Economic Forum	1971	Geneva (Cologny)	Davos annual meeting
ILO	1919	Geneva	Labour standards
FAO	1945	Rome	World hunger reports
UNIDO	1966	Vienna	
UNDP	1965	New York	HDI
UNEP	1972	Nairobi	
IFAD	1977	Rome	Rural poverty
G20	1999	No secretariat	India presidency 2023
BRICS	2006	No permanent HQ	India 2026 chair
SCO	2001	Beijing	Summit cycle
ASEAN	1967	Jakarta	11 members (Timor-Leste joined in October 2025)
EU	1993 (Maastricht)	Brussels	27 members after Brexit (2020)
Mercosur	1991	Montevideo	

CHAPTER 75

Master Table 5: Reports, Indices and Who Publishes Them

Global Reports and Indices

Index / report	Publisher	India (latest known)
Human Development Report / HDI	UNDP	130 of 193 (HDR 2025, value 0.685)
Global Hunger Index	Concern Worldwide and Welthungerhilfe	102 of 123 (2025)
Global Gender Gap Index	World Economic Forum	131 of 148 (2025)
Global Innovation Index	WIPO	38th (2025); 39th in 2024
Logistics Performance Index	World Bank	38th (2023)
Ease of Doing Business	World Bank	Discontinued 2021 (last rank 63 in 2019); B-READY replaced it
Travel and Tourism Development Index	WEF	39th (2024)
Environmental Performance Index	Yale and Columbia	176 of 180 (2024)
Climate Change Performance Index	Germanwatch	10th (2025)
Fragile States Index	Fund for Peace	Not economy
Global Financial Centres Index	Z/Yen	GIFT City ranked among top 50
Global Findex	World Bank	77% adults had an account (2021); 89% in 2024 (Global Findex 2025)
World Investment Report	UNCTAD	India 15th FDI destination
World Economic Outlook	IMF	April and October; India's growth projection
Global Economic Prospects	World Bank	January and June
World Development Report	World Bank	Annual theme
State of Food Security and Nutrition	FAO and others	Annual (SOFI)
Global Remittance (Migration and Development Brief)	World Bank	India top recipient (US\$129 billion in 2024)

Indian Reports and Indices

Index / report	Publisher	Note
Economic Survey	Ministry of Finance (DEA)	Tabled before the Union Budget; prepared under the Chief Economic Adviser (V. Anantha Nageswaran)
Union Budget documents	Ministry of Finance	Presented 1 February
Report on Currency and Finance, Annual Report, Financial Stability Report	RBI	Annual and biannual
State Finances: A Study of Budgets	RBI	Annual
Handbook of Statistics on Indian Economy	RBI	Annual
Monetary Policy Report	RBI	April and October

Index / report	Publisher	Note
Financial Inclusion Index	RBI	64.2 (March 2025)
Digital Payments Index	RBI	Half-yearly index (base March 2018 = 100)
NITI Aayog indices	NITI Aayog	SDG India Index, Multidimensional Poverty Index, India Innovation Index, Export Preparedness Index, Fiscal Health Index, School Education Quality Index, State Health Index, Composite Water Management Index, Energy Efficiency Index (BEE)
Ease of Living Index	Housing and Urban Affairs	Cities
PLFS	NSO	Unemployment
HCES	NSO	Household consumption
National Family Health Survey	IIPS	Health indicators
UDISE+	Ministry of Education	School data
Performance Grading Index	Ministry of Education	States ranking
National Institutional Ranking Framework (NIRF)	Ministry of Education	IIT Madras first overall
ASER	Pratham	Learning outcomes
India Skills Report	Wheebox	Employability
State of India's Environment	CSE	Annual
India Justice Report	Tata Trusts	States justice delivery

CHAPTER 76

Static Facts Bank: Budget, Currency, Boards and Ports

Union Budget: History and Firsts

Fact	Detail
First Budget in India	7 April 1860, James Wilson (Finance Member, Viceroy's Council)
First Budget of independent India	26 November 1947, R. K. Shanmukham Chetty (first Finance Minister)
First Budget of the Republic	1950-51, John Mathai
Most Budgets presented	Morarji Desai (10); P. Chidambaram presented 9 Budgets
First full-time woman Finance Minister	Nirmala Sitharaman (2019); Indira Gandhi presented 1970-71 Budget as PM holding Finance
Black Budget	1973-74, Y. B. Chavan (deficit of about ₹550 crore)
Dream Budget	1997-98, P. Chidambaram (tax rate cuts)
Millennium Budget	2000-01, Yashwant Sinha (IT sector push)
Reform Budget	1991-92, Dr Manmohan Singh (LPG reforms)
Budget presented in the 'Bahi-Khata'	July 2019 (replaced the British-era briefcase)
Paperless Budget	2021-22 (Union Budget mobile app)
Presentation time	5 pm until 1999; 11 am since 1999 (Yashwant Sinha)
Date of presentation	Last working day of February until 2016; 1 February from 2017
Rail Budget	Separate since 1924 (Acworth Committee); merged with the General Budget in 2017-18 (Bibek Debroy Committee/NITI)
Longest Budget speech (time)	Nirmala Sitharaman, 2020 (2 hours 42 minutes)
Shortest Budget speech (words)	Hirubhai Patel, interim Budget 1977 (about 800 words)
Interim Budget	Presented in an election year (a Vote on Account is passed); full Budget follows after elections

- ****Parliamentary stages:**** presentation – general discussion – Vote on Account/Appropriation Bills – departmental committee scrutiny – demands for grants – Finance Bill – assent. Money Bill (Article 110) cannot be amended by Rajya Sabha; Lok Sabha Speaker certifies it.
- ****Cut motions:**** Policy cut (token ₹1), Economy cut, Token cut – discussed only for demands for grants, voted in Lok Sabha only.
- ****Guillotine:**** remaining demands passed without discussion on the last day.

Pay Commissions of India

Commission	Year	Chairman	Note
1st	1946	Srinivasa Varadachariar	Minimum pay ₹55
2nd	1957	Jagannath Das	Socialistic pattern; minimum ₹80
3rd	1970	Raghubir Dayal	Pay structure rationalised
4th	1983	P. N. Singhal	Minimum ₹750
5th	1994	S. Ratnavel Pandian	Minimum ₹2,550; pay scales cut
6th	2006	B. N. Srikrishna	Pay bands and grade pay; minimum ₹7,000

Commission	Year	Chairman	Note
7th	2014	Justice A. K. Mathur	Fitment factor 2.57; minimum ₹18,000; implemented 1 Jan 2016
8th	Announced Jan 2025	Justice Ranjana Prakash Desai	Terms of reference notified Nov 2025; proposed to apply from 1 Jan 2026; report within 18 months

- Pay Commissions are constituted by the Union Government (not constitutional bodies); recommendations are advisory. The Dearness Allowance (DA) is revised twice a year (January and July) linked to CPI-IW.

Indian Currency: Landmarks

Fact	Detail
Origin of 'rupee'	Sanskrit 'rupya' (silver); Sher Shah Suri introduced the silver rupee (about 178 grains)
First paper currency (private)	Bank of Hindustan, 1770 (Calcutta)
Paper Currency Act	1861 (Government of India notes)
First RBI note	₹5 note with George VI portrait, January 1938
First ₹1 note	30 November 1917 (British India)
Rupee symbol ₹	Adopted 15 July 2010; designed by D. Udaya Kumar (IIT Bombay); Devanagari 'Ra' with Roman 'R'
Mahatma Gandhi series	1996 (watermark portrait); New Series 2016 after demonetisation (8 Nov 2016)
₹2,000 note	Introduced 2016; withdrawal from circulation announced 19 May 2023 (legal tender continues)
Coins	Minted by the Government (India Government Mint) at Mumbai, Kolkata, Hyderabad and Noida; Coinage Act 2011; coin value up to ₹1,000 allowed
Printing presses	Nashik and Dewas (Security Printing and Minting Corporation of India) and Mysuru, Salboni (BRBNMPL)
Legal tender	Section 26 RBI Act (notes); coins under Coinage Act (₹1,000 limit for acceptance as per denomination rules)
Countries with 'Rupee'	India, Pakistan, Nepal, Sri Lanka, Mauritius, Seychelles (Indonesia: rupiah; Maldives: rufiyaa)

- **Demonetisation (2016):**** ₹500 and ₹1,000 notes withdrawn (86% of currency by value); stated aims: black money, counterfeits, terror financing, digitisation.
- **Minimum Reserve System**** (1957) and ****Proportional Reserve System**** (earlier) differ; India follows Minimum Reserve System.

Land Reforms and Land Records

Item	Fact
Zamindari abolition	UP Zamindari Abolition and Land Reforms Act 1950 (implemented 1952); intermediaries removed, tenants became bhumidhars
Tenancy reform	Security of tenure, fair rent and ownership for tenants
Land ceiling	Fixed by States; surplus land distributed; Kerala led reforms (1969, ownership for tenants)
Operation Barga	West Bengal 1978; registration of sharecroppers (bargadars)
Bhoodan	Launched 18 April 1951 at Pochampally (Telangana) by Vinoba Bhave; Gramdan later
Consolidation of holdings	Merging fragmented plots (Punjab first, Haryana, western UP)

Item	Fact
Ninth Schedule	Inserted by First Amendment (1951) to protect land reform laws from judicial review
RFCTLARR Act 2013	Land Acquisition Act 2013; consent 70% (PPP) / 80% (private); compensation up to 2 times (urban) and up to 4 times (rural) market value; Social Impact Assessment
DILRMP	Digital India Land Records Modernisation Programme (2016)
SVAMITVA	Launched 24 April 2020 (National Panchayati Raj Day); property cards via drone mapping in rural abadi areas
ULPIN / Bhu-Aadhaar	14-digit unique land parcel identification number

Boards, Commissions and Export Promotion Bodies

Body	Year	HQ	Note
Tea Board	1953	Kolkata	Tea Act 1953; Commerce Ministry
Coffee Board	1942	Bengaluru	Coffee Act 1942 (reconstituted 1996)
Rubber Board	1947	Kottayam	Rubber Act 1947
Spices Board	1987	Kochi	Cardamom Board merged
Tobacco Board	1976	Guntur	Virginia tobacco
Coir Board	1953	Kochi	MSME Ministry
Central Silk Board	1948	Bengaluru	Textiles Ministry
National Jute Board	2008	Kolkata	Textiles Ministry
Cotton Corporation of India	1970	Mumbai	MSP procurement of cotton
MPEDA	1972	Kochi	Marine Products Export Development Authority
APEDA	1985	New Delhi	Agricultural and Processed Food Products Export Development Authority
KVIC	1957	Mumbai	Khadi and Village Industries Commission Act 1956
NDDB	1965	Anand	National Dairy Development Board
National Horticulture Board	1984	Gurugram	Horticulture promotion
CACP	1965	New Delhi	Commission for Agricultural Costs and Prices; recommends MSP
FCI	1965	New Delhi	Food Corporation of India; procurement and buffer stock
NAFED	1958	New Delhi	Cooperative marketing; price support operations
ECGC	1957	Mumbai	Export Credit Guarantee Corporation
DGFT	1991	New Delhi	Director General of Foreign Trade, Foreign Trade Policy
DGTR	2018	New Delhi	Directorate General of Trade Remedies (anti-dumping)
Competition Commission of India	2009	New Delhi	Competition Act 2002

Body	Year	HQ	Note
TRAI	1997	New Delhi	Telecom Regulatory Authority of India
PNGRB	2006	New Delhi	Petroleum and Natural Gas Regulatory Board
CERC	1998	New Delhi	Central Electricity Regulatory Commission
IRDAI	1999	Hyderabad	Insurance regulator; statutory since 2000
PFRDA	2003	New Delhi	Statutory since 2013
IFSCA	2020	Gandhinagar (GIFT City)	Unified regulator for IFSCs
IBBI	2016	New Delhi	Insolvency and Bankruptcy Board of India

Major Ports of India

Port	State/UT	Remark
Deendayal (Kandla)	Gujarat	Tidal port; highest cargo among major ports
Jawaharlal Nehru Port (Nhava Sheva)	Maharashtra	Largest container port among major ports
Mumbai	Maharashtra	Largest natural harbour
Mormugao	Goa	Iron ore exports
New Mangalore	Karnataka	Iron ore, coffee, petroleum
Cochin	Kerala	Natural harbour; transshipment
V. O. Chidambaranar (Tuticorin)	Tamil Nadu	Artificial deep-water port
Chennai	Tamil Nadu	Oldest artificial port among major ports
Kamarajar (Ennore)	Tamil Nadu	First corporatised major port (2001)
Visakhapatnam	Andhra Pradesh	Deepest landlocked harbour
Paradip	Odisha	Deep-draft; coal, iron ore
Syama Prasad Mookerjee (Kolkata and Haldia)	West Bengal	Only riverine major port

- ****12 major ports**** under the Major Port Authorities Act 2021 (replaced Major Port Trusts Act 1963); ****Vadhavan (Maharashtra)**** approved as the 13th major port (₹76,200 crore, 2024). ****Mundra**** (Adani, Gujarat) is the largest non-major port and overall busiest cargo port. ****Vizhinjam**** (Kerala) is India's first deep-water container transshipment port (commissioned 2025).
- ****Sagarmala**** (2015) – port-led development; ****Maritime India Vision 2030****; ****Maritime Amrit Kaal Vision 2047****; Inland Waterways Authority of India (1986, Noida): 111 National Waterways; NW-1 Ganga (Haldia-Prayagraj), NW-2 Brahmaputra, NW-3 West Coast Canal.

Railways and Aviation Quick Facts

Fact	Detail
First train	16 April 1853 Bombay (Bori Bunder) to Thane, 34 km
Railways nationalised	1950; Zones: 18 (Southern 1951 first); Konkan Railway 1998
Largest zone by route length	Northern Railway (Delhi)
Longest railway platform	Gorakhpur (Uttar Pradesh), about 1,366 m
Dedicated Freight Corridors	Eastern (Ludhiana-Sonnagar) and Western (Dadri-JNPT)
Vande Bharat	Introduced 15 Feb 2019 (Delhi-Varanasi)

Fact	Detail
First Indian airline	Tata Air Mail 1932 (Tata Airlines); Air India nationalised 1953; re-privatised to Tata Group Jan 2022
Aircraft Act	1934; Airports Authority of India 1995
UDAN	Ude Desh ka Aam Nagrik (2016), regional connectivity
Golden Quadrilateral	NHDP (1998-2012); Delhi-Mumbai-Chennai-Kolkata
Bharatmala	Road programme 2017; National Highways Authority of India (1988)

World Economy Quick Reference

Currencies of Countries

Country	Currency	Country	Currency
USA	Dollar	UK	Pound sterling
Japan	Yen	China	Yuan (renminbi)
Eurozone	Euro	Russia	Rouble
Switzerland	Franc	Saudi Arabia	Riyal
UAE	Dirham	Iran	Rial
Iraq	Dinar	Kuwait	Dinar
Bangladesh	Taka	Pakistan	Rupee
Nepal	Rupee	Sri Lanka	Rupee
Bhutan	Ngultrum	Maldives	Rufiyaa
Afghanistan	Afghani	Myanmar	Kyat
Thailand	Baht	Vietnam	Dong
Indonesia	Rupiah	Malaysia	Ringgit
South Korea	Won	Turkey	Lira
Israel	Shekel	Egypt	Pound
South Africa	Rand	Nigeria	Naira
Kenya	Shilling	Brazil	Real
Mexico	Peso	Philippines	Peso
Argentina	Peso	Poland	Zloty
Czech Republic	Koruna	Sweden	Krona
Norway / Denmark	Krone	Hungary	Forint
Ukraine	Hryvnia	Cambodia	Riel
Laos	Kip	Mongolia	Tugrik
Singapore / Canada / Australia	Dollar	Cuba	Peso

Stock Exchanges and Indices

Country	Exchange	Index
USA	NYSE (Wall Street), NASDAQ	Dow Jones, S&P 500, Nasdaq Composite
UK	London Stock Exchange	FTSE 100
Japan	Tokyo Stock Exchange	Nikkei 225
Hong Kong	HKEX	Hang Seng
China	Shanghai, Shenzhen	SSE Composite
Germany	Frankfurt (Deutsche Börse)	DAX
France	Euronext Paris	CAC 40

Country	Exchange	Index
South Korea	Korea Exchange	KOSPI
Singapore	SGX	Straits Times Index
Australia	ASX	S&P/ASX 200
India	BSE (1875, oldest in Asia), NSE (1992 incorporated, trading 1994)	Sensex (30; base 1978-79 = 100), Nifty 50 (base 1995 = 1,000)

• ### Central Banks

Country	Central bank
USA	Federal Reserve (Washington DC; 1913)
UK	Bank of England (1694; first central bank concept)
Eurozone	European Central Bank (Frankfurt)
Japan	Bank of Japan
China	People's Bank of China
Pakistan	State Bank of Pakistan
Bangladesh	Bangladesh Bank
Nepal	Nepal Rastra Bank
Sri Lanka	Central Bank of Sri Lanka
Bhutan	Royal Monetary Authority
Russia	Bank of Russia
Switzerland	Swiss National Bank

- ****Oldest central bank:**** Sveriges Riksbank (Sweden, 1668); Bank of England (1694) is the first modern central bank. ****BIS**** (Basel, 1930) is the 'bank of central banks'.
- ### Economic Groupings (Not Covered Elsewhere)

Group	Fact
ASEAN / SAARC	10 Southeast Asian States / 8 South Asian States (largely dormant)
RCEP	15 countries; India left in November 2019
OPEC	Founded 1960, Baghdad; HQ Vienna; OPEC+ includes Russia
IBSA	India, Brazil, South Africa (Brasilia Declaration 2003)
IMEC	India-Middle East-Europe Economic Corridor, announced at G20 Delhi 2023

• ### Economic Indicators and Reports (Publisher)

Report	Publisher
World Economic Outlook	IMF (April and October)
Global Economic Prospects	World Bank (January, June)
World Investment Report	UNCTAD
Global Competitiveness (now Talent)	IMD / WEF
Global Gender Gap Report	WEF
Global Innovation Index	WIPO
Economic Freedom Index	Heritage Foundation / Fraser Institute
Corruption Perceptions Index	Transparency International
Human Development Report	UNDP
Multidimensional Poverty Index	UNDP and OPHI
World Happiness Report	UN SDSN
State of Food Security (SOFI)	FAO and partners

PYQ-Style Practice: Theory, Banking and Industry

- **Q1.** Which of the following is a feature of a perfectly competitive market? (a) Differentiated products (b) Price taker firms (c) Barriers to entry (d) Few sellers – **Ans: (b)**
- **Q2.** Impossible trinity means a country cannot simultaneously have: **fixed exchange rate, free capital mobility and independent monetary policy.**
- **Q3.** The multiplier is 5 when MPC = ? **0.8** ($1/(1 - 0.8) = 5$).
- **Q4.** Who propounded the 'comparative cost advantage' theory? **David Ricardo.**
- **Q5.** 'Creative destruction' is associated with: **Joseph Schumpeter.**
- **Q6.** Reserve money (M0) does NOT include: **time deposits of commercial banks with the public** (it includes currency, bankers' deposits with RBI, other deposits).
- **Q7.** The RBI was nationalised in: **1949**. Banks first nationalised: **1969 (14), 1980 (6)**.
- **Q8.** Small Finance Banks must give % of ANBC to priority sector: **75%.**
- **Q9.** In RRBs, the Centre's share is: **50%** (sponsor 35%, State 15%).
- **Q10.** Which committee recommended Payments Banks? **Nachiket Mor Committee (2014).**
- **Q11.** Narasimham Committee II (1998) recommended: **CRAR 9%, bank mergers and NPA norms.**
- **Q12.** DICGC deposit insurance limit: **₹5 lakh.**
- **Q13.** SARFAESI Act enables banks to: **enforce security interest without court intervention.**
- **Q14.** IBC, 2016: resolution within **330 days** (180+90 extendable, outer limit); IBBI regulator; NCLT adjudicating authority; CoC decides.
- **Q15.** Basel III introduces: **leverage ratio, LCR, NSFR and countercyclical buffer.**
- **Q16.** Which of the following sets the MSP? **CCEA on CACP advice.**
- **Q17.** First Five-Year Plan model: **Harrod-Domar.** Second Plan: **Mahalanobis (heavy industry).**
- **Q18.** PLI scheme was first launched (2020) for: **mobile manufacturing and electronic components.**
- **Q19.** National Critical Mineral Mission launched in: **January 2025.**
- **Q20.** Operation Flood was started in: **1970.**
- **Q21.** NITI Aayog replaced the Planning Commission on: **1 January 2015.**
- **Q22.** Which Article provides for the Finance Commission? **Article 280.** GST Council: **Article 279A.** Contingency Fund: **Article 267.** Consolidated Fund: **Article 266.**
- **Q23.** FRBM Act was enacted in: **2003** (effective July 2004); N. K. Singh Committee reviewed it in 2017.
- **Q24.** Direct tax is: income tax, corporation tax, wealth/capital gains. Indirect: GST, customs, excise on petrol.
- **Q25.** 'Twin balance sheet problem' means: **stressed corporate balance sheets and stressed bank balance sheets** (Economic Survey 2016-17).
- **Statement-Type Practice**

Statement	Verdict
GDP at market prices = GDP at factor cost + indirect taxes – subsidies	True (equivalently GVA + product taxes – product subsidies in the new framework)
NNP = GNP – depreciation	True
Per-capita income = National income ÷ population	True
Repo rate rise reduces credit expansion	True
Fiscal deficit = Total expenditure – (revenue receipts + non-debt capital receipts)	True
Primary deficit = Fiscal deficit – interest payments	True
Effective revenue deficit = Revenue deficit – grants for capital assets	True
Money market deals in instruments up to one year	True
Mutual funds are regulated by RBI	False (SEBI)
Insurance is regulated by SEBI	False (IRDAI)
Pension funds are regulated by PFRDA	True
Currency notes up to ₹1 are issued by RBI	False (₹1 note by Government)
SDR is issued by World Bank	False (IMF)

CHAPTER 80

Rapid Fire: One-Line Facts for Last-Day Revision

Planning, Reforms and Institutions

- First Five Year Plan: 1951-56 (Harrod-Domar); Second: 1956-61 (Mahalanobis); Plan holiday: 1966-69; Twelfth (last): 2012-17; NITI Aayog replaced the Planning Commission on 1 January 2015
- Planning Commission was set up on 15 March 1950; NDC on 6 August 1952
- Industrial Policy Resolution 1956 called the "Economic Constitution of India"; New Industrial Policy on 24 July 1991
- Nationalisation of banks: 19 July 1969 (14 banks); 15 April 1980 (6 banks); Imperial Bank became SBI in 1955
- RBI: established 1 April 1935; nationalised 1 January 1949; first Governor Sir Osborne Smith; first Indian Governor C. D. Deshmukh
- Largest bank: SBI; SBI merged five associate banks and Bharatiya Mahila Bank in April 2017
- Public sector bank mergers in 2019-20 cut the number of PSBs from 27 (2017) to 12
- UPI launched April 2016; BHIM app December 2016; RuPay card 2012; National Payments Corporation of India 2008
- Jan Dhan Yojana: 28 August 2014; Aadhaar Act 2016; DBT: 1 January 2013
- GST: 1 July 2017; Demonetisation: 8 November 2016 (₹500 and ₹1,000 notes)
- Insolvency and Bankruptcy Code: 2016; NCLT: 1 June 2016; RERA: 2016; FRBM: 2003
- MPC: 27 September 2016 first meeting; CPI target 4% (± 2); Governor Sanjay Malhotra
- Union Budget presented on 1 February since 2017; Railway Budget merged with general budget in 2017; Budget 2026-27 is the ninth Union Budget by Nirmala Sitharaman
- Economic Survey: first presented in 1950-51; prepared by Chief Economic Adviser V. Anantha Nageswaran
- India's tax devolution: 14th FC 42%; 15th and 16th FC 41%
- New GDP series base 2022-23 (27 February 2026); new CPI base 2024 (first print January 2026)

Money and Markets

- Repo 5.50%, SDF 5.25%, MSF and Bank rate 5.75%, CRR 3%, SLR 18% (October 2026)
- Policy hike on 7 October 2026 by 25 bps is the first since February 2023; rate path before: 6.50 (till February 2025) to 5.25 (December 2025)
- Reverse repo became a separate fixed-rate facility at 3.35%; the SDF is the floor of the corridor
- Money supply measures: M0 reserve money; M1 narrow; M2 (M1 + post office savings); M3 broad money (RBI's M3 used as the main aggregate); M4 with total post office deposits
- RBI uses Open Market Operations, LAF, MSS (2004), CRR, SLR for liquidity
- Dated G-Secs 5-40 years; T-bills 91/182/364 days; CMBs under 91 days; SDLs by states
- NSE 1992; BSE 1875; NSDL 1996; SEBI statutory 1992; SENSEX base 1978-79 = 100; NIFTY 50 base 1995 = 1000
- LIC nationalised 1956; GIC 1972; IRDAI 1999; insurance FDI cap 100% after 2025 amendment
- NPS 1 January 2004; PFRDA statutory 2013; Atal Pension Yojana 2015; UPS from 1 April 2025
- SEBI Chairman Tuhin Kanta Pandey; T+1 settlement from 27 January 2023
- GIFT City, Gandhinagar: IFSC 2015; IFSCA 2020
- CBDC (e₹) pilot: wholesale 1 November 2022; retail 1 December 2022

External Sector

- India's forex reserves: US\$734.6 billion on 2 October 2026 (peak US\$785.71 billion on 4 September 2026)
- Rupee touched lowest of ₹95.8-95.9 per US dollar on 14 May 2026
- India joined IMF 1945; World Bank 1945; WTO founding member 1995; Current account convertibility 20 August 1994
- Largest export destination: USA; top imports: crude oil, gold, electronics; top trading partner: China (imports), USA (exports)
- India-UK CETA in force from 15 July 2026; India-Oman CEPA from 1 June 2026; India-EFTA TEPA from 1 October 2025; India-New Zealand FTA from 20 October 2026; India-EU FTA concluded 27 January 2026
- Foreign Trade Policy 2023: US\$2 trillion exports by 2030
- India's external debt: US\$747.2 billion (June 2025); 18.9% of GDP
- Remittances to India: US\$118.7 billion (2023-24); US the top source (27.7%)
- Currency swap line with Japan: up to US\$75 billion; SAARC swap framework US\$2 billion

Agriculture and Food

- Foodgrain record: 376.56 million tonnes (2025-26 third advance estimate); rice 154.02 mt; wheat 120.66 mt; maize 55.09 mt; sugarcane 500.06 mt
- MSP for paddy common 2026-27: ₹2,441 per quintal; wheat RMS 2026-27: ₹2,585; RMS 2027-28: ₹2,610
- PM-KISAN ₹6,000 per year; KCC ₹5 lakh limit; PMFBY 2016
- NFSA 2013; PMGKAY free grain till December 2028; Fair price shops about 5.4 lakh
- White Revolution: Verghese Kurien; Green Revolution: M. S. Swaminathan and Norman Borlaug; Blue Revolution: fisheries
- Largest milk producer: India (about 25% of global); Uttar Pradesh top milk state; UP top in sugarcane and foodgrain
- NABARD 12 July 1982; Kisan Credit Card 1998; e-NAM 2016; Soil Health Card 2015; SFAC 1994; APEDA 1985; CACP January 1965; FCI 1965
- First state to become fully organic: Sikkim (2016); first state to implement Panchayati Raj: Rajasthan (Nagaur, 2 October 1959)

Industry, Infrastructure and Social

- PLI: 14 sectors, ₹1.97 lakh crore; ISM ₹76,000 crore; National Green Hydrogen Mission ₹19,744 crore; PM Surya Ghar 1 crore households
- NIP ₹111 lakh crore (2019-25); NMP ₹6 lakh crore (2021); Gati Shakti 13 October 2021; NLP 17 September 2022
- Make in India: 25 September 2014; Startup India: 16 January 2016; Digital India: 1 July 2015; Smart Cities: 25 June 2015
- 5G launched: 1 October 2022; Telecommunications Act: 2023; Semiconductor Mission: December 2021
- Largest MSME classification change effective 1 April 2025; Udyam portal 1 July 2020
- Skill India: 15 July 2015; NEP: 29 July 2020; RTE: 1 April 2010; NFSA: 2013; MGNREGA: 2 February 2006 (NREGA 2005)
- Ayushman Bharat PM-JAY: 23 September 2018 (Ranchi); 70+ coverage from 29 October 2024
- National MPI headcount 29.17% (2013-14) → 11.28% (2022-23); World Bank extreme poverty (US\$3/day) 5.3% in 2022-23
- India's HDI rank 130 (HDR 2025); GHI rank 102 (2025); Gender Gap rank 131 (2025)

Rapid Fire 2: Banking, Fiscal and UP Economy

- Repo rate after 7 Oct 2026 hike: **5.50%**; SDF 5.25%; MSF and Bank rate 5.75%.
- CRR 3%, SLR 18%; policy stance: calibrated tightening.
- RBI Governor: Sanjay Malhotra; first Indian Governor: C. D. Deshmukh; first Governor: Osborne Smith.
- Banks nationalised in 1969: 14; in 1980: 6. Current PSBs: 12.
- RRBs: sponsor bank 35%, Centre 50%, State 15%.
- NABARD founded 12 July 1982 (Shivaraman Committee), HQ Mumbai; SIDBI 1990 Lucknow; NHB 1988 New Delhi; EXIM Bank 1982 Mumbai.
- DICGC insures deposits up to ₹5 lakh.
- PM Jan Dhan Yojana launched 28 August 2014. Mudra 8 April 2015. Stand-Up India April 2016. Atal Pension Yojana 2015.
- Sukanya Samriddhi Yojana: girl child below 10 years; rate set quarterly by Ministry of Finance.
- GST Council: Article 279A, Chair Union Finance Minister; decisions need 3/4 weighted vote (Centre 1/3, States 2/3).
- GST 2.0 from 22 Sept 2025: slabs 5% and 18% plus 40% for sin goods.
- Finance Commission: Article 280; 16th FC chair Arvind Panagariya, report period 2026-31; devolution 41%.
- 15th FC: devolution 41% for 2021-26; 16th FC retained 41% for 2026-31.
- FRBM Act 2003; N. K. Singh Committee 2017 recommended debt-to-GDP 60% (Centre 40%, States 20%).
- Centre has shifted to a **debt-to-GDP anchor** (50±1% by 2030-31) from FY27 rather than annual fiscal deficit target.
- India's sovereign green bonds first issued January 2023.
- UP: most populous State; capital Lucknow; 75 districts; 18 divisions.
- UP expressways: Purvanchal (340 km), Bundelkhand (296 km), Gorakhpur Link (91 km), Agra-Lucknow (302 km), Ganga Expressway (594 km, longest in the State), Yamuna Expressway (165 km).
- UP defence corridor nodes: Lucknow, Kanpur, Aligarh, Agra, Jhansi, Chitrakoot.
- UP international airports: Lucknow, Varanasi, Kushinagar, Ayodhya, Noida (Jewar), Gorakhpur (domestic hub expansion).
- ODOP: One District One Product (2018) – one product per district.
- UP's fiscal deficit target is within 3% of GSDP; UP is a revenue-surplus State.
- Total Fertility Rate: India 2.0 (SRS 2021); UP about 2.4.

CHAPTER 82

Glossary of Economic Terms (A-Z)

Terms and Meanings

Term	Meaning
Absolute poverty	Living below a fixed minimum income/consumption line
Accommodation (RBI)	Liquidity provided under LAF/MSF
Ad valorem tax	Tax as a percentage of value (GST)
Advance Pricing Agreement	Pre-agreed transfer-pricing method with tax authority
Angel tax	Tax on share premium of unlisted startups; abolished from 1 April 2025
Appreciation	Rise in currency value under floating rate
Arbitrage	Profit from price difference in two markets
Asset Quality Review	RBI exercise 2015 that unearthed hidden NPAs
Austerity	Reducing government spending to cut deficit
Balance of trade	Exports minus merchandise imports
Bancassurance	Banks selling insurance
Bear/Bull market	Falling / rising stock market
Bearer bond	Payable to holder; not widely used
Bill of exchange	Written order to pay; instrument in money market
Black money	Income unreported to tax authorities
Blue chip	Large reputed company stock
Bond yield	Return on bond; moves inversely with price
Bretton Woods	1944 conference creating IMF and IBRD
Brownfield / Greenfield	Expansion of existing / entirely new project
Budget Estimate / Revised Estimate	Projection vs mid-year update
Call money	Overnight to 14 days interbank borrowing
Capital account convertibility	Free exchange of currency for capital transactions (Tarapore Committee 1997, 2006)
Capital gains	Profit on sale of assets; short-term and long-term
Carry trade	Borrow at low rate abroad to invest high yield
Certificate of deposit	Short-term bank deposit instrument (7 days to 1 year)
Cess / Surcharge	Tax on tax earmarked for purposes / additional tax; not shared with States
Circuit breaker	Trading halt on extreme index movement
Commercial paper	Unsecured short-term corporate instrument; 7 days to 1 year
Contingent liability	Obligation arising from a future event
Convertible bond	Debt convertible into equity
Core sector	Eight industries in ICI (coal, crude, gas, refinery, fertiliser, steel, cement, electricity); base 2011-12; weight 40.27% of IIP
Counter-cyclical	Policy opposing the business cycle
Cross-subsidy	One class of consumers pays more to subsidise another
Currency swap	Exchange of principal and interest in different currencies
Current account deficit	Net exports of goods, services plus income and transfers negative

Term	Meaning
Debenture	Unsecured corporate debt certificate
Debt monetisation	RBI buying government securities in primary market; stopped 1997 by ad hoc treasury bill abolition
Demand deposit	Withdrawable on demand: savings and current accounts
Depository	NSDL, CDSL hold securities electronically
Depreciation (currency)	Fall in market value of currency
Derivative	Contract deriving value from underlying: futures, options, swaps
Devaluation	Official reduction of currency under fixed rate (India: 1966, 1991)
Dirty float	Managed floating exchange rate
Disinvestment	Sale of government equity in PSUs; now strategic sale and privatisation
Divestment vs Disinvestment	Often used interchangeably in exam
Dividend	Profit distributed to shareholders
Double taxation avoidance	Treaty to avoid taxing same income twice (DTAA)
Dual exchange rate	Different rates for different transactions (India 1992-93 LERMS)
Easy money	Low interest policy
ECB	External commercial borrowing; RBI/FEMA regulated
Economic Rent	Payment above opportunity cost
Effective exchange rate	NEER / REER trade-weighted rate indices
Elasticity	Responsiveness of quantity to price or income
Equalisation grants	Fiscal transfers to reduce State disparities
Eurobond	Bond issued in currency other than that of country of issue
Exchange traded fund	Index fund traded on exchange
Factor cost	Market price minus indirect taxes plus subsidies
FDI vs FPI	Lasting interest (10%+) vs portfolio investment under 10%
Fiat money	Currency not backed by commodity but government decree
Fiscal federalism	Division of financial powers between Centre and States
Fiscal stimulus	Government spending or tax cut to lift demand
Floating rate	Interest rate or exchange rate that adjusts to market
Forward contract	Agreement for future delivery at agreed price
Free float	Shares available for public trading
GAAR	General Anti-Avoidance Rules (effective April 2017)
GIFT City	India's first International Financial Services Centre, Gandhinagar (IFSCA regulator)
Gilt-edged securities	Government securities
Gini coefficient	0 equality to 1 inequality
Gold monetisation scheme	2015 deposit scheme; discontinued 2025 for fresh deposits
Golden rule	Borrow only to invest, not for current spending
Green shoe option	Over-allotment option in IPO
Gross vs net NPA	Before vs after provisions
Hawala	Informal value transfer system
Hedge fund	Pooled aggressive investment fund (Category III AIF in India)
Hot money	Volatile short-term capital flows
Human Development Index	Health, education, income; UNDP; India ranks 130 in HDR 2025
Import substitution	Replace imports by domestic production (India's 1950-91 strategy)

Term	Meaning
Inclusive growth	Eleventh Plan theme
Index of Industrial Production	Monthly volume index by MoSPI; base 2011-12
Inflation targeting	Flexible target 4% $\pm$ 2% (CPI) since 2016
Insider trading	Trading on unpublished price-sensitive information, SEBI prohibits
Interest rate corridor	SDF to MSF band around repo
Invisible trade	Services, remittances, transfers
Invoice	Bill listing goods and price
J-curve	Currency depreciation first worsens, later improves trade balance
Junk bond	Below-investment-grade bond
Keynesian economics	Government demand management
Laffer curve	Beyond some tax rate revenue falls
Leverage	Use of borrowed funds
Liquidity Coverage Ratio	High-quality liquid assets covering 30-day outflows (Basel III)
Lock-in period	Time during which investment cannot be redeemed
Macro-prudential policy	Regulating systemic risk
Marginal Standing Facility	Overnight borrowing by banks against SLR holding up to 2% of NDTL; repo + 0.25
Mark to market	Valuing assets at current price
Market capitalisation	Share price times number of shares
Merchant banker	Underwrites and manages issues; SEBI registered
Microfinance	Small loans to poor; SHG-Bank Linkage (1992 NABARD)
Monetary transmission	Passing policy rate to lending rates (EBLR since Oct 2019)
Moral suasion	RBI persuasion of banks
Multiplier	Change in income per unit change in autonomous spending
Nifty 50	NSE index of 50 stocks; Sensex of 30 BSE stocks
Non-tax revenue	Interest, dividends, fees, RBI surplus
Notional loss	Loss on paper
Offer for sale	Promoters sell shares through exchange
Open market operations	RBI buy/sell of G-secs for liquidity
Operation Twist	Selling short and buying long G-secs to flatten yield curve
Outcome Budget	Results focus since 2005
Participatory Notes	Overseas investor instruments for Indian stocks via registered FPI
Pegged exchange rate	Fixed to another currency
Plurilateral	Agreement among a subset of WTO members
Poverty line	Tendulkar 2011-12: ₹816 rural, ₹1,000 urban per month; Rangarajan: ₹972 and ₹1,407
Privatisation	Transfer of ownership to private
Public Debt Management	Cell under Finance Ministry; Debt management office planned
Purchasing power parity	Exchange rate equalising price of basket; India third largest by PPP
Quantitative easing	Central bank asset purchase to inject liquidity
Quantitative tightening	Reverse of QE
Recapitalisation	Government equity infusion into banks (₹2.11 lakh crore 2017 plan)
Repo / Reverse repo	Lending / borrowing by RBI against securities; reverse repo 3.35% fixed
Reserve Tranche	Portion of member quota drawable from IMF without conditions

Term	Meaning
Sacrifice ratio	Output lost per unit disinflation
Seigniorage	Profit from issuing currency
Shadow banking	Credit intermediation outside regular banks (NBFCs)
Sinking fund	Fund to repay debt
Special Drawing Rights	IMF reserve asset valued on basket: USD, euro, yuan, yen, pound
Specific duty	Tax per unit of quantity (e.g. excise per litre)
Stagflation	High inflation with unemployment
Subsidy	Government payment to lower price or income support
Sunset clause	Provision ending automatically
Sweat equity	Shares to employees for know-how/IP
Tapering	Reducing asset purchase
Tax buoyancy	Tax revenue change per GDP change
Tax expenditure	Revenue foregone through exemptions
Term premium	Extra yield for longer maturity
Terms of trade	Export price over import price
Tobin tax	Tax on currency transactions
Treasury bill	Government security up to 1 year: 91, 182, 364 days
Trickle-down	Growth benefits flow to poor through market
Unicorn	Startup valued at US\$1 billion or more
Usance	Credit period in trade
Value added	Output minus intermediate consumption
Venture capital	Equity for startup; SEBI AIF Category I
Wholesale Price Index	Base 2011-12; 697 items; Office of Economic Adviser, DPIIT
Window dressing	Improving appearance of accounts at period end
Yield curve	Plot of yields against maturities
Zero coupon bond	Sold at discount, no interest
Zero-based budgeting	Every expenditure justified from scratch

Timeline of Indian Economic Policy (1944-2026)

Year	Event
1944	Bombay Plan; Bretton Woods conference
1948	Industrial Policy Resolution (mixed economy); Industrial Finance Corporation
1950	Planning Commission set up (resolution 15 March 1950)
1951	First Five-Year Plan (Harrod-Domar); Industries (Development and Regulation) Act
1956	Industrial Policy Resolution (socialistic pattern); Second Plan (Mahalanobis); LIC nationalised
1960s	Green Revolution; Fourth Plan; 14 banks nationalised 1969; MRTP Act 1969
1973	FERA; oil shock; SAIL formed
1975	Regional Rural Banks (ordinance); 20-point programme
1980	Six more banks nationalised; Sixth Plan
1982	NABARD founded; EXIM Bank
1985	Seventh Plan; long-term fiscal policy

Year	Event
1988	SEBI set up (statutory 1992); NHB
1991	Balance of payments crisis; gold pledged; New Economic Policy (LPG); Industrial licensing abolished, rupee devalued 18-19%, Dr Manmohan Singh as FM, P. V. Narasimha Rao PM
1992	SEBI Act; Harshad Mehta scam; Dual exchange rate (LERMS)
1993	Market-determined exchange rate; RBI allows private banks
1994	NSE begins; Current account convertibility (Article VIII IMF)
1997	Navratna; Tarapore Committee; ad hoc treasury bill abolished
1999	Insurance sector opened (IRDA Act); FEMA replaces FERA (2000)
2002	SARFAESI Act; Competition Act
2003	FRBM Act; Kelkar Task Force
2005	VAT introduced; MGNREGA (2006); RTI
2008	Global financial crisis; stimulus; farm loan waiver ₹60,000 crore
2011	Base year GDP series 2004-05; census
2012	GAAR announced
2013	Taper tantrum; Food Security Act; Companies Act 2013
2014	NITI Aayog (Jan 2015); Jan Dhan; Make in India; Swachh Bharat
2015	New GDP series base 2011-12; MSP; Mudra; Atal Pension; Gold schemes
2016	Demonetisation (8 Nov, ₹500 and ₹1,000 notes); IBC; RBI Amendment Act (MPC, inflation targeting); UPI
2017	GST rolled out 1 July; Bank mergers; Recap plan; RERA;
2018	Ayushman Bharat; Fugitive Economic Offenders Act; PCA; Long-term capital gains tax introduced
2019	Corporation tax cut to 22% / 15%; PM-KISAN; National Infrastructure Pipeline; EBLR
2020	COVID-19: national lockdown 25 March; Atmanirbhar Bharat ₹20 lakh crore; PLI; Labour codes passed; farm laws; bank mergers (April)
2021	Monetisation Pipeline; GST compensation; NARCL; National Hydrogen Mission; farm laws repealed; UPI abroad
2022	Retail CBDC pilot; RBI repo hikes from May (4% to 6.5% by Feb 2023); GST compensation ended June 2022
2023	Digital Personal Data Protection Act; Women reservation; India GDP 5th largest; Nari Shakti; Bharat-Middle East-Europe Corridor announced (G20 Delhi); competition amendment
2025	RBI repo cuts (Feb, April, June 2025 total 100 bps to 5.50%, then 5.25% Dec 2025); Income-tax Act 2025 passed; GST 2.0 effective 22 Sept 2025; US tariffs 50% on India (Aug 2025); SHANTI nuclear act; India-UK CETA signed (July 2025); India-EFTA TEPA in force 1 Oct 2025; Labour Codes notified 21 Nov 2025; Nobel for Moky, Aghion, Howitt
2026	Budget 1 Feb 2026 (FY27); new GDP series 2022-23 (27 Feb); India-EU FTA concluded 27 Jan 2026; India-Oman CEPA 1 Jun 2026; India-UK CETA in force 15 Jul 2026; repo hiked to 5.50% on 7 Oct 2026; India-NZ FTA 20 Oct 2026; 16th Finance Commission cycle starts April 2026; Income-tax Act 2025 effective 1 April 2026

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