

UPSC ECONOMICS

Complete Mastery Guide for Civil Services

Basics

National Income

Inflation

Banking

Budget

Taxation

Agriculture

Industry

Financial Markets

Intl. Trade

100 Slides • 10 Topics • PYQs 2015–2025

Prelims + Mains Ready

BASICS

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Foundations of Indian Economy — Concepts Every UPSC Aspirant Must Know

- Economic Systems & Mixed Economy
- Sectors of Economy
- GDP, GNP, NDP
- Planning & Policy Frameworks
- Economic Reforms

Types of Economic Systems

Capitalist Economy

Private ownership, price mechanism, profit motive. Examples: USA, UK. Laissez-faire approach — minimal govt. intervention.

Socialist Economy

State owns means of production. Central planning. Examples: erstwhile USSR, Cuba. Focus on equality over efficiency.

Mixed Economy

India's model — public + private sector. Govt. regulates but market operates. Best of both worlds approach.

Market Economy

Demand & supply determine prices. Invisible hand (Adam Smith). Efficient resource allocation but inequality risk.

Planned Economy

Govt. sets production targets. 5-Year Plans (India 1951–2017). NITI Aayog replaced Planning Commission in 2015.

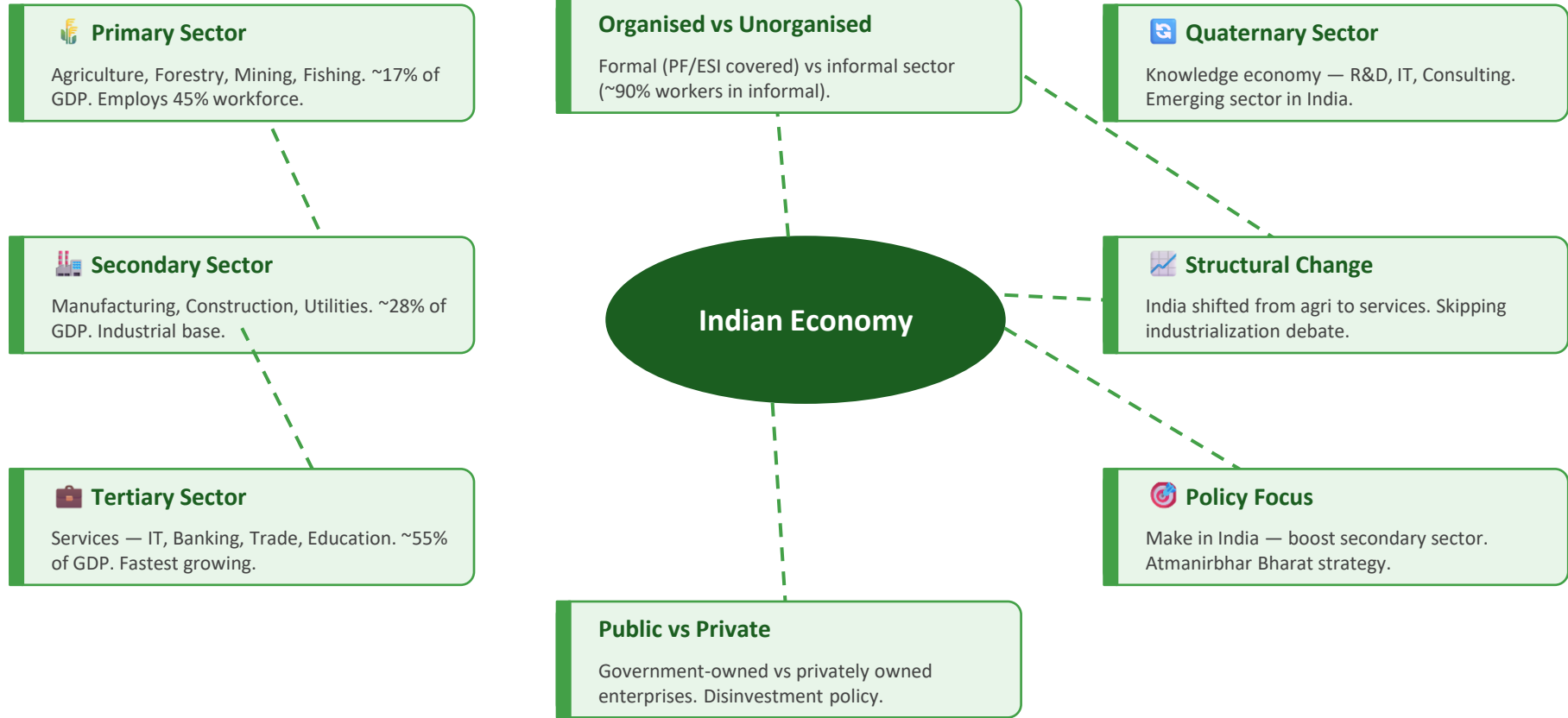
Subsistence Economy

Production for own use. Pre-industrial agricultural communities. Barter system prevalent.

Key Economic Concepts — GDP & Related

GDP (Expenditure)	$C + I + G + (X - M)$	Consumption + Investment + Govt Spending + Net Exports
GNP	GDP + Net Factor Income from Abroad	Includes income earned by residents abroad
NDP	GDP – Depreciation	Also called Net Domestic Product; removes capital consumption
NNP (National Income)	GNP – Depreciation	At Market Price; at Factor Cost = NNP – Net Indirect Taxes

Three Sectors of Indian Economy



Economic Reforms Timeline — India

1991

LPG Reforms
Liberalisation, Privatisation,
Globalisation

2008

Global Financial Crisis; India grows at
6.7%

2017

GST launched — One Nation One Tax

2000

FEMA replaces FERA; FDI policy
liberalised

2016

Demonetisation — ₹500/₹1000
notes scrapped

2020

Atmanirbhar Bharat — ₹20
trillion package

Indian Planning — From 5-Year Plans to NITI Aayog

1 Planning Commission (1950–2014)
Set 5-Year Plans; controlled resource allocation; PM was Chairman

2 Five Year Plans (1951–2017)
12 plans total; shifted focus from agriculture to services over time

3 NITI Aayog (2015–present)
National Institution for Transforming India; think-tank role; no fund allocation power

4 Aspirational Districts Programme
Focus on 112 least-developed districts; convergence approach

5 National Development Council (NDC)
Approved 5-Year Plans; included state CMs and Union Cabinet

6 Indicative vs Imperative Planning
India shifted from imperative (targets) to indicative (guidance) post-1991

Comparative Economic Indicators — India vs World

India

VS

Global Context

GDP: ~\$3.7 trillion (2024)

5th largest economy globally

GDP Growth: ~7% (FY2024)

Fastest-growing major economy

Per Capita GDP: ~\$2,700

Lower-middle income (World Bank)

Inflation (CPI): ~5%

Target band: 4% ± 2% (RBI mandate)

Fiscal Deficit: ~5.1% of GDP

FRBM target: 3% of GDP

Current Account Deficit: ~1.5%

Manageable; services surplus helps

Opportunity Cost, Scarcity & Production Possibility Curve

1

Scarcity — The Core Economic Problem

Unlimited wants vs limited resources — basis of all economic decisions

2

Opportunity Cost

Value of next best alternative foregone; e.g., student studying vs working

3

Production Possibility Curve (PPC)

Shows maximum combinations of 2 goods; concave to origin due to increasing opportunity cost

4

Points on PPC = Efficiency

Inside = underutilisation; Outside = not currently achievable

5

Shift of PPC — Economic Growth

Technology, capital formation, or better resources shift PPC outward

6

Law of Diminishing Returns

Adding more of one factor (with others fixed) → falling marginal returns

Key Economic Statistics — India At a Glance

GDP Rank (2024)

#5

Behind USA, China, Germany, Japan

Growth Rate

7.2%

FY2024; IMF projects 6.8% for FY2025

Population

1.44B

World's largest; demographic dividend

HDI Rank

134

Out of 193; Medium Human Development

Key Insight

India is classified as a 'lower-middle income' country by World Bank (GNI per capita \$1,136–\$4,465). Key challenge: translating high GDP growth into human development outcomes. UPSC frequently asks about the gap between economic growth and welfare indicators.

PYQ Spotlight — Economics Basics (2015–2025)

UPSC 2019

Which one of the following is the correct sequence of India's four most valued exports in descending order? (Prelims)

◆ Answer: Petroleum products, Precious stones, Drug formulations, Gold & other precious metals

UPSC 2021

With reference to the 'weighted average' price, sometimes seen in the context of India's national accounts, consider the following statements. Which of the above statements is/are correct?

◆ Tests GDP deflator concepts — market prices vs factor cost distinction

UPSC 2023

In the context of India's Five-Year Plans, which of the following is/are correct? (Prelims)

◆ Planning Commission abolished in 2014; NITI Aayog replaced it in 2015

Mains Answer Framework — Economic Concepts

1

Structural Transformation of Indian Economy

Shift from agriculture → services; bypassing manufacturing stage; policy challenges

2

Role of Public Sector vs Private Sector

Post-LPG shift; disinvestment policy; strategic vs non-strategic sectors

3

Economic Growth vs Development

GDP ≠ welfare; HDI, MPI, Gender Gap Index as alternatives

4

India as Fastest Growing Major Economy

Favourable demographics, digital infrastructure, consumption-led growth

5

Inclusive Growth — Policy Approach

SDGs, DPSP Article 39, Poverty line debate, Gini coefficient trends

6

Trick: ABCD Framework for Mains

A=Analysis, B=Background, C=Challenges, D=Data/Dimensions — apply to any economics question

NATIONAL INCOME

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Measuring the Economy — GDP, GNP, National Income & More

- Methods of measuring National Income
- GDP vs GNP vs NDP vs NNP
- Real vs Nominal GDP & Deflator
- Base Year & CSO/MOSPI
- Per Capita Income & Poverty

Three Methods of National Income Estimation

Income Method

Sum of all factor incomes: Wages + Rent + Interest + Profit. Avoids double counting. Used for service sector measurement.

Output/Product Method

Value added at each stage of production. $GDP = \sum \text{Value Added across all sectors}$. Avoids double counting.

Expenditure Method

$GDP = C + I + G + (X-M)$. Most common internationally. National accounts use this for India.

Value Added Concept

$VA = \text{Output} - \text{Intermediate Input}$. Summing VA gives GDP. Firm-level contribution to economy.

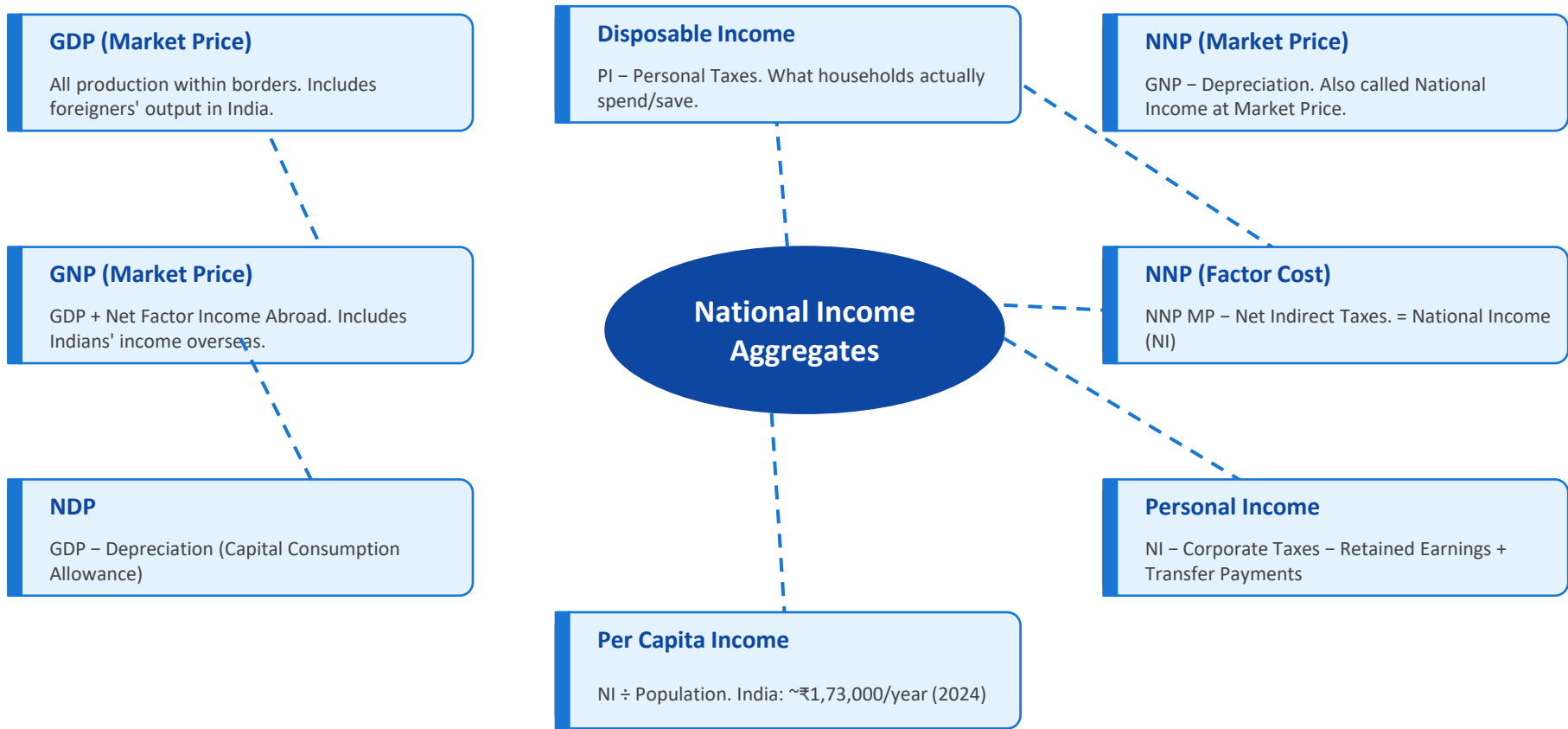
Base Year

India: Base Year 2011-12 (revised from 2004-05 in 2015). CSO/MOSPI calculates national accounts.

Reconciliation

All three methods should give same result theoretically. Discrepancies exist in practice due to data gaps.

GDP vs GNP vs NNP — Mind Map



Real vs Nominal GDP — The Deflator

Nominal GDP	Current Year Output × Current Year Price	Does NOT account for inflation; may overstate growth
Real GDP	Current Year Output × Base Year Price	True measure of economic growth; inflation-adjusted
GDP Deflator	$(\text{Nominal GDP} / \text{Real GDP}) \times 100$	Implicit price deflator; broader than CPI/WPI
GDP Growth Rate	$[(\text{Real GDP}_t - \text{Real GDP}_{t-1}) / \text{Real GDP}_{t-1}] \times 100$	Year-on-year percentage change at constant prices

India's GDP Trends & Composition

Agriculture Share

17%

Down from 50% at independence;
but employs 45% of workforce

Industry Share

28%

Manufacturing ~17%; Construction
~9%; Utilities ~2%

Services Share

55%

IT, Finance, Trade, Real Estate —
India's growth engine

GDP Growth FY24

8.2%

Highest among G20; driven by
public capex & services

Key Insight

India's GDP crossed \$3.5 trillion in 2023-24 making it the 5th largest economy. At PPP (Purchasing Power Parity), India is 3rd largest. The services sector dominates but agriculture remains crucial for employment and food security — a key UPSC Mains discussion point.

Poverty Measurement in India

1

Poverty Line Definition

Per capita monthly expenditure to meet minimum food + non-food requirements (Tendulkar: ₹816 rural, ₹1000 urban/month in 2011-12 prices)

2

Multidimensional Poverty Index (MPI)

NITI Aayog; covers 12 indicators across Health, Education, Living Standards. India reduced MPI poverty from 25% to 15% (2015-16 to 2019-21)

3

Poverty Headcount Ratio

% of population below poverty line. India: ~10-11% (2022-23 estimates)

4

Gini Coefficient

Measures inequality (0=perfect equality, 1=perfect inequality). India ~0.35 (moderate inequality)

5

Suresh Tendulkar Committee (2009)

Recommended calorie-neutral poverty line; replaced Lakdawala (1993) methodology

6

C. Rangarajan Committee (2014)

Higher poverty line: ₹972 rural, ₹1407 urban per month. Not officially adopted.

GDP Calculation — Sector-wise (India 2023-24)

Q1

8.2% growth
high; public investment &
manufacturing

Q3

6.2% growth
Recovery; festive demand & rural
spending

Q2

5.4% growth
Slowdown; urban consumption
dipped

Q4

7.8% growth
Full year: 8.2%; MOSPI ad
estimate

Human Development Index (HDI) vs GDP

GDP Focus

VS

HDI Approach (UNDP)

Measures production & income

Measures human well-being & capabilities

India Rank: 5th (GDP)

India Rank: 134th (HDI, 2023)

Does not capture health, education

Includes Life Expectancy, Education, GNI per capita

High growth \neq high welfare

Norway tops HDI; not GDP rank

Market-centric measure

People-centric measure (Amartya Sen's approach)

CSO/MOSPI & National Accounts

1

Central Statistical Office (CSO)

Now merged into MOSPI (Ministry of Statistics & Programme Implementation); releases GDP estimates

2

Advance Estimate (AE)

Released in January for ongoing year; first guess of annual GDP

3

First Revised Estimate

Released in January next year; more data incorporated

4

Final National Accounts

Released after ~3 years when all data available; most accurate

5

National Statistical Commission

Chaired by statistician; oversight body for official statistics

6

IIP vs PMI

Index of Industrial Production (monthly); PMI (Purchasing Managers' Index) — private sector flash indicator

PYQ Spotlight — National Income (2015–2025)

UPSC 2018

Consider statements regarding Gross Domestic Product (GDP): India's GDP at factor cost differs from GDP at market prices by the amount of net indirect taxes. Which statements are correct? (Prelims)

◆ *Key: $GDP \text{ at Factor Cost} = GDP \text{ at Market Price} - \text{Net Indirect Taxes}$. $NIT = \text{Indirect Tax} - \text{Subsidies}$*

UPSC 2020

With reference to India, consider the following statements: [1] Whenever the Reserve Bank of India reduces the Cash Reserve Ratio, it is said to have adopted an expansionary monetary policy.

◆ *Tests understanding of how monetary policy instruments affect national income and credit flow*

UPSC 2022

With reference to Gross Domestic Product of India, which of the following are correct? [On base year, method, components]

◆ *India uses 2011-12 as base year; expenditure method used in national accounts; $GVA + \text{taxes} - \text{subsidies} = GDP$*

Mains Framework — National Income Questions

1

Is India's GDP Growth 'Jobless Growth'?

High GDP growth but slow formal job creation; structural transformation debate; disguised unemployment in agriculture

2

GDP vs GNP — Which is Better for India?

GNP better for welfare; India: GDP > GNP (more foreigners in India than Indians abroad)

3

Why India Revised Base Year (2004-05 → 2011-12)?

Better coverage of services; enterprise approach; recommendation of National Statistical Commission

4

PPP vs Exchange Rate GDP

At PPP India is 3rd; at market exchange rate 5th. PPP corrects for price differences across countries

5

Key Stats to Remember

GDP ~\$3.7T | Growth 7%+ | Per Capita ~\$2700 | HDI 134 | MPI poverty ~15%

INFLATION

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Prices, Purchasing Power & Monetary Policy — Critical for UPSC Prelims & Mains

- CPI vs WPI vs PPI
- Types of Inflation
- Causes — Demand Pull & Cost Push
- RBI's Inflation Targeting (MFTT)
- Stagflation, Deflation, Disinflation

What is Inflation? — Core Concepts

1 Inflation = Sustained Rise in General Price Level
Not a one-time price rise; reduces purchasing power of money over time

2 Measured by Price Indices
CPI (Consumer Price Index), WPI (Wholesale Price Index), GDP Deflator, PCE Deflator

3 Disinflation vs Deflation
Disinflation = falling inflation rate (still positive); Deflation = negative inflation (prices falling) — dangerous!

4 Hyperinflation
Extremely rapid inflation (>50%/month). Examples: Zimbabwe 2008, Weimar Germany 1923, Venezuela 2018

5 Stagflation
High inflation + stagnant growth + high unemployment simultaneously. 1970s oil crisis classic example

6 Reflation
Deliberate policy to raise prices after deflation. Expansionary fiscal/monetary policy used.

CPI vs WPI — The Key Difference

CPI — Consumer Price Index

VS

WPI — Wholesale Price Index

Measures retail price changes faced by consumers

Measures wholesale/producer price changes

Base Year: 2012 (India)

Base Year: 2011-12 (India)

Published by: MOSPI (monthly)

Published by: DPIIT/Ministry of Commerce

Used for: RBI inflation targeting ($4\% \pm 2\%$)

Used for: Input cost analysis, industrial pricing

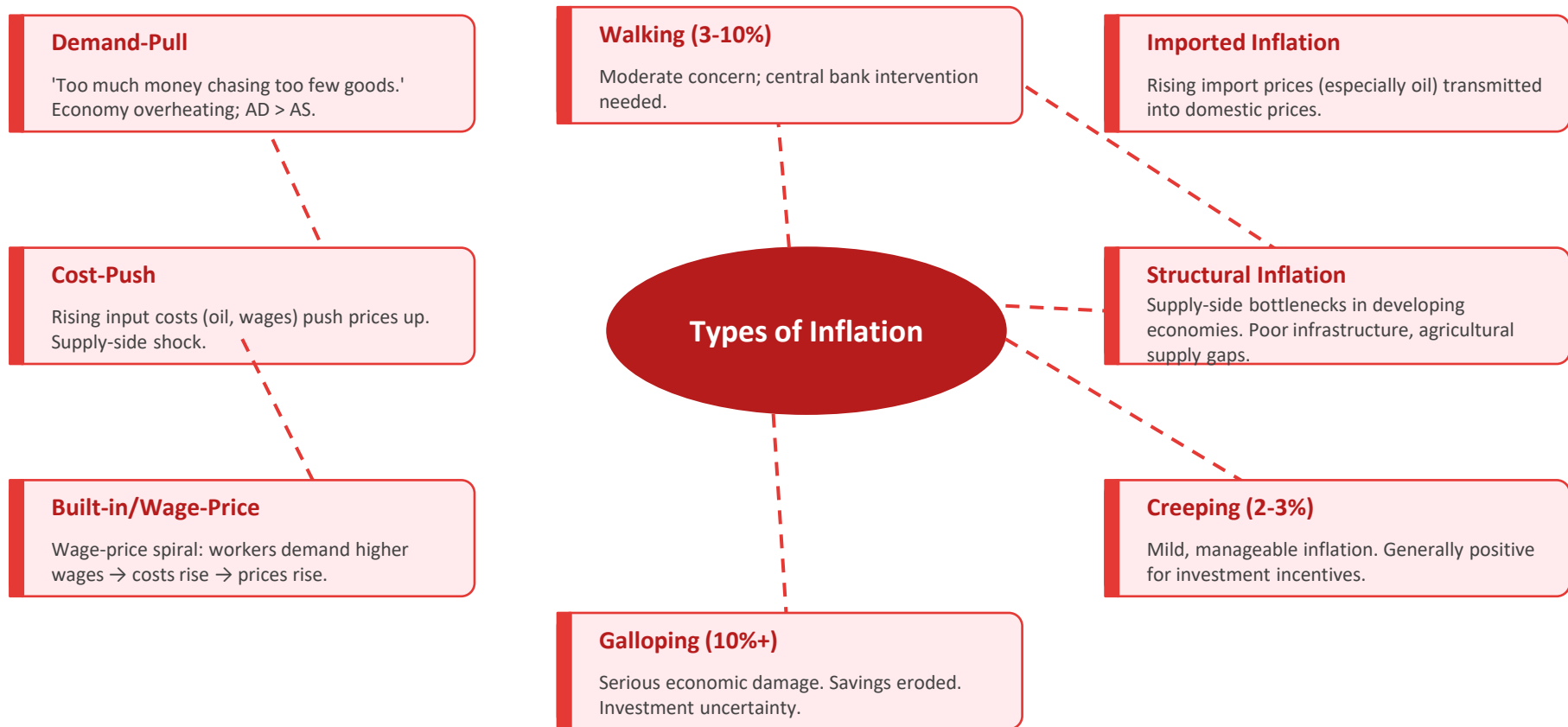
Weights: Food 45.9%, Housing 10%, Misc 28.3%

Weights: Manufactured goods 64.2%, Primary articles 22.6%

CPI includes services; more relevant for households

WPI excludes services; more volatile (commodity-driven)

Types of Inflation — Mind Map



RBI's Inflation Targeting Framework

1

Flexible Inflation Targeting (FIT) — 2016

RBI Amendment Act 2016 gave statutory backing. Target: 4% CPI \pm 2% (band: 2%–6%)

2

Monetary Policy Committee (MPC)

6-member committee: 3 RBI officials + 3 Govt nominees. Majority vote determines repo rate.

3

Failure of Inflation Targeting

If CPI remains outside 2-6% band for 3 consecutive quarters, RBI must explain to Govt. in writing.

4

Repo Rate — Primary Tool

Rate at which RBI lends to banks; higher repo \rightarrow costlier credit \rightarrow lower demand \rightarrow lower inflation

5

Neutral Real Rate of Interest

Repo Rate – Inflation. RBI targets positive real rates to control inflation while supporting growth.

6

India's Inflation Record (2014-2024)

Avg CPI \sim 5.5%; pandemic surge to 7.4% (2022); food inflation remains key challenge (50% weight items)

Inflation — Effects on Economy

Erosion of Purchasing Power

Fixed income earners (pensioners, wage workers) hurt most. Real wages fall when nominal wages don't adjust.

Debtors vs Creditors

Debtors benefit (repay in cheaper money). Creditors lose. Unexpected inflation redistributes wealth.

Savings & Investment

High inflation discourages saving (real returns negative). Hurts capital formation and long-term growth.

Balance of Payments

High domestic inflation → exports costlier → trade deficit. Currency depreciates under inflation pressure.

Menu Costs & Shoe-leather Costs

Menu costs = cost of changing prices. Shoe-leather = cost of managing cash to avoid inflation losses.

Moderate Inflation Benefits

2-4% inflation lubricates economy. Reduces real debt burden. Supports investment and growth incentives.

Monetary Policy Tools to Control Inflation

Repo Rate

Rate RBI charges banks for overnight borrowing

Current: 6.5% (as of 2024). \uparrow Repo = \uparrow borrowing cost = \downarrow credit = \downarrow inflation

Reverse Repo

Rate RBI pays banks for overnight deposits

Always < Repo; absorbs excess liquidity from system

CRR

% of NDTL banks must keep with RBI (cash)

Current: 4.5%. \uparrow CRR = less money to lend = \downarrow money supply

SLR

% of NDTL in liquid assets (Govt securities)

Current: 18%. Ensures banks hold safe assets; also controls credit

Food Inflation — India's Structural Challenge

Food in CPI Basket

45.9%

Highest weight; vegetables & cereals are most volatile

Avg Food Inflation

6.5%

2019-2024 average; frequently above headline CPI

Core Inflation

~4%

CPI excluding food & fuel; RBI tracks closely

WPI-CPI Gap

2-3%

Persistently positive; margin between wholesale & retail

Key Insight

India's inflation is structurally dominated by food prices — a supply-side problem that monetary policy cannot fully address. Key drivers: monsoon failures, procurement issues, supply chain gaps (APMC reforms), energy price pass-through. UPSC Mains frequently asks about the limitations of RBI's inflation targeting when food inflation is supply-driven.

Historical Inflation Episodes — India

1974

25%+ inflation
Shock + drought; Emergency declared

2009-10

12% WPI
Food prices surge; global commodity boom

2022

7.4% CPI
Russia-Ukraine war; global shock; RBI hikes rate

1991

14% inflation
Balance of Payments crisis; IMF loan

2013-14

10%+ CPI
Rupee fall + food & fuel shock;
Raghuram Rajan takes over RBI

PYQ Spotlight — Inflation (2015–2025)

UPSC 2015

If the RBI decides to adopt an expansionary monetary policy, which of the following would it NOT do? [Options on repo rate, CRR, SLR, OMO]

✦ *Expansionary = lower repo, lower CRR, buy Govt bonds (OMO). NOT sell bonds or raise CRR*

UPSC 2020

In the context of India, which of the following factors/policies can be said to be in consistent with the objective of reducing inflation? [Includes: increasing import duty, raising MSP, fiscal consolidation]

✦ *Raising MSP increases food prices → inflationary. Fiscal consolidation reduces demand → anti-inflationary*

UPSC 2024

With reference to Monetary Policy in India, which of the following are the instruments used by the Reserve Bank of India? [Repo, Reverse Repo, MSS, LAF]

✦ *All are RBI tools. Market Stabilisation Scheme (MSS) absorbs excess forex liquidity via sterilisation*

Quick Revision — Inflation Key Terms

1

Phillips Curve

Inverse relationship between inflation and unemployment (short-run). Broken down in 1970s stagflation.

2

Fisher Effect

Nominal Interest Rate = Real Rate + Expected Inflation. Key for RBI policy transmission.

3

Taylor Rule

Suggests optimal policy rate = equilibrium rate + 0.5(inflation gap) + 0.5(output gap)

4

Liquidity Trap

When monetary policy loses effectiveness; interest rates near zero; Japan's 'lost decade'

5

Headline vs Core Inflation

Headline = total CPI; Core = CPI excluding food & fuel. RBI monitors both but targets headline

6

WPI vs CPI Divergence

When WPI falls but CPI stays high: distribution/retail margins capturing price fall

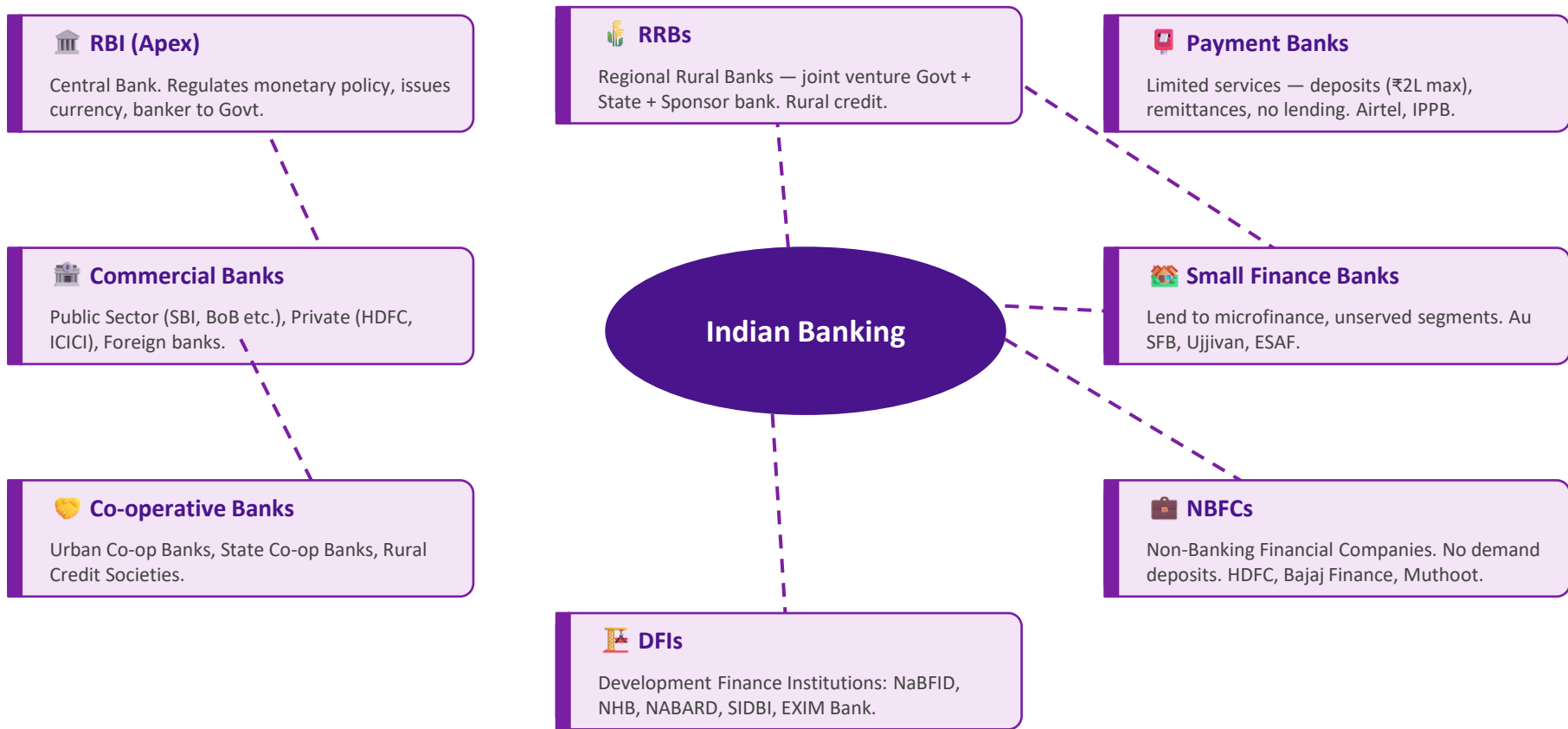
BANKING

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India's Banking System — RBI, Commercial Banks, NBFCs & Financial Inclusion

- Structure of Banking in India
- RBI — Functions & Tools
- Priority Sector Lending
- NPAs & Basel Norms
- Financial Inclusion & Payments Banks

Structure of India's Banking System



RBI — Functions & Role

1

Monetary Authority

Controls money supply, inflation; sets repo/reverse repo/CRR/SLR; implements MPC decisions

2

Banker to Government

Manages Govt's accounts, issues Govt securities, manages public debt; Ways & Means Advances (WMA)

3

Banker to Banks

Lender of Last Resort (LOLR); keeps bankers' balances; provides emergency liquidity (ELA)

4

Currency Issuance

Issues all currency except ₹1 coin (issued by Govt); manages currency distribution via Issue Dept.

5

Regulator & Supervisor

Licenses banks; prescribes capital adequacy norms (Basel); CAMELS framework for inspection

6

Foreign Exchange Management

Manages forex reserves (~\$650 bn); implements FEMA; intervenes in forex market

Key Banking Rates & Tools

Repo Rate

6.5% (2024)

Rate at which banks borrow overnight from RBI against Govt securities

Reverse Repo

3.35% (Fixed)

Rate RBI pays banks for parking surplus funds; floor of LAF corridor

CRR

4.5% of NDTL

Cash Reserve Ratio — held as cash with RBI; earns no interest

SLR

18% of NDTL

Statutory Liquidity Ratio — held in gold, cash, Govt securities

Priority Sector Lending (PSL)

PSL Target

40%

Of Adjusted Net Bank Credit (ANBC)
for domestic banks

Agriculture Target

18%

Of ANBC; includes 10% for
small/marginal farmers

Weaker Sections

12%

SC/ST, minorities, women, diff-
abled, small farmers

MSME Target

7.5%

Micro Enterprises specifically; part
of broader PSL

Key Insight

Priority Sector includes: Agriculture, MSMEs, Export Credit, Education, Housing, Social Infrastructure, Renewable Energy, Others. Banks failing PSL targets must invest shortfall in RIDF (Rural Infrastructure Development Fund) under NABARD — a low-return alternative. PSL Certificates (PSLCs) — a trading mechanism introduced 2016 — allow banks to buy/sell PSL compliance.

NPAs — Non-Performing Assets Crisis

What is NPA?

Loan where interest/principal overdue for 90+ days. Sub-standard (< 12 months), Doubtful (12-36 months), Loss assets.

India's NPA Peak

Gross NPA peaked at 11.6% (2017-18) due to infrastructure/steel sector stress. Reduced to ~3.9% (2023-24).

IBC — Resolution

Insolvency & Bankruptcy Code 2016 — time-bound resolution (330 days). NCLT handles corporate insolvency. ₹3+ lakh cr recovered.

ARCs

Asset Reconstruction Companies buy bad loans at discount from banks. Securitisation & Reconstruction of Financial Assets Act (SARFAESI).

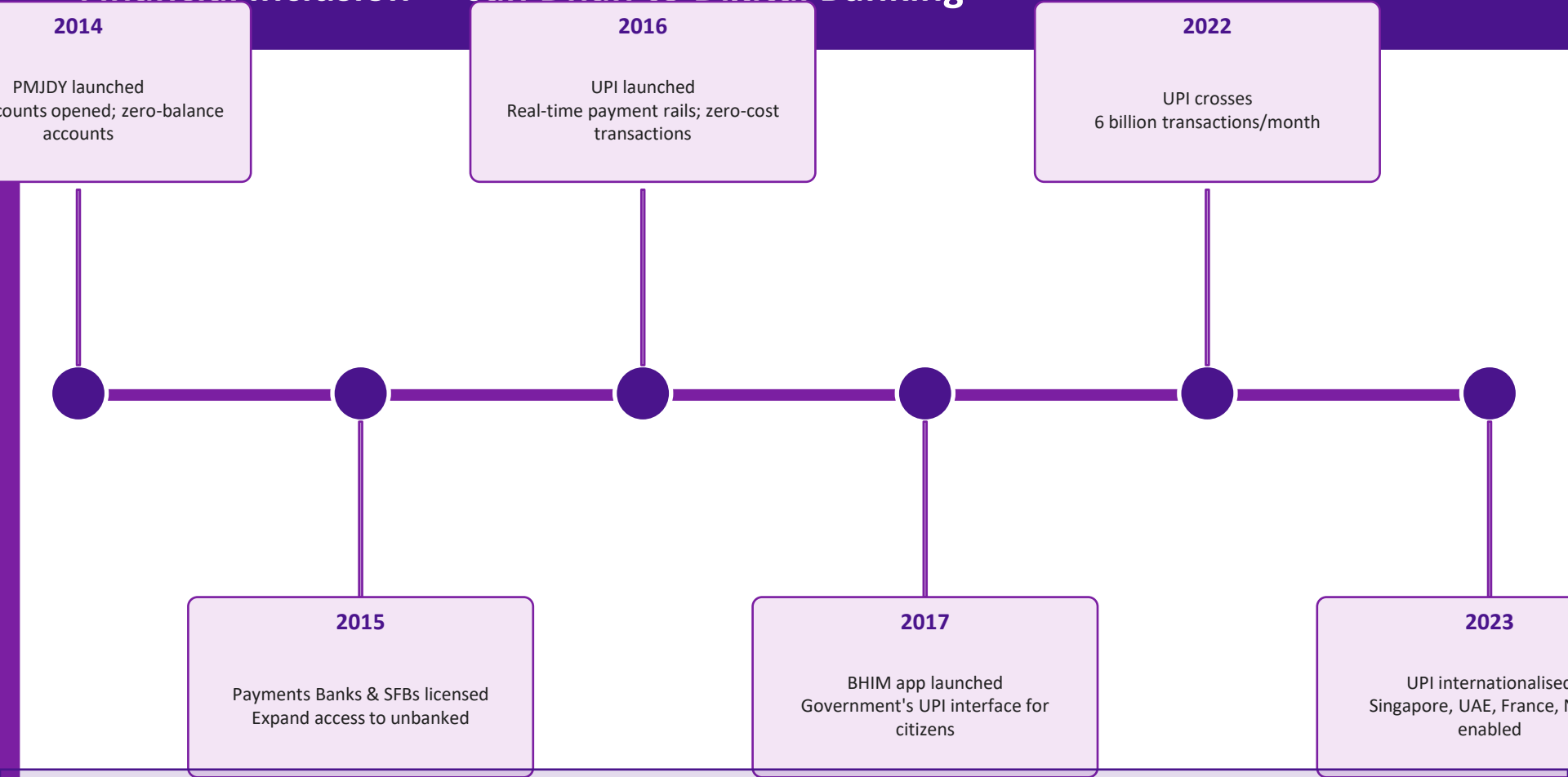
Recapitalisation

Govt infused ₹3.5 lakh cr into PSBs (2016-2021). PCA Framework for weak banks — restricts dividends, lending.

Basel III Norms

Capital Adequacy Ratio (CAR) minimum 11.5% for India. Tier 1 (equity) + Tier 2 (bonds). CRAR = Risk-weighted assets.

Financial Inclusion — Jan Dhan to Digital Banking



Banking Sector Reforms — Key Milestones

1

Nationalisation of Banks (1969 & 1980)

14 major banks in 1969, 6 more in 1980 under Indira Gandhi; social banking focus

2

Narasimham Committee I (1991) & II (1998)

Recommended capital adequacy norms, prudential norms, reduction in directed credit

3

SARFAESI Act (2002)

Securitisation & Reconstruction of Financial Assets & Enforcement of Security Interest Act — faster NPA recovery

4

Financial Resolution & Deposit Insurance (FRDI)

Proposed Bill (withdrawn 2018); Deposit Insurance: ₹5 lakh per depositor per bank (DICGC)

5

Prompt Corrective Action (PCA)

RBI framework for weak banks: triggers on NPA, CAR, ROA. Restricts branch expansion, dividends

6

Digital Banking Units (DBUs)

75 DBUs in 75 districts announced Budget 2022; paperless, doorstep banking services

Public vs Private Sector Banks

Public Sector Banks (PSBs)

VS

Private Sector Banks

Govt owns >50% stake

Privately owned; listed on exchanges

12 PSBs (post-consolidation 2019)

21 old + new private banks including foreign

SBI (largest), BoB, PNB, Canara etc.

HDFC, ICICI, Axis, Kotak, IDFC First etc.

Higher NPAs (legacy infrastructure loans)

Lower NPAs; better risk management systems

Social banking mandate; PSL compliance

Market-driven; efficiency-focused

74% of deposits, ~65% of credit in India

Growing market share; better tech, service

PYQ Spotlight — Banking (2015–2025)

UPSC 2016

Consider the following statements about 'IND-AS' (Indian Accounting Standards): Which statements are correct regarding adoption of IFRS by Indian banks?

◆ IFRS adoption improves transparency, helps global comparability. Expected Credit Loss model strengthens NPA recognition.

UPSC 2019

With reference to the difference between 'repo rate' and 'reverse repo rate', which of the following is/are correct?

◆ Repo: RBI lends to banks; Reverse Repo: RBI borrows from banks. MSF: banks borrow beyond limits. Corridor = Reverse Repo to MSF

UPSC 2023

With reference to 'Payment Banks' in India, which of the following statements is/are correct? [They can issue credit cards, accept demand deposits, etc.]

◆ Payment Banks CANNOT give loans or issue credit cards. They can accept deposits up to ₹2 lakh, issue debit cards, do remittances

Mains Keywords — Banking Quick Revision

1

Twin Balance Sheet Problem

Stressed corporate + stressed bank balance sheets; capital stuck in zombie firms; H. Subramanian analysis

2

Credit-Deposit (CD) Ratio

Loans given / deposits accepted. High CD ratio = aggressive lending; Low = surplus liquidity.

3

LIBOR → SOFR Transition

Global benchmark rate change (2023). India uses MCLR (Marginal Cost of Funds based Lending Rate)

4

Systemic Risk & TBTF

'Too Big to Fail' banks designated as D-SIBs (Domestic Systemically Important Banks): SBI, HDFC, ICICI

5

Core Banking Solution (CBS)

Centralised real-time banking — all branches connected. Prerequisite for digital banking transformation

6

Digital Rupee (CBDC)

RBI's Central Bank Digital Currency. Retail e₹ pilot launched 2022. Programmable, reduces cash handling cost

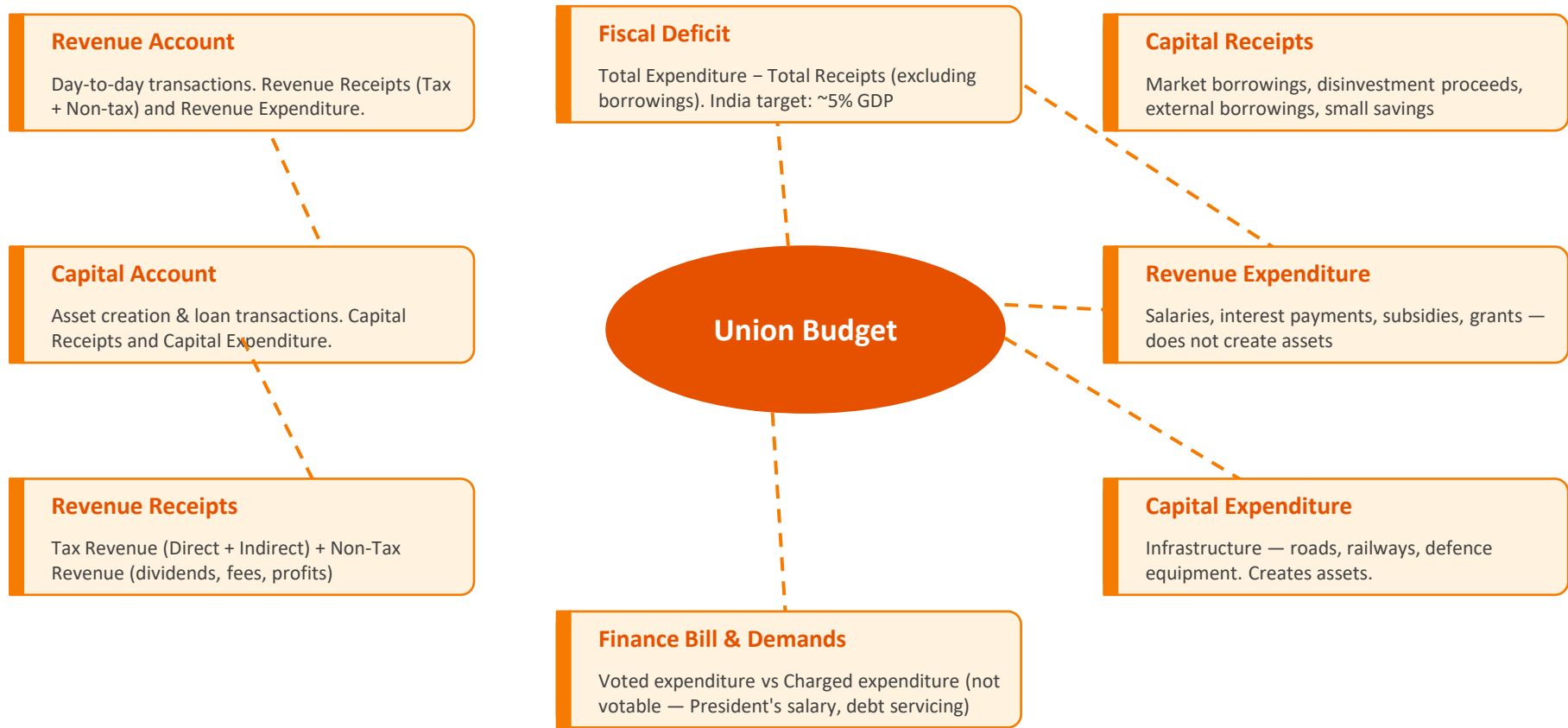
BUDGET

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Government Budget, Deficits & Fiscal Policy — The Annual Financial Statement

- Types of Budget — Revenue vs Capital
- Fiscal, Revenue & Primary Deficits
- FRBM Act & Targets
- Union Budget Process
- Fiscal Federalism & Finance Commission

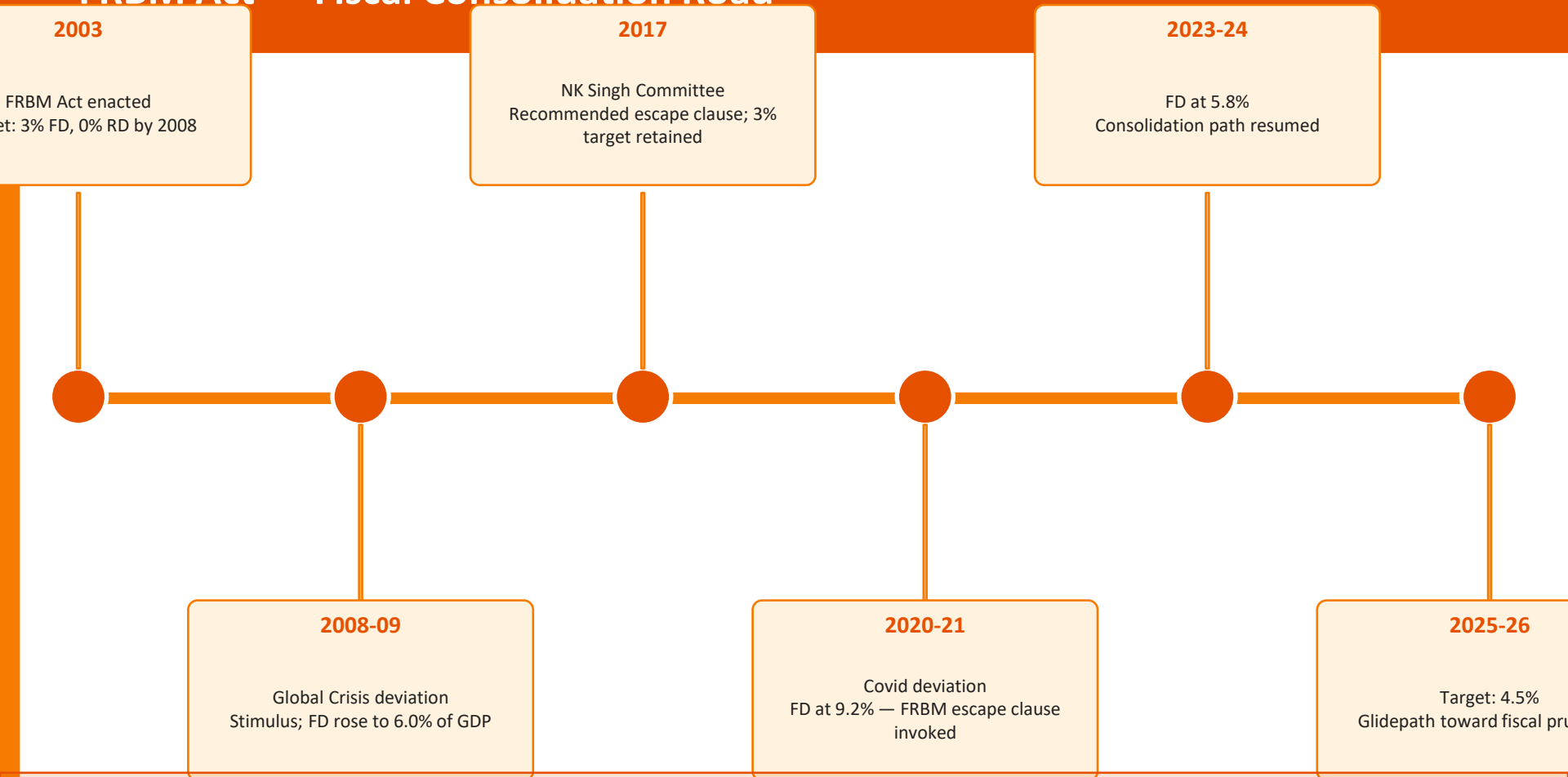
Structure of Union Budget



Types of Deficits — Simplified

Revenue Deficit	Revenue Expenditure – Revenue Receipts	Indicates govt borrowing for consumption; negative — reduces national savings
Fiscal Deficit	Total Expenditure – Total Receipts (excl. borrowings)	Also = Net RBI borrowing + Market borrowings + Small savings + External loans
Primary Deficit	Fiscal Deficit – Interest Payments	Excludes interest; shows govt's current fiscal management. If PD = 0, fiscal position stable
Monetised Deficit	Net RBI credit to Central Govt	When RBI prints money for Govt; inflationary financing; avoided in India since 1997

FRBM Act — Fiscal Consolidation Road



Budget 2024-25 — Key Numbers

Total Expenditure

₹47.7L Cr

7% increase from revised 2023-24 estimates

Capital Expenditure

₹11.1L Cr

Highest ever; 3.4% of GDP; infra push

Fiscal Deficit

4.9% GDP

Down from 5.8%; consolidation continues

Tax Revenue (Gross)

₹38.3L Cr

Direct tax growth 12%; GST collections robust

Key Insight

India's Union Budget 2024-25 (presented July 2024, post-election) emphasised capital expenditure as engine of growth, job creation through manufacturing incentives, and fiscal consolidation. Key priorities: PM Awas Yojana, PM Kisan, interest-free loans to states, PLI schemes and skilling. Defence: ₹6.2 lakh crore — largest allocation.

Types of Budget — Conceptual Framework

Balanced Budget

Expenditure = Revenue. Theoretical ideal; procyclical — cuts spending in recession; expansionary when not needed.

Deficit Budget

Expenditure > Revenue. Expansionary — boosts AD. Keynesian prescription for recession. Most govts run deficit budgets.

Surplus Budget

Revenue > Expenditure. Contractionary — reduces debt. Used during inflation. Norway, Singapore run surpluses.

Gender Budget

Analysis of budget through gender lens. India: Part A (100% women) + Part B (30-99% women). ~₹3 lakh cr (2024).

Green Budget

Climate finance, environmental spending. India's Green Bonds (₹16,000 cr 2023-24). Green taxonomy upcoming.

Zero-Based Budget

Every expense justified from zero each year. US Texas pioneered. PM advocated for India. Avoids incremental bias.

Fiscal Federalism — Centre-State Financial Relations

1

Finance Commission (Article 280)

Constituted every 5 years. 15th FC (NK Singh) operational 2021-26; recommended 41% vertical devolution to states

2

Vertical & Horizontal Devolution

Vertical: Centre-State split (41%). Horizontal: Distribution among states (equity, efficiency criteria)

3

GST Council & Compensation

GST compensation to states guaranteed for 5 years (ended June 2022). States lost autonomy over indirect taxes.

4

Grants-in-Aid (Article 275)

Mandatory + performance grants. 15th FC introduced new criteria: population (2011), area, forest cover, tax effort

5

State Fiscal Deficit Limits

States limited to 3% of GSDP. 15th FC allowed 4% with reforms. Borrowed from FRBM framework.

6

Centrally Sponsored Schemes (CSS)

Centre + State funded programmes. Core CSS (90:10 NE; 60:40 others). Drain on state resources; lack of flexibility.

Government Revenue Sources

Direct Taxes

VS

Indirect Taxes

Income Tax — individuals & corporates

GST — on goods & services (CGST + SGST + IGST)

Corporate Tax — profits of companies

Customs Duty — on imports; protectionist tool

Capital Gains Tax — STT, LTCG, STCG

Excise Duty — on petroleum (not under GST)

Wealth Tax (abolished 2015)

Service Tax (merged into GST from 2017)

Progressive — higher rate on higher income

Regressive — same rate for all income levels

~55% of gross tax revenue

~45% of gross tax revenue; GST = ₹1.6+ lakh cr/month

Subsidies — Types & Reforms

1

Major Subsidies in India Budget

Food (₹2.05 lakh cr), Fertiliser (₹1.64 lakh cr), Petroleum (₹4,000 cr in 2024). Together ~4% of expenditure

2

DBT — Direct Benefit Transfer

₹34 lakh crore transferred since 2013 via JAM trinity (Jan Dhan-Aadhaar-Mobile). Reduced leakage by 25%+

3

Food Subsidy — NFSA 2013

5 kg rice/wheat/coarser cereals at ₹1-3/kg to 81.3 crore beneficiaries. FCI manages procurement & distribution

4

Fertiliser Subsidy Reforms

NBS (Nutrient Based Subsidy) for P&K fertilisers; Urea under separate scheme. Neem-coating of urea introduced 2015

5

LPG Subsidy — PAHAL

World's largest DBT programme. Ujjwala Yojana: 10 cr free connections to BPL women. Give-it-up campaign

6

Subsidy Rationalisation Need

Many subsidies are poorly targeted; create market distortions; burden fiscal deficit; recommend shift to income transfers

PYQ Spotlight — Budget (2015–2025)

UPSC 2018

Consider the following statements regarding the Fiscal Responsibility and Budget Management Act: [1] Revenue deficit target: 0%; [2] Fiscal deficit target: 3% of GDP

✦ *FRBM 2003 original targets were Revenue Deficit 0%, Fiscal Deficit 3%. NK Singh 2017 review recommended debt-to-GDP as anchor*

UPSC 2021

Which of the following is/are the feature/features of 'National Pension System (NPS)'? [Defined contribution, tax-deductible, PFRDA-regulated]

✦ *NPS: Defined Contribution (not Benefit). Tax deductible under 80CCD(1B) extra ₹50,000. PFRDA regulates. Tier I mandatory.*

UPSC 2022

With reference to the Union Budget, which of the following is/are the reasons for presenting it on the 1st of February?

✦ *Budget shifted to Feb 1 from 2017 (under Jaitley) to allow full implementation before monsoon. Railway budget merged with Union Budget from 2017.*

Budget — Quick Mains Points

1

Capital Expenditure Multiplier Effect

₹1 public capex → ₹2.5-4 GDP boost. Infrastructure creates jobs, connectivity, private investment crowding-in

2

Revenue vs Capital Deficit Debate

Revenue deficit = borrowing for consumption = bad. Capital deficit = borrowing for investment = debatable

3

Off-Budget Borrowings Issue

FCI borrowings from NSSF earlier; REC/NABARD for govt projects. Understates true fiscal deficit.

4

MGNREGS — Demand-Driven Scheme

Not an entitlement; demand-driven. 100 days guaranteed employment. Wages: ~₹275-350/day. FY24 allocation: ₹60,000 cr

5

Outcome Budget & Gender Budget

Outcome Budget tracks results not just expenditure. Gender Budget now covers 27 ministries — 50th year in 2024

6

Key Budget Dates to Know

Article 110 (Money Bill), Article 116 (Vote on Account), Article 266 (Consolidated Fund), Article 267 (Contingency Fund: ₹500 cr)

TAXATION

52

Tax System, GST, Direct Taxes & India's Tax Reform Journey

- GST — Dual Structure & GSTN
- Income Tax Slabs & Corporate Tax
- Tax GDP Ratio & Reforms
- International Taxation — BEPS & Pillar Two
- Black Money & Benami Properties

GST — One Nation, One Tax

Dual GST Structure

CGST (Centre) + SGST (State) on intra-state. IGST (Centre) on inter-state. Destination-based consumption tax.

GST Rate Slabs

0% (essential goods), 5%, 12%, 18%, 28% + cess. ~99% goods under GST. Petrol/diesel NOT under GST yet.

GSTN — IT Backbone

GST Network — non-profit company. Manages taxpayer registration, returns, ITC matching. 1.4 crore GST taxpayers.

Input Tax Credit (ITC)

Tax paid on inputs can be offset against output tax. Eliminates cascading 'tax on tax' effect.

GST Council

Joint forum of Centre + States. Finance Minister chairs. ¾ majority for decisions. 55+ meetings held (2024).

GST Collections

₹1.6+ lakh crore monthly (2023-24 average). Revenue buoyancy has improved post-GST. Compliance improving.

Direct Tax System in India

1 Income Tax — New Regime vs Old Regime

New Regime (default 2023): 0% <₹3L, 5% 3-6L, 10% 6-9L, 15% 9-12L, 20% 12-15L, 30% >₹15L. No deductions.

2 Corporate Tax

Domestic companies: 22% (reduced from 30% in 2019); New manufacturing: 15% (before March 2024); Effective with surcharge ~25.2%

3 Capital Gains Tax Reform (2024)

Budget 2024: LTCG on equity raised to 12.5% (from 10%); STCG raised to 20% (from 15%); Indexation removed for property

4 Minimum Alternate Tax (MAT)

Companies must pay 15% of book profit even if regular tax is lower. Prevents zero-tax rich companies.

5 Tax-GDP Ratio

India: ~11.7% (2023-24) — low vs OECD avg 34%. Target: 15%. Revenue collection key challenge for development spending

6 Income Tax Returns Filed

8.18 crore ITRs filed (AY2023-24) — record high. Only 1.69 crore pay tax. Widening tax base — key priority.

GST vs Old Indirect Tax System

Pre-GST System

VS

Post-GST (from 2017)

Multiple taxes: Excise, VAT, Service Tax, CST, Octroi

Single GST (CGST+SGST+IGST); one registration

Tax on tax (cascading effect)

Seamless ITC; no cascading; uniform treatment

Different rates in different states

Uniform rates across India (mostly)

No input credit on services for manufacturers

Full ITC available across goods and services

Complex compliance; multiple returns

Simplified (in theory); GSTR-1, GSTR-3B, GSTR-2B

Petrol/diesel taxed at each stage

Petroleum still outside GST — states reluctant

Tax Reform Milestones — India

1991

Chelliah Committee
reformed tax structure; reduce
rates

2017

GST Launched (July 1)
One Nation One Tax; replaced 17+
levies

2022

Crypto Tax (30%+1%TDS)
Virtual Digital Assets taxed

2000

KELKAR Task Force
Lower tax, wider base; moderate
compliance

2019

Corp Tax Cut
30% → 22%; manufacturing: 25% →
15%

2024

Capital Gains Reform
LTCG 12.5%, STCG 20%; sim-
ple holding periods

International Taxation — BEPS & Pillar Framework

1

Base Erosion & Profit Shifting (BEPS)

OECD project to prevent MNCs shifting profits to low-tax jurisdictions. India participates in all 15 BEPS actions.

2

Pillar One — Profit Reallocation

Tax rights of largest MNCs (revenue >€20 bn) allocated to market jurisdictions. Benefit digital economy countries like India.

3

Pillar Two — Global Minimum Tax

15% minimum corporate tax globally (GloBE rules). 140+ countries agreed. Prevents race to the bottom.

4

Transfer Pricing Rules

Arm's length price for related-party transactions. India has strong TP provisions. Frequent litigation area.

5

GAAR — General Anti-Avoidance Rules

Effective 2017. Disallow 'impermissible avoidance arrangements'. Overrides tax treaties in extreme cases.

6

Equalization Levy (Digital Tax)

6% on online ads (2016), 2% on digital services from foreign e-commerce (2020). Temporary until Pillar One operational.

Black Money & Tax Evasion — Policy Response

1 Black Money (Undisclosed Foreign Income) Act, 2015

Targets foreign assets, offshore accounts. Tax 30% + 90% penalty. 1-10 years imprisonment.

2 Benami Transactions Prohibition Act (1988, amended 2016)

Property held in fictitious name to conceal ownership. Attachment and confiscation of benami assets.

3 PM Garib Kalyan Yojana (2016-17)

Post-demonetisation amnesty. Declare undisclosed income → 50% tax + penalty; 25% locked in deposits.

4 Income Tax Settlement Commission

Alternate dispute resolution forum. Abolished in 2021; Faceless Assessment and Vivad Se Vishwas scheme preferred.

5 Fugitive Economic Offenders Act (2018)

Declared FEOs (like Mallya, Nirav Modi) — attachment of properties. Enables extradition proceedings.

6 Shell Companies Crackdown

Post-demonetisation: 2+ lakh shell companies struck off. MCA-21 portal; directors blacklisted.

Tax Administration — CBDT & CBIC

CBDT

Central Board of Direct Taxes — under Finance Ministry. Administers Income Tax, Corporate Tax, Wealth Tax. Faceless Assessment 2020.

CBIC

Central Board of Indirect Taxes & Customs — administers GST (central portion), customs duty, central excise (petroleum).

Faceless Assessment

Introduced 2020 — random case allotment nationwide; no face-to-face assessment; AI-driven risk management. Reduces harassment.

Vivad Se Vishwas

2020 scheme: settle tax disputes by paying disputed tax. ₹54,000 cr settled. 2024 scheme extended for fresh disputes.

Annual Information Statement (AIS)

Comprehensive taxpayer financial statement: bank interest, dividends, mutual funds, property transactions. Prefilled ITRs.

GSTN & E-Invoicing

E-invoicing mandatory for turnover >₹5 cr (2024). Real-time ITC matching. Reduces fake invoicing significantly.

Tax Stats — India at a Glance

Gross Tax Revenue

₹34.4L Cr

FY24 actual; 17% growth. Direct tax > indirect tax now

Tax/GDP Ratio

11.7%

Central + State combined. Target: 15%+ for fiscal space

GST Monthly Avg

₹1.7L Cr

2024-25 average. ₹2.1 lakh cr record (April 2024)

Direct Tax Growth

18%

FY24; personal income tax surpassed corporate tax first time

Key Insight

India's tax base expansion is a critical fiscal challenge. Tax/GDP at 11.7% is among the lowest in G20 nations. Only 1.5% of Indians file ITR and pay taxes. The informal economy (~50% of GDP) is largely outside the formal tax net. GST formalization has brought 1.4 crore businesses into the tax net, creating positive momentum.

PYQ Spotlight — Taxation (2015–2025)

UPSC 2017

With reference to India's tax system, which of the following are the characteristics of 'Value Added Tax (VAT)?
[Destination-based, no cascading, multi-stage]

✦ VAT was origin-based before GST. GST is destination-based. VAT had cascading issues — service tax not creditable against VAT. GST resolved this.

UPSC 2020

Consider the following items: [1] Interest on loans from foreign institutions, [2] Payments made by the Indian firms for using patents, etc. Which constitute 'invisible trade'?

✦ Invisible trade = services trade (payments for intangibles). Includes royalties, interest payments, insurance, software exports — all invisible exports/imports.

UPSC 2023

With reference to the 'Goods and Services Tax' in India, which of the following is/are the features of the 'input tax credit'?

✦ ITC can be claimed on capital goods. ITC cannot be claimed for personal use. ITC reversal required for exempt supplies. GSTR-2B auto-populated ITC statement.

Taxation — Mains Answer Points

1

Laffer Curve & Optimal Tax Rate

Beyond a point, higher tax rates reduce revenue (tax evasion, distortions). India's corporate tax cut (2019) validates this.

2

Tax Expenditure — Hidden Subsidies

Revenue foregone due to exemptions. India: ~₹8-10 lakh crore annually. Budget documents disclose this.

3

Pigouvian Taxes — Externality Correction

Tax equal to external cost. Cigarette tax, carbon tax, sugar tax. Corrective, not merely revenue-raising.

4

GST on Petroleum — Key Debate

Including petroleum in GST would lower fuel prices, reduce inflation, boost efficiency. States resist as fuel taxes major revenue source.

5

Direct Tax Code (DTC) — Pending Reform

Simplification of IT Act 1961 (60-year old). DTC Task Force report 2019 submitted; awaits implementation

6

Wealth Tax Abolition (2015) — Analysis

Wealth Tax gave only ₹1,000 cr. Surcharge on HNIs more efficient. Equity concern — concentration of wealth.

AGRICULTURE

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India's Agriculture — Green Revolution to Farmer Welfare & Food Security

- Land Reforms & Green Revolution
- MSP, Procurement & FCI
- Irrigation & Water Management
- Agricultural Credit & Insurance
- Farm Laws Controversy & APMC

Agriculture in India — Key Stats

GDP Share

17%

Down from 50% post-independence.
GVA-wise; dominant in employment

Employment

45%

of India's workforce in agriculture.
Disguised unemployment prevalent

Net Sown Area

140 Mn Ha

India has 2nd largest agricultural
land globally. 60% rainfed.

Foodgrain Output

322 MT

2023-24 record production. Rice +
Wheat dominant crops.

Key Insight

Agriculture remains India's backbone despite low GDP share. The sector is plagued by disguised unemployment, small landholding (average 1.08 ha), monsoon dependence (60% rainfed), credit access issues and supply chain inefficiencies. UPSC Mains consistently asks about transforming agriculture and doubling farmer income.

Green Revolution to Evergreen Revolution

1960s

Green Revolution
seeds for wheat (Punjab,
Karnataka). MS Swaminathan.

1980s

Yellow Revolution
Oilseeds; Blue Revolution (fisheries);
Pink Revolution (meat)

2016-22

Farm Income Focus
PM-KISAN, PM-Fasal Bima; doubling
farmer income by 2022 target

1970s

White Revolution
Operation Flood; AMUL; Verghese
Kurien. Dairy cooperative.

2000s

Evergreen Revolution
MS Swaminathan — sustainable
productivity; ecological balance

2023+

Millet Revolution
International Year of Millet
Shree Anna promotion

MSP — Minimum Support Price Framework

1

What is MSP?

Minimum price guaranteed by Govt for 23 crops (14 kharif + 6 rabi + others). CACP recommends; Cabinet approves.

2

CACP — Commission for Agricultural Costs & Prices

Expert body that studies cost of production and recommends MSP. Considers A2+FL (actual paid out + imputed family labour) costs

3

A2, FL, C2 Cost Concepts

A2 = paid-out costs; FL = family labour value; C2 = A2+FL + imputed rent + capital. Swaminathan: $MSP = C2 + 50\%$

4

MSP for 2024-25 (Key Crops)

Paddy: ₹2,300/ql; Wheat: ₹2,275/ql; Cotton: ₹7,121/ql; Arhar: ₹7,550/ql

5

Procurement System

FCI + NAFED + state agencies procure. PDS distributes via ration shops. Buffer stock policy maintained.

6

MSP Debate — Legal Guarantee

Farm Laws 2020 protests demanded legal guarantee for MSP. Laws repealed 2021. Committee formed but no legislation yet.

Agricultural Schemes — Centre's Flagship Programmes

PM-KISAN

₹6,000/year in 3 installments to ~9 crore farmer families. Direct income support; covers small & marginal farmers.

PM-KISAN Samman

Pradhan Mantri Fasal Bima Yojana (PMFBY) — crop insurance. 2% premium for kharif, 1.5% rabi. ₹1.4 lakh cr claims paid.

PMKSY

PM Krishi Sinchayee Yojana — 'Har Khet Ko Pani'. Micro-irrigation: drip & sprinkler. 79 lakh hectares covered.

KCC

Kisan Credit Card — revolving credit for farmers at 4% interest (subsidised). 7+ crore cards issued.

e-NAM

National Agriculture Market — online trading platform. Connects 1,361 mandis across 23 states. Transparent price discovery.

RKVY

Rashtriya Krishi Vikas Yojana — state flexibility in agriculture spending. ₹10,433 cr allocation (2024-25)

APMC & Farm Reforms Controversy

APMC System (Traditional)

VS

Farm Laws 2020 Vision (Repealed)

State Agricultural Produce Market Committees regulate mandis

Farmers free to sell anywhere in India beyond APMC mandis

Mandatory procurement through licensed traders in mandis

Contract farming with corporates; price pre-agreed

Mandi fees & commissions reduce farmer net income

No mandi fees outside APMC yards; more competition

States benefit from mandi taxes (Punjab ₹3,500 cr/yr)

States feared revenue loss; APMC reform threat

Price discovery limited to local market

National integration; ONDC and e-NAM solutions

MSP procurement guaranteed via APMC/FCI

Corporates may bypass MSP; political flashpoint

Irrigation & Water Management

1

Irrigation Coverage in India

45% of gross cropped area is irrigated. Rest (55-60%) rainfed. Canal irrigation declining; groundwater dominant.

2

Groundwater Crisis

India = world's largest groundwater user. Punjab-Haryana over-extraction critical. CWMI: 21 cities may run out by 2030.

3

Pradhan Mantri Krishi Sinchayee Yojana (PMKSY)

Accelerated Irrigation Benefit Programme (AIBP) — complete stalled projects. 99 projects worth ₹86,000 cr targeted.

4

Micro-Irrigation Mission

Drip & sprinkler — 'More Crop Per Drop'. 79 lakh ha covered. Target: 10 million ha by 2025-26.

5

Jal Jeevan Mission

Tap water to every rural household by 2024. 15 crore connections created. Critical for agriculture communities.

6

Inter-State River Water Disputes

Cauvery (Karnataka-Tamil Nadu), Krishna (Andhra-Telangana), Mahanadi (Odisha-Chhattisgarh). Tribunal mechanism under Article 262.

Land Reforms & Landholding Pattern

1

Abolition of Zamindari System (1950s)

Post-independence land reform. Zamindars (intermediaries) abolished; land vested in state. Compensation controversy.

2

Land Ceilings Acts

State laws limiting max land ownership (2-18 acres depending on quality). Surplus land redistributed to poor. Largely unsuccessful.

3

Tenancy Reforms

Security of tenure; fair rent (max 25% of produce). Many states failed to implement. Absentee landlordism persisted.

4

Average Landholding Size

Declining: 2.28 ha (1970-71) → 1.08 ha (2015-16). 86% farmers are small/marginal (<2 ha). Fragmentation problem.

5

Digital Land Records (DILRMP)

Digital India Land Records Modernisation Programme. Computerised records in 6 lakh panchayats. Reduces litigation.

6

Land Acquisition Act 2013 (LARR)

Requires 70-80% consent; Social Impact Assessment; enhanced compensation (2x-4x market rate). Industry lobby to amend.

Agricultural Credit & Insurance

KCC Interest Rate	4% p.a. (subsidised by Govt)	2% interest subvention + 3% prompt repayment incentive effectively brings to 4% for timely repayers
Agri Credit Target	₹20 lakh crore (FY24-25)	Consistently exceeded. But quality: large portion goes to allied activities, not pure farming
PMFBY Premium	2% (kharif) / 1.5% (rabi) / 5% (horticulture)	Farmer pays only this; rest borne by Centre + State (50:50). Actuarial premium can be 10-15%
NABARD Refinance	Rural credit at lower rate to RRBs & co-ops	NABARD funds long-term and short-term agri credit. Rural Infrastructure Development Fund (RIDF)

PYQ Spotlight — Agriculture (2015–2025)

UPSC 2019

In India, in the overall Index of Industrial Production, the Indices of Eight Core Industries have combined weight of 40.27%. Which of the following are among those Eight Core Industries?

◆ *Eight core industries: Coal, Crude Oil, Natural Gas, Refinery Products, Fertilisers, Steel, Cement, Electricity. NOT agriculture-based.*

UPSC 2022

With reference to PM-KISAN scheme, which of the following statements is/are correct? [Eligibility, amount, registration]

◆ *PM-KISAN: ₹6,000/yr; Land-owning farmer families; Excludes institutional land-holders, income taxpayers; Self-registration on PM-KISAN portal*

UPSC 2024

Consider the following about 'Natural Farming': [1] No synthetic fertilisers; [2] Bharat Natural Farming Mission; [3] ZBNF is one form] Which are correct?

◆ *Natural Farming: zero budget (ZBNF by Palekar), cow-based inputs. Budget 2024-25 announced dedicated mission to promote natural/organic farming.*

Agriculture — Mains Themes

1

Doubling Farmer Income (DFI) — Analysis

Dalwai Committee (2016): Target 2022 — NOT income doubling. Real income to double via: productivity, costs reduction, MSP, diversification, non-farm income

2

PM-KISAN vs Loan Waiver Debate

Loan waivers: one-time, politically motivated, damages credit culture. PM-KISAN: regular income, better targeting, sustained support

3

Contract Farming — Opportunities & Risks

Opportunity: guaranteed market, tech transfer, quality produce. Risk: unequal bargaining power, dispute resolution, land sovereignty

4

Food Security vs Nutritional Security

Calorie sufficiency ≠ nutrition. Hidden hunger (micronutrient deficiency). POSHAN Abhiyan, nutri-cereals (millets) critical

5

Climate Change Impact on Agriculture

Erratic monsoon, heat stress, pest change. India loses 6-23% crop yields to CC. Adaptation: drought-tolerant seeds, crop insurance.

6

One District One Product (ODOP)

Agri export clusters, GI tags, FPOs (Farmer Producer Organisations) — aggregation mechanism for small farmers

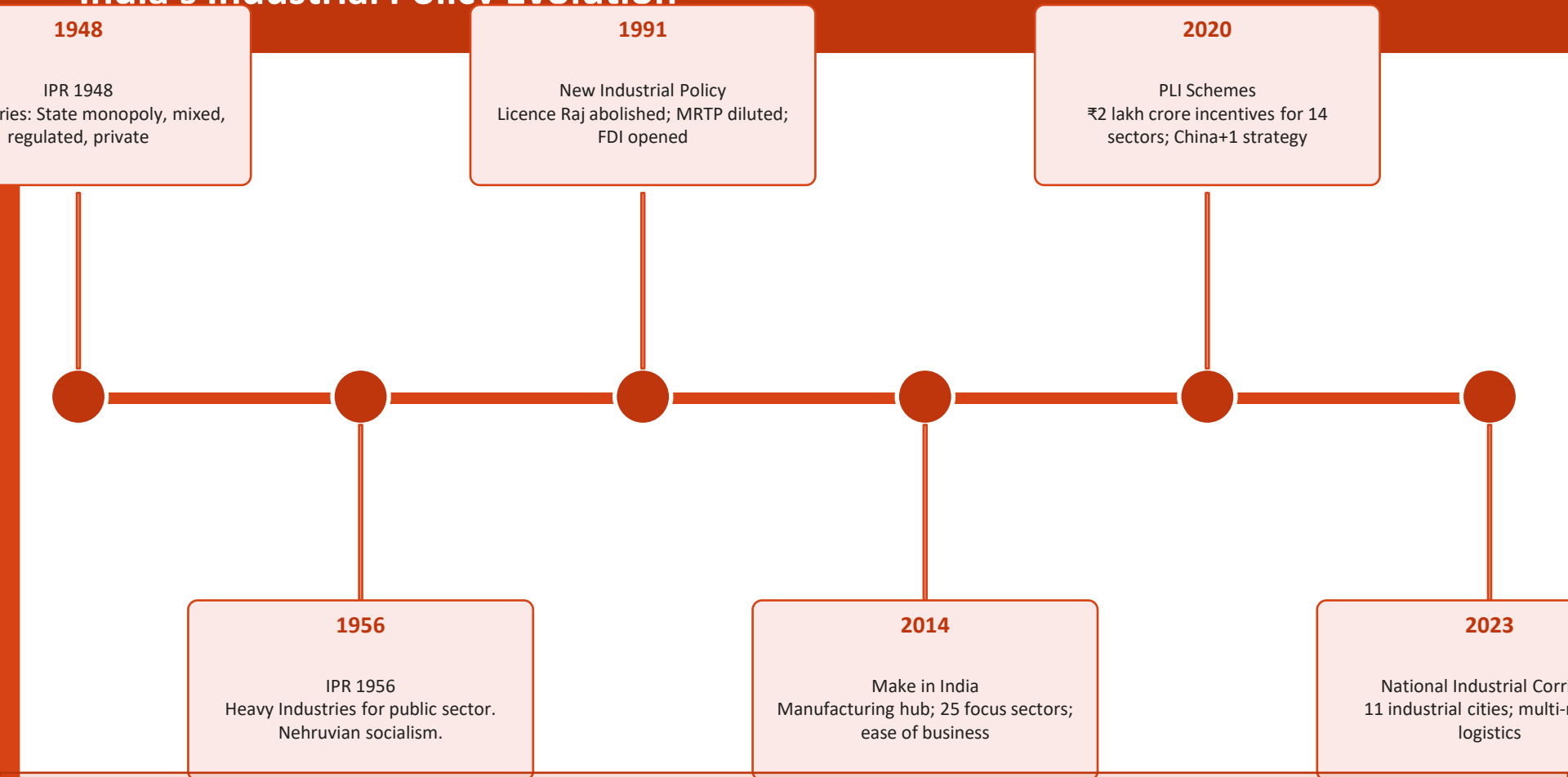
INDUSTRY

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Industrial Policy, Manufacturing, MSME & India's Make-in-India Vision

- Industrial Policy Resolutions (1948, 1956, 1991)
- Make in India & PLI Schemes
- MSME Sector & Support
- Infrastructure & Logistics
- SEZs & Industrial Clusters

India's Industrial Policy Evolution



Make in India — PLI Scheme Deep Dive

PLI Budget

₹1.97L Cr

14 sectors; 5-7 year incremental production incentives

Sectors Covered

14

Mobile phones, Pharma, EV batteries, Textiles, Steel, Solar, Autos etc.

Jobs Target

60 Lakh

Direct + indirect employment from PLI by 2026-27

Investment Target

₹3.2L Cr

Domestic + foreign investment attracted to PLI sectors

Key Insight

PLI (Production Linked Incentive) schemes offer 4-13% incentive on incremental sales for 5-7 years. Top performing sectors: Mobile phones (₹3.5 lakh crore production by 2023; Apple's iPhones made in India), Pharmaceuticals, Medical devices. Key challenge: technology intensive sectors still import-dependent. China+1 strategy is driving global supply chain shifts to India.

MSME Sector — The Backbone of Economy

MSME Definition (Revised 2020)

Micro: <₹1 cr investment, <₹5 cr turnover.
Small: <₹10 cr, <₹50 cr. Medium: <₹50 cr,
<₹250 cr turnover.

Economic Contribution

Contributes 30% of GDP, 45% of exports,
employs 11 crore people. 6.3 crore MSME
enterprises in India.

Credit Access

Udyam Registration mandatory. CGTMSE
guarantees — collateral-free loans up to ₹2
crore. TReDS for invoice discounting.

CHAMPIONS Portal

Creation & Harmonious Application of
Modern Processes for Increasing Output &
National Strength. Single-window
grievance.

MSME Schemes

MUDRA loans (Shishu/Kishor/Tarun), PM
Vishwakarma, KVI (Khadi Village Industries).
ZED certification for quality.

Challenges

Credit gap: ₹25 lakh crore unmet demand.
Informal nature. Technology gap. Covid
impact: 25%+ closure. GST compliance
burden.

IIP — Index of Industrial Production

1

What is IIP?

Monthly indicator measuring output of manufacturing, mining, electricity sectors. Base year: 2011-12. Released by MOSPI.

2

IIP Components

Manufacturing (77.6%), Mining (14.4%), Electricity (8%). Use-based: Primary, Capital, Intermediate, Consumer Durables/Non-Durables

3

Eight Core Industries

Coal, Crude Oil, Natural Gas, Refinery Products, Fertilisers, Steel, Cement, Electricity. Combined weight 40.27% in IIP.

4

IIP vs PMI

IIP: official, monthly, lag of 6 weeks. PMI: private (Nikkei/S&P), monthly, faster. PMI >50 = expansion; <50 = contraction.

5

IIP Trends (2023-24)

FY24 IIP grew 5.8% — led by capital goods (+9.9%) and construction materials. Consumer durables struggled.

6

Limitations of IIP

Misses services, unorganised manufacturing; base year revision needed; volatile monthly swings mislead.

Special Economic Zones (SEZs) & Industrial Corridors

1

SEZ Act 2005

Duty-free enclaves; single window approval; 100% FDI; tax holidays. 425+ notified SEZs. Surat Diamond SEZ world's largest.

2

SEZ Criticisms

Land acquisition issues; export performance mixed; tax revenue loss (₹1+ lakh crore annually); 'ghost zones' problem

3

Delhi-Mumbai Industrial Corridor (DMIC)

1,500 km corridor; 7 industrial smart cities (AURIC, Dholera etc.); Japan-financed; multi-modal connectivity

4

National Industrial Corridor Programme

11 corridors including DMIC, Chennai-Bengaluru, Bengaluru-Mumbai, Visakhapatnam-Chennai. Industrial cities along freight routes.

5

Dedicated Freight Corridors (DFC)

Eastern DFC (1839 km) + Western DFC (1504 km) complete 2023. Reduces logistics cost from 14% to 9% of GDP.

6

PM Gati Shakti — National Master Plan

Integrated infrastructure planning across 16 ministries. GIS-based; eliminates silo planning. Covers road, rail, port, waterway, aviation.

Manufacturing vs Services — The India Debate

Manufacturing Focus

VS

Services-Led Growth

Creates more jobs per unit of output

Higher value addition per employee

Absorbs unskilled labour from agriculture

Requires skilled, educated workforce

China model — export-led manufacturing growth

India's organic strength — IT, ITES, finance

India manufacturing share: 17% (stuck)

Services share: 55% (growing rapidly)

Infrastructure deficit limits manufacturing

Digital infrastructure supports services boom

NMP (National Manufacturing Policy): target 25% of GDP

Services already sustainable without policy push

Semiconductor & Deep Tech Industries — Emerging Focus

1

India Semiconductor Mission (ISM)

₹76,000 crore incentive for semiconductor fabs. Micron (Sanand, Gujarat), Tata Electronics (Dholera) — first fabs announced 2024.

2

Why Semiconductors Matter

Every device needs chips. Import bill \$4 bn/year. By 2030: India's semiconductor market projected at \$100 bn.

3

Space Economy — IN-SPACE

Private sector in space: Agnikul Cosmos (3D-printed rocket), Skyroot, Pixxel. India space economy target \$44 bn by 2033.

4

Green Hydrogen Mission

₹19,744 cr incentive. Target: 5 million tonne production by 2030. India to be green hydrogen export hub.

5

Defence Manufacturing — Aatmanirbhar

Positive indigenisation lists (537+ items). Target ₹1.75 lakh crore defence exports by 2025. Positive list = must buy from domestic sources.

6

Drone & EV Sector

PLI for drones; drone corridor (Ganga expressway). EV: 30% EV penetration by 2030 target. FAME II subsidy scheme.

Ease of Doing Business & Investment Climate

EoDB Journey

India improved from rank 142 (2014) to 63 (2019) in World Bank EoDB. WB discontinued index in 2021 (controversy). Business Ready 2025 replacing.

FDI in India

FDI record: \$84 bn (FY22). Decline to \$71 bn (FY23), \$44 bn (FY24). Services, IT, telecom, auto top recipients.

Insolvency Framework

IBC 2016 transformed resolution: average 508 days (2023) vs years earlier. ₹3.16 lakh crore recovered till 2024.

Jan Vishwas Act 2023

Decriminalized 183 provisions across 42 laws. Converts imprisonment to fines for minor violations. Reduces compliance burden.

Industrial Disputes

Labour codes (4 codes replacing 29 laws): Wages, Industrial Relations, Social Security, Occupational Safety. Ease of hiring/firing for MSMEs.

GII Ranking

Global Innovation Index: India 40th (2023) — up from 81st in 2015. Strong in ICT, market sophistication. Weak in human capital.

PYQ Spotlight — Industry (2015–2025)

UPSC 2017

Consider the following statements about the National Manufacturing Policy, 2011: [1] Targets 25% share in GDP; [2] Create 100 million jobs by 2022] Which are correct?

✦ *NMP 2011: 25% GDP share + 100 million jobs in a decade. Make in India (2014) built on this foundation. Both statements TRUE.*

UPSC 2021

With reference to the 'Pradhan Mantri Mudra Yojana', consider the following statements: [Three categories: Shishu/Kishor/Tarun, their loan limits, who can avail]

✦ *MUDRA: Shishu (up to ₹50,000), Kishor (₹50,000–5L), Tarun (₹5L–10L). Non-corporate, non-farm small/micro enterprises. Non-collateral loans.*

UPSC 2023

With reference to the Insolvency and Bankruptcy Code, 2016, which of the following statements is/are correct?

✦ *IBC: Time-bound resolution (330 days max). Creditor-in-control (not debtor). NCLT for corporate, DRT for individuals. CoC (Committee of Creditors) decides resolution plan.*

Industry — Mains Answer Points

1 Why India's Manufacturing Remains Stuck at 15-17%?

Power costs, logistics, land acquisition, rigid labour laws, poor infrastructure, skills gap, China competition

2 China+1 Strategy — Opportunity for India

Geopolitical reorientation post-COVID. Apple, Samsung, Foxconn moving production to India. Vietnam also benefiting.

3 Logistics Cost Reduction

India logistics cost: 14% of GDP vs China 8%, Germany 6%. DFC, SAGARMALA, BHARATMALA, Gati Shakti reducing this

4 MSME Credit Gap — Policy Solutions

TReDS (invoice discounting), CGTMSE (guarantee), SIDBI, Udyam portal, OCEN (Open Credit Enablement Network)

5 PLI Success & Challenges

Mobile phones (₹4L cr output) — success. Others lagging: complex eligibility criteria, land acquisition delays, R&D gap

6 Industry 4.0 & Future of Manufacturing

AI, robotics, IoT transforming factories. India needs to leapfrog to smart manufacturing. Skill India critical.

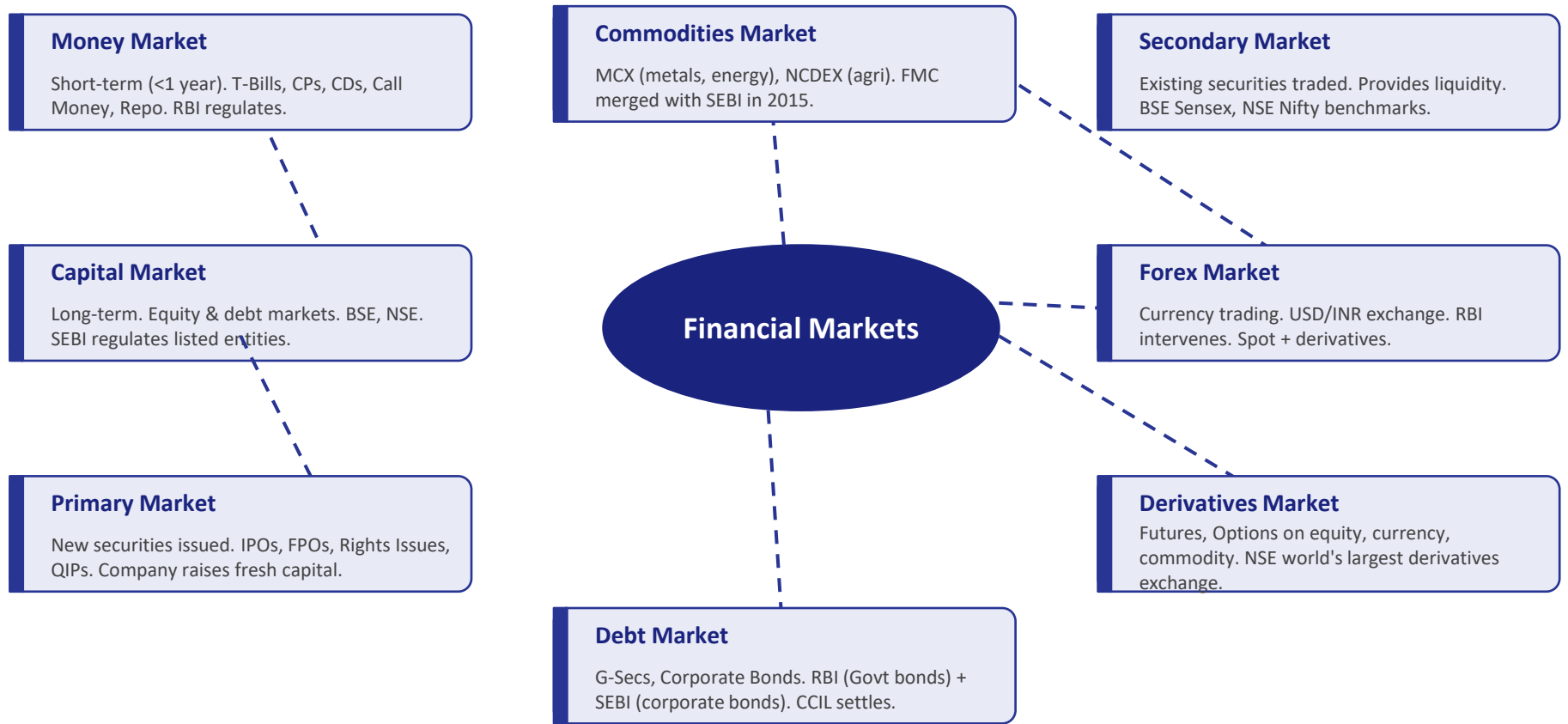
FINANCIAL MARKETS

82

Capital Markets, Money Markets, SEBI & India's Financial Architecture

- Money Market vs Capital Market
- Stock Exchange — BSE, NSE, SEBI
- Government Securities Market
- Mutual Funds, Insurance, PFRDA
- Fintech & Digital Finance

Financial Market Structure — India



SEBI — Securities & Exchange Board of India

1

SEBI Establishment & Mandate

Set up 1988; statutory power via SEBI Act 1992. Triple mandate: protect investors, develop markets, regulate securities market.

2

SEBI's Powers

Quasi-legislative (make rules), quasi-executive (inspect/investigate), quasi-judicial (adjudicate disputes). SAT is appellate body.

3

Key SEBI Regulations (Recent)

F&O lot size revision (2024), SME IPO regulations tightened, AI/Algorithm trading disclosure norms, ESG rating rules

4

IPO Reforms

T+6 to T+3 to T+1 settlement (2023). Reduced blocking of funds. UPI mandate for retail IPO applications (ASBA).

5

Insider Trading Rules

SEBI (PIT) Regulations 2015. Structured Digital Database mandatory. 60-day trading window concept.

6

SEBI vs NSE Co-location Scam

High-frequency traders got early market data access. NSE banned from raising funds. Governance reforms in exchanges.

Stock Market Indicators

BSE Sensex

75,000+

30 blue-chip stocks. Asia's oldest exchange (1875). Market cap >\$4 trillion

NSE Nifty 50

22,000+

50 largest companies. NSE = world's #1 derivatives exchange by volume

Market Cap/GDP

~130%

Buffett indicator. India above emerging market average. Maturity indicator.

Demat Accounts

15 Cr+

Record growth post-COVID. 4x increase in 4 years. Retail investor surge.

Key Insight

India's stock market has seen unprecedented retail participation post-2020. Systematic Investment Plans (SIPs) in mutual funds cross ₹20,000 crore per month (2024). NSE's derivatives volume makes it the world's largest in equity derivatives. The 'financialization' of Indian households is a structural shift — UPSC Mains asks about opportunities and risks of this trend.

Money Market Instruments — Quick Guide

Treasury Bills (T-Bills)	91, 182, 364-day short-term Govt borrowing	Issued at discount; redeemed at face value. Zero default risk. Benchmark for short-term rates.
Commercial Paper (CP)	Corporate short-term borrowing (7 days – 1 year)	Rating mandatory (minimum A2+). Issued at discount. Corporations, PDs, AIFIs issue CPs.
Certificate of Deposit (CD)	Bank-issued negotiable instrument (7 days – 1 year)	Issued by scheduled commercial banks. Minimum ₹1 lakh. Not foreclosable before maturity.
Call/Notice Money	Overnight (call) or 2-14 day (notice) interbank lending	Highly liquid; Mumbai call money market. Banks maintain CRR using call money.

Mutual Funds & Wealth Management

MF Industry Size

AUM: ₹55+ lakh crore (2024). ~50 AMCs.
SIP inflows: ₹21,000+ cr/month.
Democratizing investing.

SEBI MF Categories

Equity (growth), Debt (income), Hybrid (balanced), Solution-oriented, Other schemes. SEBI categorisation 2017 — standardised.

SIP — Systematic Investment Plan

Regular fixed investment; rupee cost averaging; long-term wealth creation. 8.5+ crore SIP accounts active (2024).

AMFI

Association of Mutual Funds in India — self-regulatory body. 'Mutual Funds Sahi Hai' campaign. AMFI registered distributors (ARNs).

ELSS — Tax-saving MFs

Equity Linked Savings Scheme: ₹1.5 lakh deduction (80C). 3-year lock-in (shortest). Equity exposure with tax benefit.

Debt MF Taxation Change (2023)

Budget 2023: Debt MF LTCG indexation removed; taxed at slab rate. Shifted investors to bonds and equity MFs.

Insurance Sector — IRDAI Reforms

1

IRDAI — Insurance Regulatory Authority

IRDAI Act 1999; regulates life, non-life, health insurance. Bima Trinity: Bima Sugam, Bima Vahak, Bima Vistaar.

2

Insurance Penetration — India's Challenge

India insurance penetration: 4% of GDP vs world average 7%. Target: Insurance for All by 2047. Only 3.7% have health insurance.

3

FDI in Insurance

Raised from 49% to 74% (Budget 2021). Insurance intermediaries: 100% FDI. Attracts foreign capital, expertise.

4

PM Jeevan Jyoti Bima Yojana (PMJJBY)

₹436/year; ₹2 lakh life cover. PM Suraksha Bima (PMSBY): ₹20/year; ₹2 lakh accidental death/disability.

5

Ayushman Bharat — Pradhan Mantri Jan Arogya Yojana

₹5 lakh health cover per family per year for bottom 40%. 55 crore beneficiaries. World's largest public health insurance.

6

Crop Insurance (PMFBY)

World's largest crop insurance scheme by farmer enrolment. 6.37 crore farmers enrolled (2023). ₹1.4 lakh crore claims since launch.

Government Securities Market

G-Secs (Govt Securities)

VS

Corporate Bond Market

Issued by Central & State Govts. Zero default risk.

Issued by corporates. Credit rating mandatory.

Regulatory: RBI (primary); SEBI (secondary)

Regulatory: SEBI (primary + secondary markets)

Market size: ~₹100 lakh crore outstanding

Market size: ~₹45 lakh crore (underdeveloped)

SLR banks mandated to hold G-Secs

No mandatory holding; market-driven demand

G-SAP: RBI buys G-Secs to manage yields

Partial credit guarantee scheme for bonds

FPIs allowed: up to 6% of outstanding in G-Secs

FPIs can invest in corporate bonds; VRR route

Fintech & Digital Finance Revolution

1

UPI — Unified Payments Interface

NPCI's 24x7 real-time payment system. 10 billion+ transactions/month (2024). Zero MDR for merchants. 350+ banks live on UPI.

2

Account Aggregator Framework

Consent-based financial data sharing. Enables credit assessment without physical documents. 100+ FIPs & FIUs live (2023).

3

ONDC — Open Network for Digital Commerce

Democratize e-commerce; challenge Amazon/Flipkart duopoly. Buyer and seller on different apps; interoperable network.

4

Digital Rupee (CBDC)

RBI launched retail e-Rupee (2022). Programmable money; offline capability; no interest unlike bank deposits.

5

GIFT City — IFSCs

Gujarat International Finance Tec-City: offshore financial centre. IFSCA regulates. NSE IFSC, BSE IFSC, insurance, banking in USD.

6

Regulatory Sandbox (RBI/SEBI)

Allows fintech startups to test products in controlled environment. Promotes innovation with regulatory oversight.

PYQ Spotlight — Financial Markets (2015–2025)

UPSC 2017

With reference to 'Pradhan Mantri Mudra Yojana', consider the following statements. The loans under this scheme are treated as priority sector lending.

◆ *PMMY loans classified as PSL under micro enterprises. Loans up to ₹10 lakh via Shishu/Kishor/Tarun categories through banks/MFIs/NBFCs.*

UPSC 2020

With reference to the Monetary Policy Committee (MPC), which of the following statements are correct? [6 members, majority vote, RBI Governor has casting vote]

◆ *MPC: 3 RBI + 3 Govt nominees. Decisions by majority. Governor has casting vote in case of tie. External members: 4-year term, non-renewable.*

UPSC 2023

Which of the following statements are correct about 'Account Aggregator' framework? [Role, consent, categories]

◆ *AAs are NBFC-AAs regulated by RBI. They don't store data — just fetch & share with user consent. FIP (data holder) + FIU (data user) ecosystem.*

Financial Markets — Key Terms Revision

1

Circuit Breakers

SEBI-mandated: 10%/15%/20% index movement triggers halt of 45 min/1 hr 45 min/rest of day. Prevents panic crashes.

2

Short Selling & Margin Trading

Selling borrowed shares expecting price fall. Margin trading: using borrowed money to buy more. Both regulated by SEBI.

3

Participatory Notes (P-Notes)

Offshore derivatives issued by FPIs to foreign investors not registered in India. SEBI has tightened P-Note regulations.

4

ESG Investing

5

Sovereign Gold Bond (SGB)

Govt-issued bonds backed by gold price. 2.5% interest + gold appreciation. Reduces physical gold imports.

6

SARFAESI in Capital Markets

Allows banks to enforce security interest (sell pledged shares) without court order. Speeds NPA resolution.

INTERNATIONAL TRADE

92

Trade Theories, Balance of Payments, WTO & India's Trade Policy

- Comparative Advantage & Trade Theories
- Balance of Payments — Current & Capital Account
- WTO — Agreements & Disputes
- India's Trade Policy & Export Schemes
- Currency & Exchange Rate Policy

Trade Theories — Classical to Modern

Absolute Advantage (Adam Smith)

Country produces what it's absolutely better at. Trade gains from specialization. Limited — what if one country better at everything?

Comparative Advantage (Ricardo)

Trade based on RELATIVE efficiency, not absolute. Even weaker country gains by exporting what it's relatively better at.

Heckscher-Ohlin Theory

Countries export goods using their abundant factors. India (labour-abundant) should export labour-intensive goods.

Intra-Industry Trade (Krugman)

Similar countries trade similar goods (e.g., Germany exports BMW, imports Mercedes). Economies of scale, variety.

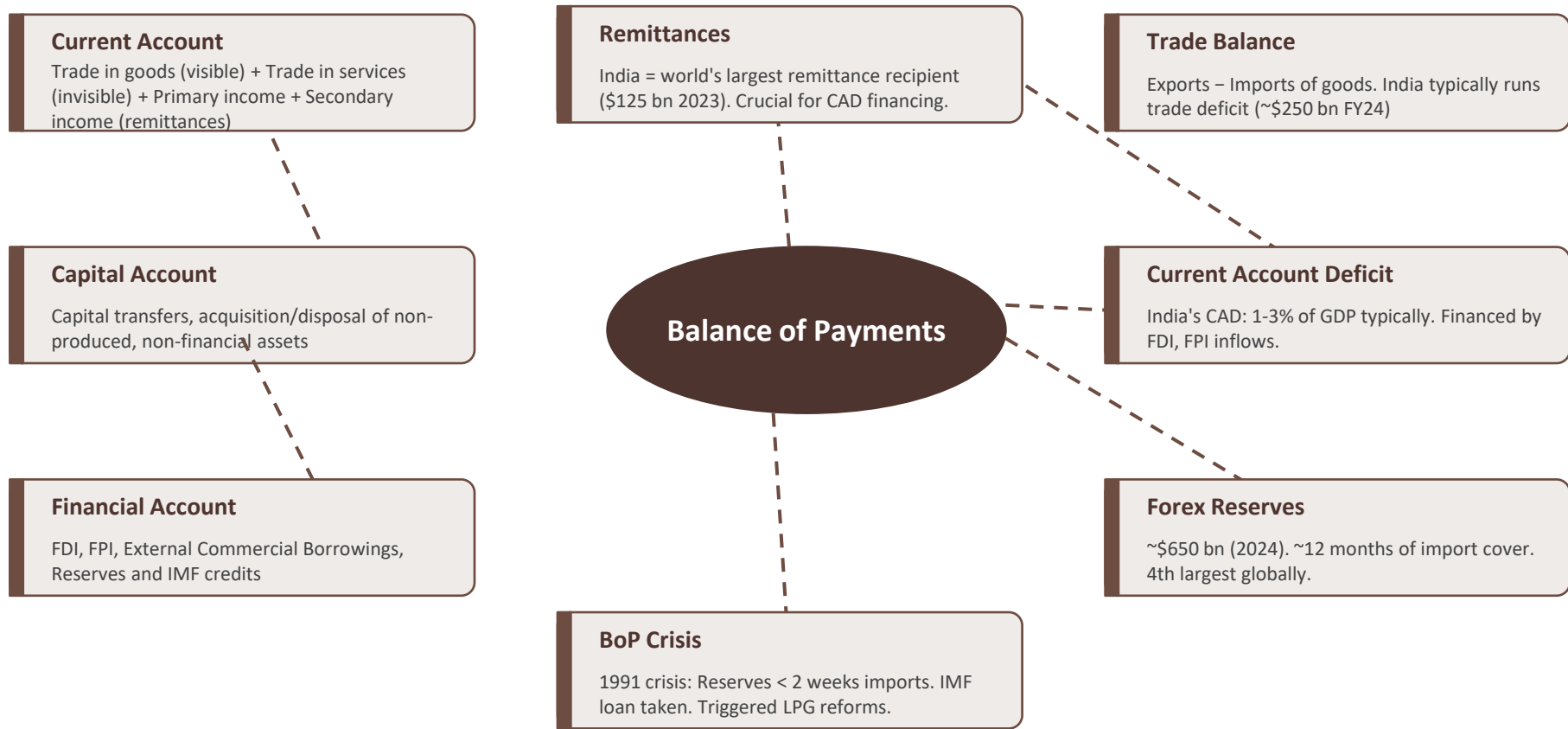
New Trade Theory

Economies of scale, first-mover advantage justify trade protection temporarily. Industrial policy can create competitive sectors.

Diamond Model (Porter)

4 determinants of national advantage: Factor conditions, Demand conditions, Related industries, Firm strategy & rivalry.

Balance of Payments — Complete Picture



India's Trade Profile

Merchandise Exports

\$437 Bn

FY24. Engineering goods, petroleum products, gems & jewellery top exports

Services Exports

\$341 Bn

FY24. IT/software, business services, travel. World's 7th largest services exporter

Merchandise Imports

\$678 Bn

FY24. Crude oil (21%), gold, electronics, machinery — top imports

Trade Deficit

\$241 Bn

FY24. Services surplus (~\$160 bn) reduces overall CAD significantly

Key Insight

India's trade structure reveals a critical vulnerability: petroleum imports (~\$180 bn) account for 26% of merchandise imports. This makes India susceptible to global oil price shocks. Reducing oil import dependence through EVs, ethanol blending, and renewable energy is both an energy security and trade balance priority. Software/IT services exports provide a structural surplus in the invisible trade account.

WTO — Structure & Key Agreements

1

WTO Establishment & Mandate

Successor to GATT; established 1995 (Uruguay Round). Promotes free trade; dispute settlement; 164 members; HQ Geneva.

2

Key WTO Agreements

GATT (goods), GATS (services), TRIPS (intellectual property), TRIMS (investment measures), Agreement on Agriculture (AoA)

3

MFN & National Treatment Principles

MFN: treat all WTO members equally. National Treatment: imported goods treated same as domestic (once inside border).

4

India & WTO — Key Disputes

India won: US solar panels (domestic content requirement). India lost: sugar subsidies case (Brazil, Australia, Guatemala, 2021)

5

Public Stockholding for Food Security

India's demand: permanent solution for MSP procurement within AoA. Peace clause adopted 2013. Doha Round stalled.

6

MC13 (Abu Dhabi 2024)

13th Ministerial Conference. India blocked fisheries subsidies deal on sovereignty grounds. TRIPS waiver for vaccines — partial.

India's Export Schemes & Trade Policy

DGFT & FTP

Foreign Trade Policy 2023 (valid 5 years). Targets \$2 trillion exports by 2030. Amrit Kaal vision. DGFT administers.

RoDTEP Scheme

Remission of Duties & Taxes on Export Products. WTO-compliant replacement for MEIS. Refunds embedded taxes not refunded elsewhere.

Export Promotion Zones

SEZs, EOUs (Export Oriented Units), EPZs. Duty-free imports, tax holidays. Problems: land, tax, linkage with domestic economy.

ECGC

Export Credit Guarantee Corporation — insures against buyer/country risk. Enables exporters to offer credit to foreign buyers.

Logistics & Trade Facilitation

India rank 38 in Logistics Performance Index (2023). Sagarmala (ports), Bharatmala (roads), single window customs (SWIFT).

FTAs & Trade Agreements

India-UAE CEPA (2022), India-Australia ECTA (2022). Negotiations: India-EU FTA, India-UK FTA, India-Canada FTA ongoing.

Exchange Rate Management

1

Fixed vs Flexible Exchange Rate

Fixed: govt pegs currency (Bretton Woods system ended 1971). Flexible (floating): market determines. India: managed float.

2

India's Exchange Rate Regime

'Managed float' — market determines INR/USD but RBI intervenes to reduce volatility. Not pegged; not freely floating.

3

Currency Depreciation vs Devaluation

Depreciation: market-driven fall. Devaluation: deliberate govt reduction. India devalued in 1966, 1991. INR fell from ₹46 to ₹83+ vs USD (2008-2024)

4

J-Curve Effect

After depreciation, trade deficit initially worsens (contracts set in old rate) before improving as export competitiveness kicks in.

5

Real Effective Exchange Rate (REER)

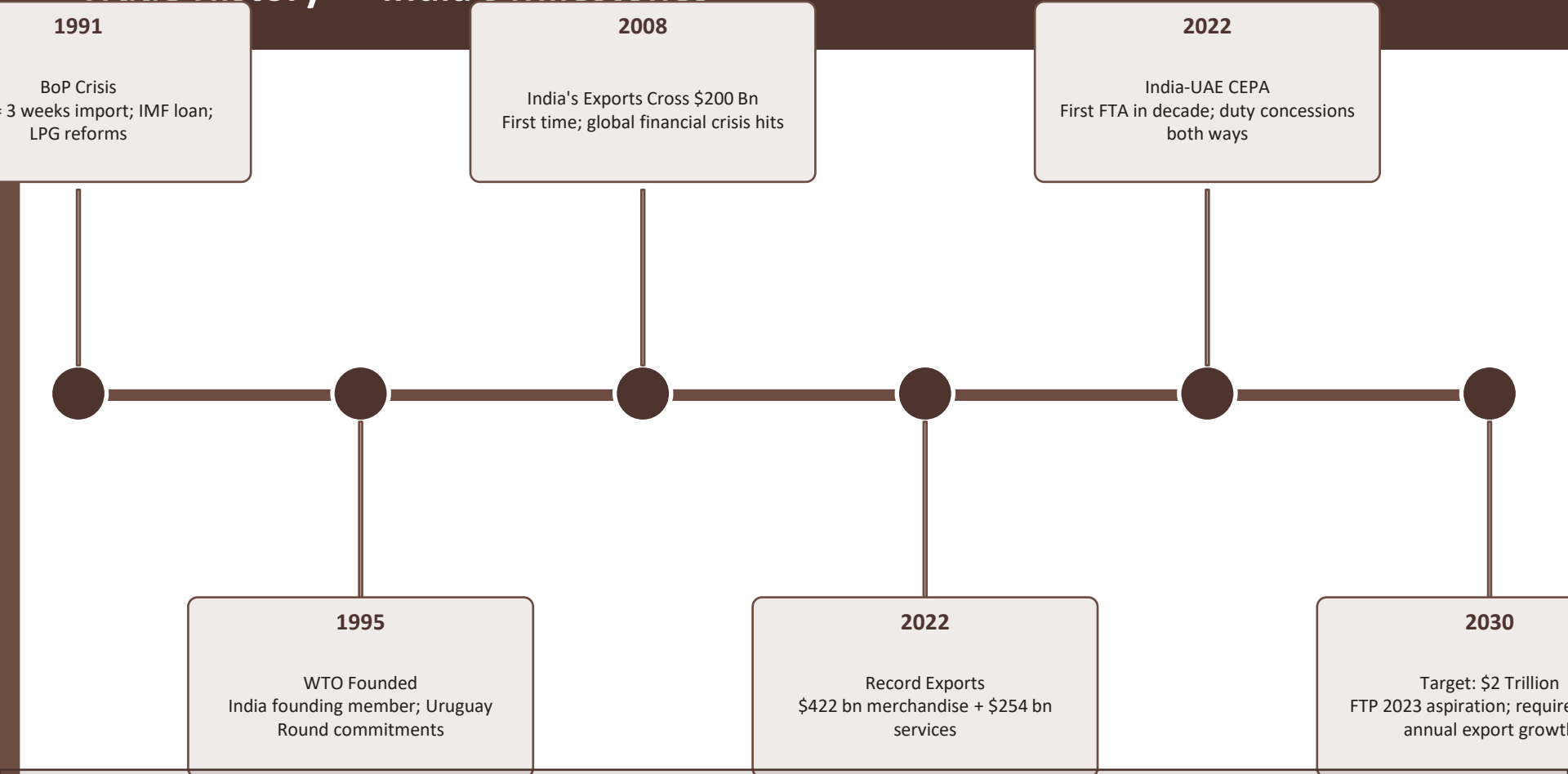
Nominal rate adjusted for inflation differentials. India's REER appreciation = exports becoming less competitive despite nominal stability.

6

Forex Reserves Management

India: \$650 bn forex reserves (2024). Held in USD, gold, SDRs. Used to stabilize INR; provides import cover buffer.

Trade History — India's Milestones



Protectionism vs Free Trade

Arguments FOR Protectionism

VS

Arguments FOR Free Trade

Infant industry protection: nurture domestic firms

Employment protection from cheaper imports

National security: strategic sectors must be domestic

Revenue: import duties generate Govt income

Retaliation tool: bargaining chip in negotiations

India's atma nirbharta — self-reliance narrative

Comparative advantage: efficient global resource allocation

Consumer surplus: lower prices, wider choice for consumers

Economies of scale: larger markets reduce per-unit cost

Technology transfer: FDI brings know-how and innovation

Avoids retaliatory trade wars; better bilateral relations

Integration reduces conflict; economic interdependence = peace

PYQ Spotlight — International Trade (2015–2025)

UPSC 2016

With reference to Trade-Related Investment Measures (TRIMS), which of the following are consistent with WTO rules?
[Local content requirement, technology transfer, export performance requirements]

◆ TRIMS Agreement prohibits trade-related investment measures inconsistent with GATT (Article III & XI). Local content requirements for FDI are generally prohibited under TRIMS.

UPSC 2021

With reference to India's trade with other countries, which of the following has the maximum contribution to India's trade deficit?

◆ China consistently tops India's bilateral trade deficit (\$80-100 bn/year). Electronics, solar panels, machinery are key imports. India-China trade imbalance is a strategic concern.

UPSC 2024

Consider the following statements regarding 'Current Account Deficit' of India: [1] It increases when imports of goods increase; [2] Remittances from abroad reduce CAD]

◆ Both correct. Remittances (secondary income) reduce CAD. $CAD = \text{Trade deficit in goods} + \text{Services deficit} + \text{Primary income deficit} - \text{Remittances/transfers received}$.

International Trade — Mains Themes

1

De-dollarisation & Rupee Trade

India pushing for trade in INR (Russia, UAE). Benefits: reduces forex risk, saves conversion costs. Challenges: rupee not fully convertible.

2

China Dependence — India's Strategic Dilemma

China = India's largest import source (~\$100 bn deficit). Electronics, APIs, telecom equipment. Security vs economic cost tradeoff.

3

Services Trade — India's Comparative Advantage

Software, IT-BPM, professional services. India's 'invisible surplus' finances a large portion of merchandise trade deficit.

4

Special Drawing Rights (SDRs)

IMF's reserve asset, not a currency. India's SDR quota determines voting rights and borrowing capacity. India's quota: 2.75% (proposed reform pending)

5

India's WTO Stance on Agriculture

Permanent solution for Public Stockholding. India-led coalition of developing countries. Conflict: AoA subsidy limits vs food security needs.

6

Trade + Climate: Carbon Border Adjustment Mechanism

EU's CBAM (2026) — carbon tariff on imports. India's steel, aluminium, fertiliser exports affected. Push for common but differentiated responsibilities.



REVISION COMPLETE!

10 Topics · 100 Slides · UPSC Economics Mastery

✓ Basics of Indian Economy

✓ Inflation & Monetary Policy

✓ Union Budget & Deficits

✓ Agriculture & Food Security

✓ Financial Markets & SEBI

✓ National Income & GDP

✓ Banking System & RBI

✓ Tax System & GST

✓ Industry & Manufacturing

✓ International Trade & BoP

Best wishes for your UPSC journey! IN