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Module A: Indian Economic Architecture

Chapters 1-11 · 68 pages

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Fact-checked & current

Up to date till 30 June 2026.

Chapter-wise key points

Crisp bullets and summary tables for each chapter.

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CHAPTER 1. AN OVERVIEW OF INDIAN ECONOMY

Evolution of Indian Economy

- **Angus Maddison** (PPP): India + China produced about **half of world GDP** for most of the last millennium.
- India was the **largest economy in 1000 AD and 1700 AD (24.4%)**; China led in 1600 and 1820.
- **Colonial decline**: share fell to **16.0% (1820)** and **4.2% (1950)**; famines, little industrialisation.

Share in World GDP (%)

Year	India	China
1000 AD	28.9	22.7
1600 AD	22.4	29.0
1700 AD	24.4	22.3
1820 AD	16.0	32.9
1950	4.2	4.5

Present Status and New GDP Series

- India: about **8.2% of world PPP GDP** and **18.2% of world population** (2025, IMF WEO, April 2026).
- Fastest-growing major economy: IMF projects **6.5% for 2026 (FY 2026-27)** vs **3.1%** for the world.
- **Nominal GDP**: about **US$3.92 trillion (2025)**, **US$4.15 trillion (2026, projection)**; ranked **6th** after USA, China, Germany, Japan, UK.
- **PPP GDP**: about **Int$17.3 trillion (2025)**, **Int$18.9 trillion (2026, projection)**; ranked **3rd** after China and USA.
- Rank slipped **5th to 6th** (new series, weaker rupee); PPP rank more stable.
- **New series, base 2022-23** (released by **MoSPI, 27 Feb 2026**) replaced 2011-12: wider admin data (**GST, MCA, PFMS, e-Vahan**), better unincorporated-sector coverage, **double deflation** (agriculture, manufacturing), **Supply and Use Table** framework.
- It lowered nominal GDP 2025-26 to **Rs 345.47 lakh crore** (Second Advance Estimates) vs about **Rs 357 lakh crore** (old series); the two series are **not comparable**.
- **Economic Survey 2025-26** (Jan 2026): 2026-27 real growth **6.8-7.2%**; medium-term potential growth about **7%**.

National Accounts 2025-26 (PE)

Indicator	2025-26 (PE)	Growth
Real GDP (2022-23 prices)	Rs 323.12 lakh crore	7.7%
Nominal GDP	Rs 346.36 lakh crore	8.9%
Real GVA	Rs 294.91 lakh crore	7.9%
Per capita NNI (current)	Rs 2,08,090	7.9%
Per capita NNI (2022-23 prices)	Rs 1,93,480	6.8%

Basic Characteristics: Key Concepts

GDP: market value of all final goods and services produced **within the domestic territory** in a year, whoever the producer is.

- **GNI** = GDP + net factor income from abroad; **NNI** = GNI - depreciation; **NNI is the national income**.
- **GVA** = output - intermediate consumption; **GDP = GVA + product taxes - product subsidies**.
- **Nominal** = current prices; **real** = constant (base-year) prices.
- **PPP** compares currencies by purchasing power; lower prices make India's PPP GDP much larger.
- **Four engines**: GDP = **C + I + G + (X - M)**; **private consumption is the biggest**; net exports are **negative**.
- 2025-26 shares (% of GDP): **PFCE 56.7%**, GFCE 10.7%, **GFCF 31.9%**, exports 22.2%, imports 24.4%.

Basic Characteristics: Features and Classification

- **Mixed economy**; developing, **lower-middle income**, low per capita income despite large GDP.
- **Services-led**: over half of GVA; about **43% of workers in agriculture** (PLFS 2025).
- About **18% of world population** (demographic dividend); large informal sector, regional disparities, inequality; **fixed investment about 32% of GDP**.
- **World Bank**: four groups by **GNI per capita** (current US$, **Atlas method**), revised every **1 July**. FY2026 thresholds (issued **1 July 2025**, based on 2024 GNI, valid till **30 June 2026**): **Low ≤ US$1,135**; **Lower-middle US$1,136-4,495**; **Upper-middle US$4,496-13,935**; **High > US$13,935**.

- India's **per capita income = per capita NNI** (NNI ÷ population): **Rs 2,08,090** (2025-26, current prices).
- Per capita NSDP 2023-24 (base 2011-12): highest **Sikkim (Rs 5,87,743)**, Goa (Rs 5,85,953) close; lowest **Bihar (Rs 60,180)** (RBI Handbook, 2025).

Basic Characteristics: Structural Change

- **Five-Year Plans** from **1951**; **Planning Commission (1950)** replaced by **NITI Aayog on 1 January 2015**.
- **1950-51** (old series): agriculture **53.1%**, industry **16.6%**, services **30.3%** of GDP.
- By **1980-81**, **services (38%) overtook agriculture (36.1%)**; industry third (25.9%); services dominant post-1980.
- GVA 2025-26 (current prices): agriculture **18.0%**, industry **27.7%** (manufacturing **14.8%**), services **54.3%**.
- Tertiary share rose **51.8% (2022-23) to 54.3% (2025-26)**; primary fell **22.1% to 19.9%**.
- **PLFS 2025** jobs: agriculture **43.0%**, manufacturing 12.1%, construction 12.0%, services about 32%; **LFPR (15+) 59.3%**, **unemployment 3.1%** (usual status).
- No large manufacturing-employment phase: **agriculture to services directly**.

Indian Economy During the British Period

- **Dadabhai Naoroji**: first national income estimate, **1867-68: Rs 340 crore, Rs 20 per head**; drain theory in **Poverty and Un-British Rule in India (1901)**.
- Other estimates: William Digby, Findlay Shirras, R.C. Desai; **V.K.R.V. Rao (1931-32)** = first **scientific** estimate.
- **First official**: **National Income Committee (1949)**, chaired by **P.C. Mahalanobis**: about **Rs 250** per head (1948-49).
- Textbook: India had about **one-third of world trade in 1600**; **2-3%** of world exports by independence; **2.5%** in 2025 (IMF WEO, April 2026).
- **Manmohan Singh**: "brightest jewel in the British Crown", yet poorest per capita.

Per Capita Income Estimates

Estimate by	Year	Rs per head (1948-49 prices)
Dadabhai Naoroji	1867-68	142 (Rs 20 current)
Atkinson	1875	172
Horne	1891	158
Lord Curzon	1902	148
National Income Committee	1948-49	about 250 (current)

- **Three phases**: **Mercantile (1600-1757)**, East India Company (charter **31 Dec 1600**) as trader; **Company rule (1757-1857)**, from **Battle of Plassey**; **Crown rule (1858-1947)**, after Revolt of 1857 (**Government of India Act, 1858**): de-industrialisation, commercialisation of agriculture, drain.
- **Land revenue**: **Permanent Settlement/Zamindari** (Bengal, **1793**, Lord Cornwallis); **Ryotwari** (Madras, Bombay, Thomas Munro); **Mahalwari** (NW Provinces, Punjab, Holt Mackenzie, **1822**).
- Cash crops (indigo, cotton, jute, opium); **Suez Canal (1869)** sped exports of raw materials; railways and Western education served British interests.
- Eve of independence: **over 80%** lived in villages; about **70%** of workers depended on agriculture.
- **Wealth drain**: studied by Naoroji, **R.C. Dutt** (Economic History of India), C.N. Vakil; earlier **Edmund Burke (1783)**; **Philip Francis (1776)**: **four streams** (EIC investment, remittances to other presidencies, private income, revenue from private commerce or investment).
- **Home Charges**: official transfers to UK under Crown rule (dividends, loan interest, pensions, army, guaranteed railway payments); **£40-50 million a year** by the 1930s.
- 1600-1950: India's per capita GDP rose about **12% ($550 to $619)**; Britain's about **sevenfold ($974 to $6,939)**; India's total GDP trebled, Britain's grew nearly **60 times**.

Economy Since Independence: Till 2008 and After

- **1951-80**: about **3.5%** growth (per capita 1.3%); "**Hindu rate of growth**" coined by **Raj Krishna (1978)**; Second Plan (**Mahalanobis model**), **IPR 1956**, licence-permit raj.
- **1980s buoyancy**: broke the Hindu rate in the **Sixth Plan (5.7%)**; deficits and borrowing set up the 1991 crisis.

- **1991 BoP crisis**: reserves about **two weeks of imports**, gold pledged; **New Economic Policy (July 1991)**: **LPG**; Annual Plans 1990-92.
- **2003-04 to 2007-08**: close to **9% (about 8.8%)**, second-fastest after China.

Plans: Target vs Achieved (%)

Plan	Period	Target	Achieved
First	1951-56	2.1	3.6
Second	1956-61	4.5	4.3
Third	1961-66	5.6	2.8
Fourth	1969-74	5.7	3.3
Fifth	1974-79	4.4	4.8
Sixth	1980-85	5.2	5.7
Seventh	1985-90	5.0	6.0
Eighth	1992-97	5.6	6.8
Ninth	1997-2002	6.5	5.4
Tenth	2002-07	8.0	7.6
Eleventh	2007-12	9.0	8.0
Twelfth	2012-17	8.0	Not formally assessed (about 6.8%)

- Plan holiday **1966-69**; Planning Commission abolished 2015.
- **2008 GFC**: three stimulus packages (Dec 2008-Feb 2009) about **Rs 1.86 lakh crore (3.5% of GDP)**; **CRR cut 9% to 5%**, liquidity about **Rs 5.6 lakh crore (9% of GDP)**.
- **FRBM Act, 2003** target (3%) paused; Centre's fiscal deficit **2.5% (2007-08)**, **6.0% (2008-09)**, **6.5% (2009-10)**.
- Reforms: **IBC (2016)**, **demonetisation (8 Nov 2016)** of Rs 500/1,000, **GST (1 July 2017)**, corporate tax **22%** (Sept 2019).
- **COVID-19**: lockdown **25 March 2020**; Q1 2020-21 about **-24%**; 2020-21 **-5.8%** (PE of May 2021: -7.3%); **only agriculture grew**.
- Second (Apr-May 2021) and third (Jan 2022) waves slowed recovery; **Atmanirbhar Bharat (May 2020)** about **Rs 20 lakh crore (10% of GDP)**.

- **Budget 2026-27 (1 Feb 2026)**: fiscal deficit **4.3% of GDP**; **debt-to-GDP** is the main fiscal anchor.

Real GDP Growth (%) by Series

Year	Base 2011-12	Base 2022-23
2019-20	3.9	-
2020-21	-5.8	-
2021-22	9.7	-
2022-23	7.6	base year
2023-24	9.2	7.2
2024-25	6.5 (PE)	7.1
2025-26	-	7.7 (PE)

Most Likely in Exam

- Maddison: India largest economy in **1700 (24.4%)**; share **4.2%** by 1950.
- First estimate **Naoroji (1867-68)**: Rs 340 crore, **Rs 20 per head**; first official: **NIC 1949 (Mahalanobis)**.
- Drain theory: Naoroji (**1901**), R.C. Dutt, **Burke (1783)**, **Francis (1776)**.
- World Bank: **GNI per capita, Atlas method**; India **lower-middle (US$1,136-4,495)**.
- New GDP base **2022-23 (27 Feb 2026)**; 2025-26 real growth **7.7% (PE, 5 Jun 2026)**.
- IMF: India **6th** in US$, **3rd** in PPP.
- **Hindu rate of growth**: Raj Krishna, 1978; broken in **Sixth Plan**.
- Services **54.3%** of GVA, but agriculture employs **43%** (PLFS 2025).

CHAPTER 2. SECTORS OF THE INDIAN ECONOMY

Role & Importance of the Sectors

- **Primary**: natural resources: agriculture & livestock, forestry, fishing, and **mining & quarrying** (traditionally 'industry'; MoSPI puts it in primary).
- **Agrarian economy**: agriculture gives the largest share (about half or more) of income and livelihood.
- **Secondary** (industrial): processes raw materials into goods: manufacturing (the core), construction, electricity, gas & water.
- **Tertiary**: services (trade, transport, education, health, banking); produces no goods.
- **Quaternary** = **'knowledge sector'**, **'white collar'**: R&D, information processing, teaching, IT, consultancy.
- **Quinary** = top decision-makers, **'gold collar'**: senior executives, officials, policy makers, top scientists; small but crucial.
- **Fisher-Clark thesis**: development shifts activity from agriculture to industry, then services; India largely **skipped the industrial stage**.

Difference Between the Sectors

Three main sectors compared

Basis	Primary	Secondary (incl. mining)	Tertiary
Activity	Direct use of natural resources	Processing raw materials	Providing services
Organisation	Mostly unorganised	Mixed	Mixed
GVA 2025-26 (%)	**18.0**	**27.7**	**54.3**
Workers 2025 (%)	**43.0**	**25.1**	**31.8**
Output per worker	Lowest	Middle	Highest

- Agriculture's low output per worker reflects **disguised unemployment**.

Revolutions in the Primary Sector

Agricultural revolutions

Revolution	Product	Person; period
Green	Foodgrains (wheat, rice)	**M.S. Swaminathan** (India), **Norman Borlaug** (world); from **1966-67** (HYV)
Evergreen	Sustainable farming	Swaminathan (coined); 1990s concept
Yellow	Oilseeds	Sam Pitroda; 1986-1990
Golden	Horticulture, honey, fruits	Nirpakh Tutej; 1991-2003
Golden Fibre	Jute	1990s
Silver Fibre	Cotton	2000s
Round	Potato	1965-2005
Grey	Fertilizers (also wool)	1960s
Black	Petroleum (also ethanol)	-
Brown	Leather, cocoa, non-conventional energy	Hiralal Chaudhary
White (Operation Flood)	Milk	**Verghese Kurien** (NDDB); 1970-1996, 3 phases
Blue	Fish, aquaculture	Arun Krishnan; Hiralal Chaudhary; 1973-2002; Neel Kranti 2015-16
Silver	Eggs, poultry	Indira Gandhi; from the 1970s
Pink	Onion, prawns, pharmaceuticals	Durgesh Patel; 1970s
Red	Meat, tomato	Vishal Tewari; 1980s
Protein	Protein-rich crops, dairy, fish, poultry	Narendra Modi and Arun Jaitley; 2014-2020
Sweet	Honey, beekeeping	NBHM, 2020
Rainbow	All farm sub-sectors	National Agriculture Policy, 2000

- Persons and periods for minor revolutions vary across sources.
- **White Revolution 2.0** (Ministry of Cooperation, Sep 2024): dairy cooperatives. India: **largest milk producer** (**247.87 MT**, 2024-25).

- **PMMSY** (2020, **Rs 20,050 crore**): fish about **198 lakh tonnes** (2024-25; 95.8 in 2013-14); India **2nd** largest producer (about 8% of world).
- **NMEO-Oilseeds** (2024): about **70 million tonnes** by 2030-31; edible-oil import share **56.25%** (2023-24).

Sectoral Contribution to GVA, 1950-51 to 2025-26

Sector shares, current prices (%)

Year	Agriculture & allied	Industry	Services
1950-51	**51.8**	14.2	**33.3**
1960-61	42.6	19.3	38.3
1970-71	42.0	20.5	37.2
1980-81	35.4	24.3	39.9
1990-91	29.0	26.5	44.2
2000-01	23.0	26.0	51.0
2010-11	18.2	27.2	54.6
2022-23	20.0	28.1	51.8
2023-24	19.4	28.1	52.4
2024-25	19.4	27.7	52.9
2025-26 (PE)	**18.0**	**27.7**	**54.3**

- To 2010-11: **2004-05 series** (GDP at factor cost); later: **2022-23 series** (GVA at basic prices); not strictly comparable.
- **New series**: base **2022-23** (replacing **2011-12**), released **27 Feb 2026** by **NSO (MoSPI)**; uses GST data; **double deflation** in agriculture and manufacturing.
- **PE 2025-26 (5 Jun 2026)**: real GDP growth **7.7%** (2024-25: 7.1%); real GVA **7.9%** (primary 3.2%, secondary 8.8%, tertiary 9.3%); nominal GDP **Rs 346.36 lakh crore**.
- MoSPI press notes (mining in primary): primary **19.9%**, secondary **25.8%**, tertiary **54.3%**.

Sub-sectors, 2025-26 (PE)

Sub-sector	GVA share (%)	Real growth (%)
Agriculture & allied	18.0	3.0
Mining & quarrying	1.9	5.2
Manufacturing	**14.8**	**10.7**
Utilities	2.6	1.7
Construction	8.4	7.4
Trade, hotels, transport, communication	14.3	**11.0**
Financial, real estate, professional (largest)	**27.0**	10.4
Public administration & other	13.0	5.0
Total GVA	100.0	**7.9**

Agriculture

- Largest employer: **46.1%** of workers (2023-24), **43.0%** (2025); **18.0%** of GVA (2025-26; 19.4% in 2024-25).
- Growth FY16-FY25: **4.45%** a year; livestock 7.1%, fishing 8.8%, crops 3.5%.
- Foodgrains record **376.56 MT** (2025-26, 3rd AE; 357.73 MT 2024-25); horticulture **377.78 MT** (2025-26, 2nd AE; 370.74 MT final 2024-25); eggs **149.11 billion** (2024-25; India 2nd largest producer).
- **PMFBY** (2016): crop insurance, 4.19 crore farmers (2024-25). **10,000 FPOs** (2020): all registered by Dec 2025.
- **AIF** (2020): **Rs 1 lakh crore**, post-harvest infrastructure. **PM-KISAN** (2019): **Rs 6,000** a year in three instalments.
- **KCC**: 7.72 crore operative accounts (Mar 2025); crop loans at **7%**, plus **3%** subvention for prompt repayment.
- **MSP**: at least **1.5 times** all-India weighted average cost (since 2018-19), **22 mandated crops**. **e-NAM** links **1,522 mandis**.
- **PM Dhan-Dhaanya Krishi Yojana** (2025): 100 districts, six years from 2025-26, 36 schemes. **Mission for Aatmanirbharta in Pulses** (Oct 2025).

- **Land use 2023-24 (provisional)**: geographical area **328.76 Mha** (reporting 306.96); net sown **138.99 Mha** (45.3%); gross cropped 217.88 Mha; **cropping intensity 156.8%** (GCA ÷ NSA × 100); net irrigated 82.42 Mha (gross 130.55).

Industry

- Share: about 14% (1950-51) to **27.7%** (2025-26); manufacturing grew **10.7%**.
- **PLI** (2020): **14 sectors**, outlay **Rs 1.97 lakh crore**; Rs 2 lakh crore+ invested, 12.6 lakh jobs (Sep 2025).
- **Make in India** (2014); **National Manufacturing Mission** (Budget 2025-26): manufacturing **25% of GDP by 2035**.
- **MSMEs**: about 31% of GDP, 35.4% of manufacturing, 48.6% of exports.
- **Phases**: I **1951-65** foundation (Mahalanobis model, Second Plan; IPR 1956); II **1965-80 deceleration** (wars, droughts, oil shock); III **1980-91** recovery; IV **1991 onwards** post-reform (**NIP 1991** ended most licensing).
- **IIP**: production volume; **NSO, MoSPI**, monthly; base **2022-23** (released **1 Jun 2026**; earlier 2011-12). Weights: manufacturing **76.062**, mining 11.053, electricity & gas 10.865, water & waste (new) 2.020; 463 item groups.
- **ICI**: **Office of the Economic Adviser, DPIIT**; base **2011-12**; 8 industries = **40.27%** of IIP (2011-12 base). Weights: refinery products **28.04**, electricity 19.85, steel 17.92, coal 10.33, crude oil 8.98, natural gas 6.88, cement 5.37, fertilizers **2.63**. Grew 2.7% (2025-26).

Services

- Intangible output: trade, hotels, transport, communication, finance, IT, public administration, defence.
- **54.3%** of GVA (2025-26; 52.9% in 2024-25).
- India **7th** largest services exporter, **4.3%** of world services trade (2024); software over 40% of services exports. About 1,700 **GCCs** employ 19 lakh+ (FY24).
- Jobs: **31.8%** (2025): trade & hotels 12.9%, transport 5.8%, other 13.1%. **62.1%** of urban workers (Jan-Mar 2026); urban WPR 49.7% (2025).

Employment Growth Rate in Secondary Sector

- Rural (Jan-Mar 2026): agriculture **55.8%** (59.8% in 2023-24), secondary 22.6%, tertiary 21.7%; urban 6.6%, 31.3%, 62.1%.
- Secondary: **25.1%** of workers (2025), up from 24.8% (2024); manufacturing **12.1%**, construction **12.0%** (strong linkages).
- **PLFS 2025** (age 15+, usual status; new design from Jan 2025): LFPR **59.3%**, WPR **57.4%**, unemployment **3.1%**; regular salaried 23.6%.
- **ASI 2023-24**: factory jobs up about **6%** (10 lakh+); 57 lakh added FY15-FY24. **ASUSE**: workers 10.96 crore (2022-23) to 12.81 crore (2025).

Sunrise Sectors of the Indian Economy

Sunrise sectors: fast-growing early-stage industries with high growth potential, often venture-funded.

- **Electronics**: **India Semiconductor Mission** (**Rs 76,000 crore**; 10 projects by Aug 2025; **ISM 2.0** in Budget 2026-27); output Rs 1.9 lakh crore (2014-15) to about Rs 11.3 lakh crore (2024-25).
- **EVs**: **PM E-DRIVE** (from Oct 2024, Rs 10,900 crore, to 31 Mar 2028; e-two-wheeler incentives only up to 31 Jul 2026 registrations) succeeded **FAME II** (ended Mar 2024) and interim **EMPS 2024**; **100% FDI** automatic route.
- **Renewables**: non-fossil capacity **283.47 GW** (31 Mar 2026; solar 150.26 GW), over 50% of installed capacity since June 2025; India **3rd**; target **500 GW by 2030**.
- **Biotech**: bioeconomy USD 165.7 billion (2024); **BioE3 Policy** (2024) targets USD 300 billion by 2030. **Green Hydrogen Mission** (2023): **5 MMT** a year by 2030.
- Others: AI (IndiaAI Mission, 2024), space, drones, fintech.

Organised and Unorganised Sectors

Organised vs unorganised

Basis	Organised	Unorganised
Registration	Registered	Mostly unregistered
Job security	High	Low
Wages	Fixed monthly salary	Daily, low, irregular
Hours	Fixed	Not fixed
Benefits	PF, ESI, gratuity, paid leave, pension	Generally absent
Examples	Government, bank staff	Vendors, domestic, gig workers

- **NCEUS**: unorganised = unincorporated private proprietary or partnership enterprises with **fewer than 10 workers**.
- **Four Labour Codes** (Wages; Industrial Relations; Social Security; OSH & Working Conditions) in force from **21 Nov 2025**, replacing **29 central laws**.
- **e-Shram**: over **31 crore** registered (Jan 2026), 54% women. Gig workers (about 1.2 crore, FY25) covered by **Code on Social Security 2020**; schemes: PM-SYM, APY, PMJJBY, PMSBY.

Most Likely in Exam

- Quaternary = 'white collar'; quinary = 'gold collar'.
- GVA 2025-26: agriculture 18.0%, industry 27.7%, services 54.3%.
- New GDP base 2022-23 (27 Feb 2026); real GDP growth 7.7%.
- Green Revolution from 1966-67; Operation Flood 1970, Kurien.
- IIP base 2022-23 (NSO); ICI base 2011-12 (DPIIT).
- PLFS 2025: LFPR 59.3%, unemployment 3.1%.
- Labour Codes from 21 Nov 2025; NCEUS: fewer than 10 workers.

CHAPTER 3. ECONOMIC PLANNING IN INDIA AND NITI AAYOG

Definition of Economic Planning

H.D. Dickinson: an authority, after studying the whole economy, decides **what and how much to produce** and **who gets it**.

- **National Planning Committee (NPC), 1938**: set up by Congress President **Subhas Chandra Bose**; chairman **Jawaharlal Nehru**.
- NPC definition: **technical coordination, by disinterested experts**, of consumption, production, investment, trade and income distribution, per social objectives set by representative bodies.

Types of Planning

- **Territorial**: regional or national; **Political**: federal, state or local; **Participation**: centralised or decentralised; **Temporal**: long-term or short-term.
- **Regional**: **Tennessee Valley Authority (1933)**, USA; India's **Damodar Valley Corporation (1948)** modelled on it.
- **National**: **USSR** First Five-Year Plan (**October 1928 to December 1932**).
- **Imperative (directive)**: State fixes targets, allocates by command (**former USSR**). **Indicative**: broad targets, guidance through incentives, credit, fiscal policy (**France after 1947**); India adopted it from the **Eighth Plan (1992-97)**.
- **Perspective plan** (long-term, **15-20 years**), **Five-Year** (medium-term), **Annual** (short-term, operational).
- **Rolling plan**: revised and extended yearly; **Gunnar Myrdal**; India **1978-80**.
- Also: direction vs inducement; financial vs physical; democratic vs totalitarian.

Objectives of Economic Planning in India

- **Growth**; **poverty alleviation**; **employment**; **social justice**.
- **Self-reliance**; **modernisation**; **balanced regional development**.
- **Price stability**: "growth with stability" was the **Fourth Plan** theme.
- **Inclusive growth**: theme of **Eleventh and Twelfth Plans**.

History of Economic Planning in India

Pre-independence plans

Year	Plan	Author
1934	Planned Economy for India (first blueprint)	M. Visvesvaraya
1938	National Planning Committee	S.C. Bose; chair Nehru
1944	Bombay Plan	Eight industrialists (J.R.D. Tata, G.D. Birla)
1944	Gandhian Plan	Shriman Narayan Agarwal
1945	People's Plan	M.N. Roy
1950	Sarvodaya Plan	Jayaprakash Narayan

- **Planning Commission**: **March 1950**, Union Cabinet resolution; Chairman **PM (Nehru)**; first Deputy Chairman **Gulzarilal Nanda**.
- **NDC**: **August 1952**; approved Plans; PM, Cabinet Ministers, all CMs. Neither body **constitutional or statutory**.
- Planning began **1 April 1951**; **twelve** Plans; last ended **31 March 2017**.

Five-Year Plans at a glance

Plan	Period	Focus / model	Target / achieved %
First	1951-56	Harrod-Domar; agriculture, irrigation, power	2.1 / 3.6
Second	1956-61	Mahalanobis; heavy and basic industry	4.5 / 4.3
Third	1961-66	Self-reliant, self-generating economy	5.6 / 2.8
Annual Plans	1966-69	Plan Holiday; HYV seeds	-
Fourth	1969-74	Growth with stability; self-reliance	5.7 / 3.3
Fifth	1974-79 (ended 1978)	Garibi Hatao; self-reliance	4.4 / 4.8
Rolling Plan	1978-80	Employment (Janata Government)	-
Sixth	1980-85	Poverty, unemployment (IRDP, NREP)	5.2 / 5.7
Seventh	1985-90	Food, work and productivity	5.0 / 6.0
Annual Plans	1990-92	Political instability; BoP crisis	-

Plan	Period	Focus / model	Target / achieved %
Eighth	1992-97	Reforms; human development; indicative	5.6 / 6.8
Ninth	1997-2002	Growth with social justice and equality	6.5 / 5.4
Tenth	2002-07	Monitorable targets; agriculture prime mover	8.0 / 7.6
Eleventh	2007-12	Faster and more inclusive growth	9.0 / 8.0
Twelfth	2012-17	Faster, sustainable, more inclusive growth	8.0 / -

- **First**: outlay **Rs 2,069 crore** (raised to **Rs 2,378 crore**); agriculture, irrigation and power **44.6%**; successful.
- **Second**: "**socialistic pattern of society**"; forex crisis 1957-58. **Third**: wars (1962, 1965), droughts; a failure.
- **Plan Holiday**: after devaluation (**June 1966**); start of **Green Revolution**.
- **Fourth**: 1971 war, 1973 oil shock; **14 banks nationalised 19 July 1969**. **Fifth**: **Minimum Needs Programme**; **Twenty-Point Programme (1 July 1975)**; terminated **1978**.
- **Sixth**: IRDP, TRYSEM, NREP; **six banks nationalised April 1980**.
- **Seventh**: **JRY** launched **April 1989** (NREP + RLEGP).
- **Eighth**: first reform-era plan; **human development** the ultimate goal; market-based development, decentralised planning.
- **Ninth**: Asian Financial Crisis; **Basic Minimum Services**.
- **Tenth**: agriculture about **2.3% vs 4% target**; double per capita income in 10 years; **11 monitorable targets**; agriculture **prime moving force**.
- **Eleventh**: 9% average (rising to **10%** by end); **27 monitorable targets**.
- **Twelfth**: consulted **950+** organisations; approved by NDC **27 December 2012**; 8% (Approach Paper 9%); **25 monitorable targets**; agriculture **4%**.
- Plan/non-plan split dropped from **Budget 2017-18**; NITI: **15-year Vision**, **7-year Strategy**, **3-year Action Agenda** (3rd GC, **23 April 2017**).
- **Strategy for New India @75** (December 2018); now **Viksit Bharat @2047**.

Assessment of Five-Year Plan Performance

- **7 of 12 Plans** missed targets (2nd, 3rd, 4th, 9th, 10th, 11th, 12th); **1st, 5th, 6th, 7th, 8th** beat them; biggest shortfall: **Third**.
- Targets on **national income** (1st-3rd), **NDP** (4th), **GDP** (5th onwards); Twelfth never formally reviewed.
- "**Hindu rate of growth**" (about 3.5%): **Raj Krishna**; growth improved from the 1980s.
- **Engineering goods**: largest merchandise export group, **US$ 122.43 billion** in 2025-26, about **27.7%** of merchandise exports (EEPC India, April 2026).
- **Achievements**: industrial base, foodgrain self-sufficiency, banking. **Shortcomings**: poverty, unemployment, inflation, **1991 BoP crisis**.

NITI Aayog

NITI = National Institution for Transforming India: set up by Union Cabinet resolution of **1 January 2015**, replacing the Planning Commission; **non-constitutional, non-statutory** premier policy think tank; first Vice-Chairperson **Arvind Panagariya**.

- Two hubs: **Team India Hub** (State-Centre coordination) and **Knowledge and Innovation Hub** (think tank role).

Composition (as on 30 June 2026)

Position	Who / how appointed
Chairperson	Prime Minister (Narendra Modi)
Vice-Chairperson	By PM, Cabinet rank; **Ashok Kumar Lahiri**, notified **24 April 2026** (succeeded Suman K. Bery)
Full-time members	**Seven** (MoS rank), incl. Rajiv Gauba; two appointed **2 May 2026**
Part-time members	Up to **2**, from universities/research bodies, by rotation
Ex-officio members	Up to **4** Union Ministers nominated by PM
CEO	Secretary rank, fixed tenure; **Nidhi Chhibber** (additional charge from **24 February 2026**)

- **Governing Council**: PM, all CMs (incl. UTs with legislature), LGs/Administrators, members.
- **Regional Councils**: multi-State issues; PM or nominee.

- Functions: shared vision, **cooperative federalism**, village-level plans, monitoring.
- GC meetings: 1st **8 February 2015**; 10th **24 May 2025** ("Viksit Rajya for Viksit Bharat@2047"); **11th 11 June 2026** ("**Inclusive Human Development for Viksit Bharat@2047**"; 28 States, 5 UTs).
- **Why replaced**: out of step with 1991 reforms and **federalism**.
- **DMEO** (attached office, **2015**): merged Programme Evaluation Organisation and Independent Evaluation Office; runs **Output-Outcome Monitoring Framework (OOMF)**.

Planning Commission vs NITI Aayog

Basis	Planning Commission	NITI Aayog
Set up	March 1950	1 January 2015
Approach	Top-down; one size fits all	Bottom-up; cooperative, competitive federalism
Funds	Allocated plan funds	No allocation power; advisory
States	Limited (through NDC)	All CMs in Governing Council
Head after PM	Deputy Chairman (first Nanda; last Montek Singh Ahluwalia)	Vice-Chairperson (first Panagariya)

NITI indices and programmes

Item	Edition / date	Key result
SDG India Index 2023-24	4th, July 2024	India's score **71** (66 in 2020-21)
Fiscal Health Index 2026	2nd, March 2026	**Odisha** first
Export Preparedness Index 2024	January 2026	**Maharashtra** first (large States)
Multidimensional Poverty	January 2024	**24.82 crore** out (2013-14 to 2022-23); **29.17% to 11.28%**
Aspirational Districts / Blocks	2018 / 2023	**112** districts / **500** blocks

- **Atal Innovation Mission (2016)**: about **10,000 ATLs** (Rajya Sabha, Dec 2025); **50,000** more over five years (Budget 2025-26); about **72 AICs**, **14 ACICs**, **3,500+** startups.
- **AIM 2.0**: approved **November 2024**, outlay **Rs 2,750 crore**, till **31 March 2028**.

Financial Resources for Economic Plans

- **Domestic budgetary resources**: most significant (taxation, borrowing, small savings, PSU surpluses).
- **Deficit financing** (Indian sense) = **borrowing from the RBI + drawing down cash balances** (monetisation); market and external borrowing are capital receipts, not deficit financing.
- Major in **Second Plan**; caused **inflation**. **Ad hoc T-bills** ended **1 April 1997**; replaced by **WMA**.
- **FRBM Act, 2003**: no Central borrowing from RBI except WMA; since **2018 amendment**, RBI may subscribe to primary G-secs only under the **escape clause**.
- Union fiscal deficit: **4.4% of GDP 2025-26 (RE)**; **4.3% 2026-27 (BE)** (Budget, 1 February 2026); financed mainly by market borrowings.
- **Foreign assistance**: World Bank, ADB, AIIB, JICA; via **IBRD**; **graduated from IDA in FY2014**.
- **FDI 2025-26**: equity **US$ 58.85 billion**; total **US$ 94.5 billion**; top source **Singapore**.
- Donor: **ITEC (since 1964)**; largest recipient **Bhutan**.

Most Likely in Exam

- Father of Indian planning: **M. Visvesvaraya** (1934); NPC 1938: Bose set up, Nehru chaired.
- Planning Commission **March 1950**; NDC **August 1952**; both by Cabinet resolution.
- First Plan **Harrod-Domar**; Second Plan **Mahalanobis**.
- Plan Holiday **1966-69**; Rolling Plan **1978-80** (Gunnar Myrdal); Annual Plans **1990-92**.
- Indicative planning from **Eighth Plan**; Third Plan biggest shortfall (2.8% vs 5.6%).
- NITI Aayog: **1 January 2015**; VC **Ashok Kumar Lahiri** (from April 2026); 11th GC **11 June 2026**.
- Ad hoc T-bills ended **1 April 1997**; replaced by WMA; **FRBM Act 2003**.
- AIM **2016**; AIM 2.0 **Rs 2,750 crore** till 31 March 2028.

CHAPTER 4. ROLE OF PRIORITY SECTOR AND MSME IN THE INDIAN ECONOMY

Priority Sector in the Indian Economy

Priority sectors: sectors the Government and the RBI treat as important for basic needs, which get priority in bank lending.

- Purpose: balanced, inclusive growth; **PSL** improves credit for small farmers, vulnerable groups, renewable energy and health infrastructure.
- **MSMEs**: about **31% of GDP**, **35% of manufacturing output**, nearly **half of exports**; **second-largest employer** after agriculture; jobs at low capital cost.
- Origin: **social control over banks (1967-68)**, **National Credit Council (1968)**; RBI formally described priority sectors in **1972**; **40% target** from **1980** (to be met by 1985).
- Rules: **RBI (PSL – Targets and Classification) Directions, 2025**, issued **24 Mar 2025**, effective **1 Apr 2025**, replacing the 2020 Directions.
- Applies to commercial banks (incl. **RRBs, SFBs, LABs**) and **UCBs** (other than Salary Earners' Banks).
- Amendment **19 Jan 2026**: bank loans to **NCDC** for on-lending to co-operatives made PSL-eligible.
- **Eight categories** (unchanged from 2020): Agriculture, MSMEs, Export Credit, Education, Housing, Social Infrastructure, Renewable Energy, Others.
- **Weaker sections**: small and marginal farmers, artisans, SC/ST, SHG/JLG members, persons with disabilities, transgender persons, minorities, individual women (up to **Rs 2 lakh**).

Per-borrower limits, PSL Directions 2025

Category	Limit	Condition / variant
Education	Up to **Rs 25 lakh**	-
Housing	**Rs 50 / 45 / 35 lakh**	Centres of 50 lakh+ / 10-50 lakh / below 10 lakh population
Export credit	Sanctioned limit up to **Rs 50 crore**	Incremental up to **2% of ANBC/CEOBSE**; domestic banks, SFBs, UCBs
Social infrastructure	**Rs 8 crore**	Rs 12 crore for health care in Tier II-VI centres
Renewable energy	**Rs 35 crore**	Rs 10 lakh per household

Priority Sector Lending Norms

Targets are a % of **ANBC or CEOBSE, whichever is higher**, of the preceding year; achievement = **average of four quarters**.

PSL targets (% of ANBC/CEOBSE)

Category	Domestic SCBs*, foreign banks 20+ branches	RRBs	SFBs
Total PSL	**40%**	**75%** (medium ent., social infra, RE up to 15%)	**60%** (40% sub-sector norms + 20% any PSL)
Agriculture	**18%** (14% NCFs; 10% SMFs)	18% (14%; 10%)	18% (14%; 10%)
Micro enterprises	**7.5%**	7.5%	7.5%
Weaker sections	**12%**	**15%**	12%

- *Excl. RRBs and SFBs. **NCF** = non-corporate farmers; **SMF** = small and marginal farmers.
- **Foreign banks < 20 branches**: 40% (up to **32% export credit**; 8%+ other PSL); no sub-targets.
- **UCBs** (from 1 Apr 2025): total **60%**; micro 7.5%; weaker sections 12%.
- **SFBs**: RBI circular issued **20 Jun 2025**, effective **FY2025-26**, cut target **75% to 60%**; flexible portion **35% to 20%**.
- **Shortfall**: deposited in **RIDF (NABARD)** and other funds with NABARD, NHB, SIDBI and MUDRA, at **Bank Rate minus 2 to 4 percentage points**.
- **PSLCs**: surplus bank sells PSL achievement (not the loan or its risk) on RBI's **e-Kuber**; **four types**: Agriculture, SF/MF, Micro Enterprises, General; valid till **31 March**.

- **District weights** (FY2024-25 to FY2026-27): **125%** for incremental PSL where per-capita PSL below **Rs 9,000**; **90%** above **Rs 42,000**.
- On-lending via **NBFCs, HFCs and NCDC** counts up to **5% of total PSL**.

Definition of MSME

- In force: MoMSME notification **S.O. 1364(E), 21 Mar 2025**, effective **1 Apr 2025**; **composite criteria** (investment in plant and machinery/equipment + turnover).
- **MSMED Act, 2006**: investment alone. **2020 revision** (effective **1 Jul 2020**): composite criteria; one definition for manufacturing and services.
- **Budget 2025-26**: investment limits raised **2.5 times**, turnover limits **2 times**.
- Both limits apply: exceeding **either** moves a unit up; **export turnover excluded**.

MSME limits (manufacturing and services)

Criterion	Micro	Small	Medium
Investment (from 1 Apr 2025)	**Rs 2.5 crore**	**Rs 25 crore**	**Rs 125 crore**
Turnover (from 1 Apr 2025)	**Rs 10 crore**	**Rs 100 crore**	**Rs 500 crore**
Investment (2020-25)	Rs 1 crore	Rs 10 crore	Rs 50 crore
Turnover (2020-25)	Rs 5 crore	Rs 50 crore	Rs 250 crore

- Limits are upper limits; 2020-25 = 1 Jul 2020 to 31 Mar 2025.
- Benefits: market support, export promotion, preferential procurement, government incentives.
- **Udyam Registration Portal** (**1 Jul 2020**): online, free, paperless, self-declaration. **Udyam Assist Platform** (**11 Jan 2023**): informal micro units without PAN/GST.
- Combined registrations crossed **8.7 crore** (June 2026), about **98.6% micro**.

Role & Significance of MSME in Economic Development

- Employment generation at **low capital cost**.
- Globally, SMEs are **90% of businesses** and **over 50% of employment**.
- Diverse in size, products/services and technology; vital for jobs, innovation, entrepreneurship and supply chains.

- Drive **balanced regional development**; finance and technology support help them grow.

MSME: Present Status & Contribution to GDP

- Udyam/UAP units report employment of over **38.9 crore** persons (Ministry of MSME, June 2026; self-declared). Economic Survey 2025-26: **32.82 crore**.
- Share of manufacturing output about **35.4%** (Economic Survey 2025-26).

Share of MSMEs in economy

Indicator	2022-23	2023-24	2024-25
MSME GVA, % of GDP	30.1%	**31.1%**	-
% of exports	43.59%	45.73%	**48.58%**

- GVA: MoSPI (2011-12 series). Export share per Economic Survey 2025-26/PIB (Lok Sabha reply **11 Dec 2025: 48.55%**).

Recent Initiatives in MSME Sector

- The 2020 MSME definition came under **Atmanirbhar Bharat**; other drives: Make in India, Start-up India, Stand-up India.
- **Atmanirbhar Bharat package (13 May 2020)**: **ECLGS Rs 3 lakh crore**; subordinate debt **Rs 20,000 crore**; **Fund of Funds** (Rs 10,000 crore corpus, to infuse Rs 50,000 crore equity; now **Self-Reliant India Fund**); new MSME definition; **no global tenders up to Rs 200 crore**; government dues cleared in **45 days**.
- **ECLGS**: COVID-era (May 2020, later **Rs 5 lakh crore**) closed **31 Mar 2023**. **ECLGS 5.0** (Cabinet, **5 May 2026**): **Rs 2.55 lakh crore** (incl. Rs 5,000 crore airlines); **100% guarantee** MSMEs (90% non-MSMEs) on additional credit up to **20% of peak working capital** in Q4 FY2025-26 (cap **Rs 100 crore**); 5-year tenure, 1-year moratorium; no fee; **NCGTC**; valid till **31 Mar 2027**.
- **PLI** (from 2020): **14 sectors**, outlay **Rs 1.97 lakh crore** (Budget 2021-22: 13 sectors); incentive on incremental sales.
- **Budget 2025-26**: credit cards up to **Rs 5 lakh** for Udyam micro units; start-up guarantee cover **Rs 20 crore**.
- **Budget 2026-27**: **Rs 10,000 crore SME Growth Fund**; Rs 2,000 crore for Self-Reliant India Fund; **TReDS** settlement platform for CPSE purchases from MSMEs.

Major MSME schemes

Scheme	Launch	Key features
Make in India	**25 Sep 2014**	Global manufacturing hub; pillars: New Processes, Infrastructure, Sectors, Mindset
CGTMSE	2000 (Govt + SIDBI)	Collateral-free MSE loans up to **Rs 10 crore** from 1 Apr 2025 (earlier Rs 5 crore)
Start-up India	**16 Jan 2016**	Sector-agnostic; DPIIT recognition, **3-year tax holiday**, Fund of Funds (SIDBI)
Stand-up India	**5 Apr 2016**	**Rs 10 lakh-1 crore** greenfield loans; 1 SC/ST + 1 woman per branch; extended up to 2025; successor up to Rs 2 crore
MCGS-MSME	**29 Jan 2025**	**60%** NCGTC guarantee, loans up to **Rs 100 crore** for machinery; services added 21 Mar 2026
PM Vishwakarma	**17 Sep 2023**	Training, toolkits, collateral-free credit; **18 trades**

- **ISEC**: khadi institutions borrow working capital at concessional **4%**; Government bears the difference.
- **Udyami Mitra**: SIDBI portal for credit access and handholding.
- **MSME Sambandh**: monitors CPSE procurement; **25% from MSEs** (**4% SC/ST**, **3% women**-owned).
- **MSME Samadhaan**: delayed-payment cases before **MSE Facilitation Councils**; payment within **45 days**; interest at **three times bank rate**.
- **MSME Champions**: replaced NMCP components (incl. Digital MSME) with **ZED, LEAN, MSME-Innovative**.
- **PMEGP**: credit-linked subsidy for new micro units; nodal agency **KVIC**.
- **SFURTI**: clusters of traditional industries/artisans. **ASPIRE**: rural industries, innovation, entrepreneurship.
- **MSE-CDP**: cluster development. **RAMP**: **World Bank**-supported, strengthens State-level MSME support.

Most Likely in Exam

- PSL formally described by RBI in **1972**; PSL Directions 2025 effective **1 Apr 2025**, amended **19 Jan 2026**.
- Targets on **ANBC or CEOBSE, whichever is higher**.
- SCBs **40%** (agri 18%, micro 7.5%, weaker 12%); RRBs **75%**; UCBs **60%**; SFBs **60%**.
- Shortfall to **RIDF**; four **PSLCs** on **e-Kuber**.
- MSME limits from 1 Apr 2025: **2.5/10, 25/100, 125/500** Rs crore.
- Udyam **1 Jul 2020**; **8.7 crore+** registrations (June 2026).
- MSMEs **31.1% of GDP** (2023-24), **48.58% of exports** (2024-25).
- CGTMSE **Rs 10 crore**; ECLGS 5.0 **100%** for MSMEs; Budget 2026-27 **Rs 10,000 crore SME Growth Fund**.

CHAPTER 5. INFRASTRUCTURE INCLUDING SOCIAL INFRASTRUCTURE

Infrastructure was historically government-funded; private investment through **PPP** is now encouraged. **NIIF (2015)** and **NaBFID (2021)** were set up to deepen infrastructure finance.

Infrastructure & Economic Development

- Infrastructure drives growth, jobs and productivity; covers **physical** (roads, bridges, railways, ports, airports) and **social** (schools, hospitals) assets.
- **Economic infrastructure** (power, transport, communications, irrigation, banking) raises productivity; **social infrastructure** (education, health, water, sanitation, housing) builds human capital.
- **Hard** infrastructure (roads, railways, ports): high **capital** cost. **Soft** infrastructure (education, health, financial and legal systems): high **recurring** cost.
- **Harmonised Master List** (Department of Economic Affairs) defines sub-sectors eligible for infrastructure lending terms.
- Central capex **2026-27 BE: Rs 12,21,821 crore (3.1% of GDP)**; effective capex (incl. grants for capital assets) **Rs 17,14,523 crore (4.4% of GDP)**.
- PPP models: **BOT, EPC, HAM** (2016; govt pays **40%** of cost during construction), **TOT** (toll-operate-transfer).
- **NIIF**: Category II AIF; **GoI holds 49%**. **NaBFID**: DFI regulated by **RBI**. **InvITs and REITs** recycle completed assets.

Infrastructure financing schemes

Scheme	Launched	Key feature
Viability Gap Funding	2006; revamped Nov 2020	Centre up to 20% + State 20%; social sector 30% + 30%
National Infrastructure Pipeline	Dec 2019; final report Apr 2020	Rs 111 lakh crore, 2019-20 to 2024-25
National Monetisation Pipeline 2.0	23 Feb 2026	Rs 16.72 lakh crore, 2025-26 to 2029-30

Energy, Power and Transport System

- Energy infrastructure: coal, nuclear, gas pipelines, renewables (solar, wind, hydro). India ranks **3rd** in the world in installed RE capacity.
- As on 31 March 2026: RE capacity **274.69 GW** incl. large hydro; record **55.3 GW** non-fossil capacity added in 2025-26.
- Non-fossil share crossed **50% in June 2025**, five years ahead of the **2030 NDC** target.

Installed power capacity, 31 Mar 2026

Source	GW	Share (%)
Coal	221.94	41.7
Lignite, gas, diesel	27.33	5.1
Nuclear	8.78	1.6
Large hydro	51.41	9.7
Solar	150.26	28.2
Wind	56.09	10.5
Other renewables	16.92	3.2
Total	532.74	100.0
of which non-fossil	283.47	53.2

- Coal: about **42% of capacity** but roughly **three-fourths of generation**.
- Record peak demand **270.82 GW** met on **21 May 2026**; energy deficit almost nil.
- **AT&C losses**: 22.62% (2013-14) to **15.04% (2024-25)**.
- Reforms: **Electricity Act 2003**; **UDAY (2015)**; **RDSS (2021**, smart meters); **Saubhagya (2017**, household electrification); **One Nation One Grid (2013)**; Green Energy Corridors.
- **Nuclear Energy Mission** (Budget 2025-26): **100 GW by 2047**; Rs 20,000 crore for Small Modular Reactors. **SHANTI Act, 2025** opened nuclear power to private companies.
- **Panchamrit** (COP26, 2021): **500 GW** non-fossil by 2030; **net zero by 2070**.
- **Green Hydrogen Mission (2023)**: 5 MMT a year by 2030. **PM Surya Ghar (2024)**: rooftop solar, 1 crore homes. **PM-KUSUM (2019)**: solar pumps.

- **Water**: Water (Prevention and Control of Pollution) Act 1974; **Jal Jeevan Mission (2019)**: over **81%** rural households had tap water by Oct 2025.
- **Communications**: 100% FDI in telecom (automatic route); PLI for electronics; **BharatNet** (formerly NOFN) for Gram Panchayat broadband; teledensity **86.76%** (ES 2025-26).
- **Critical infrastructure** (electricity, gas, oil, water, food, health, transport, finance): **NCIIPC** protects critical information infrastructure (**Section 70, IT Act 2000**).

Transport, Urban and Green Infrastructure

- Transport: roads, highways, bridges, tunnels, railways, airports, seaports, waterways; projects incl. Golden Quadrilateral, Delhi Metro, Bharatmala.
- NH network: **91,287 km (2014)** to **1,46,572 km (Dec 2025)**; airports **74 to 164**.
- **Industrial corridors**: 11; Aug 2024 Cabinet approved **12 industrial smart cities** (Rs 28,602 crore).
- **PM GatiShakti** (13 Oct 2021): digital platform for integrated planning, now **57 ministries/departments**; **seven engines**: roads, railways, airports, ports, mass transport, waterways, logistics. **National Logistics Policy**: 2022.
- **Railways**: **99.1%** electrified (Oct 2025); Vande Bharat since 2019 (**164 services**, Dec 2025); Eastern and Western DFCs; Mumbai-Ahmedabad high-speed rail under construction; **Kavach 4.0** over 1,300 route km (Jan 2026).

Transport schemes at a glance

Scheme	Year	Key fact
Bharatmala Phase I	Approved 2017	34,800 km, Rs 5.35 lakh crore; 21,783 km built by Dec 2025
UDAN	21 Oct 2016	First flight Shimla-Delhi, Apr 2017; Budget 2025-26: 120 new destinations
Parvatmala	Budget 2022-23	Ropeways in PPP mode through NHLML
Sagarmala	2015	Ports; 111 National Waterways (Act of 2016)

- **Budget 2022-23**: NH +**25,000 km** with Rs 20,000 crore innovative financing; Multimodal Logistics Parks (PPP) at four locations; **One Station One Product**; **2,000 km under Kavach**; **400 Vande Bharat** trains in three years; **60 km** ropeways via PPP.
- **Budget 2026-27**: seven high-speed rail corridors, **Dankuni-Surat** freight corridor, **20 new National Waterways**, **Infrastructure Risk Guarantee Fund**.

- **Urbanisation**: **31.1%** urban (Census 2011); satellite cities critical.
- **Smart Cities Mission (25 June 2015)**: 100 cities; extended to 31 March 2025; **94% of 8,067** projects complete by May 2025.
- **AMRUT (25 June 2015)**: water supply and sewerage in 500 cities. **AMRUT 2.0 (1 Oct 2021**, five years, **Rs 2.99 lakh crore**) covers all towns.
- **Challenges**: capital intensity, environmental delays (esp. power), land acquisition, cost overruns, bank **asset-liability mismatch** in long-gestation loans.
- **Green infrastructure**: green belts, wildlife sanctuaries, sensitive areas like the **Western Ghats**.
- **ESG**: long-term, ethical impact. SEBI's **BRSR** mandatory for **top 1,000 listed companies**; **Sovereign Green Bonds** since **January 2023**.

Concept of Social Sector & Social Infrastructure

- Components: education, health, family welfare, water supply and sanitation, housing, welfare, nutrition, social security. **Transport and agriculture are economic sectors.**
- Human-capital investment boosts labour productivity, welfare and growth.
- **1951**: literacy **18.33%**, life expectancy about **32 years**.
- General government social services spending: **7.9% of GDP (2025-26 BE)**, up from 7.0% in 2023-24; education about **2.7%**, health about **1.8%** of GDP (ES 2025-26, 2011-12 GDP base).
- **Census 2027**: first **digital** census; house-listing April-September 2026; reference date **1 March 2027** (1 October 2026 for snow-bound areas).

Key social indicators

Indicator	Value	Source
Life expectancy	70.3 years	SRS 2019-23
Total fertility rate	1.9	SRS 2024
Infant mortality rate	24 per 1,000	SRS 2024
Crude birth / death rate	18.3 / 6.4	SRS 2024
Literacy	74.04%	Census 2011
Govt health spending	~1.8% of GDP	2025-26 BE
Out-of-pocket health spending	43.4% of total	NHA 2022-23

Health, Education and Family Welfare

- Healthcare: hospitals, medical devices, insurance, telemedicine; growing with demand, coverage and public-private investment.
- **Ayushman Bharat (2018)**: **Ayushman Arogya Mandirs** (primary care) + **PM-JAY** (**Rs 5 lakh** per family per year), extended to all citizens **70+** in 2024.
- **NHM**: NRHM 2005, NUHM 2013. **Mission Indradhanush (2014)**: full immunisation.
- Ministry of Health: **2026-27 BE Rs 1,06,530 crore**; 2025-26 BE Rs 99,859 crore (about 11% over 2024-25 RE).
- **NHP 2017** target: govt health spending **2.5% of GDP by 2025**; at about 1.8% it is well short. OOP spending **43.4%** (NHA, May 2026). Inter-state disparities persist.
- **86th Amendment (2002)** inserted **Article 21A**: free, compulsory education for ages **6-14**, via **RTE Act 2009**.
- Ministry of Education: **2026-27 BE Rs 1,39,289 crore** (2025-26 BE Rs 1,28,650 crore); about **2.6%** of Union Budget; about **2.7% of GDP** (Centre + States).
- **Kothari Commission (1964-66)** and NEP 2020: **6% of GDP** on education.
- **NEP 2020**: **5+3+3+4** replaces 10+2 (3 years Anganwadi/preschool + 12 years school); higher-education GER **50% by 2035**.
- **Family Planning Programme (1952)**: world's **first national** programme; voluntary, free MCH services (sterilisation, IUDs).
- **National Population Policy 2000**: stable population by **2045**.
- **TFR 1.9** (SRS 2024), below replacement **2.1**; highest **Bihar (2.9)**, lowest **Delhi (1.2)**. **Mission Parivar Vikas (2016)**: high-fertility districts.

Development of Health Infrastructure

- Key metric for health policy; key areas: skilled labour, electronic information systems, public health agencies, resources, research.
- Challenges: state disparities, limited finance, inadequate facilities, lack of skilled labour, inefficient planning, poor transport.

- **PM-ABHIM** (25 Oct 2021): **Rs 64,180 crore** for 2021-26; largest health infrastructure scheme since 2005.
- **ABDM** (Sept 2021): **14-digit ABHA** health ID.
- Three-tier norms (plains): **Sub-Centre 5,000; PHC 30,000; CHC 1,20,000** people.

Most Likely in Exam

- HAM: government pays 40% during construction; VGF 20% + 20% (social 30% + 30%).
- NIP Rs 111 lakh crore; NMP 2.0 Rs 16.72 lakh crore; NIIF: GoI 49%.
- Installed capacity 532.74 GW; non-fossil 53.2% (31 March 2026); India 3rd in RE.
- Panchamrit: net zero by 2070; nuclear 100 GW by 2047 (SHANTI Act 2025).
- PM GatiShakti: 13 Oct 2021, seven engines; UDAN 2016; Parvatmala: ropeways.
- Literacy 18.33% (1951) to 74.04% (2011); life expectancy 70.3 years; TFR 1.9.
- NEP 2020: 5+3+3+4; Article 21A by 86th Amendment, 2002; Kothari: 6% of GDP.
- PM-JAY Rs 5 lakh; PM-ABHIM Rs 64,180 crore; NHP 2017 target 2.5% of GDP.

CHAPTER 6. GLOBALISATION: IMPACT ON INDIA

Globalisation – Concept

Globalisation (IMF, **WEO May 1997**): growing economic interdependence through cross-border transactions in goods, services and capital, and rapid diffusion of technology.

- Driven by trade, technology, **FDI and FPI**, and flows of people and information.
- Waves: **1870–1914**; retreat **1914–45** (wars, Great Depression); revival after **1945**; hyper-globalisation to **2008**; **'slowbalisation'** after 2008.

India's 1991 turn: LPG

Date	Event
1990–91	**BoP crisis**: reserves about two weeks of imports
July 1991	**NEP**; LPG (PM **P.V. Narasimha Rao**, FM **Dr Manmohan Singh**); rupee devalued
24 July 1991	New Industrial Policy: most licensing abolished; automatic FDI up to **51%** in priority industries
Aug 1994	Current-account convertibility
1 Jan 1995	**WTO**; India a founding member
1 June 2000	**FEMA** replaced FERA

Globalisation and its Advocacy

- For: growth, diversification, higher living standards via wider goods at competitive prices; foreign investment, jobs, technology; global cooperation and cultural exchange.
- Benefits depend on robust institutions, sound macro policy, educated workforce, market economy.
- Theory: **comparative advantage** (**David Ricardo**) and economies of scale.
- Against: inequality, volatile capital flows (**Asian crisis 1997**, **taper tantrum 2013**), loss of policy space, job losses in import-competing sectors.

Impact on India

- **'Hindu rate of growth'** (about **3.5%**, 1950–80): **Raj Krishna**. Real GDP growth **7.7%** in **2025–26** (**PE**, MoSPI, June 2026, base **2022–23**).

- 2025-26: total exports record **US$ 860.09 bn**; total FDI inflows record **US$ 94.53 bn** (provisional).
- Remittances (secondary income) **US$ 155.3 bn** in 2025-26 (RBI, provisional); India the **world's largest recipient**.
- Jobs mainly in IT/ITeS and **GCCs**; employment lagged output. Wider consumer choice. Agriculture: exports and commercial farming, but exposed to world price swings and import competition.
- Adverse: inequality, informality; volatile portfolio flows; import dependence (electronics, APIs, solar modules); persistent merchandise trade deficit, financed by services surplus and remittances.

Fair Globalisation and Policy Framework

- **ILO World Commission** report **'A Fair Globalization: Creating Opportunities for All' (2004)**, co-chairs **Tarja Halonen** (Finland), **Benjamin Mkapa** (Tanzania).
- Aim: equitable distribution of gains. Needs: **inclusive policies** (workers' rights, entitlements); **sustainable development** (growth with social and environmental balance); **good governance at two levels** (national institutions plus fairer global rules on trade, finance, migration).
- **ILO Declaration on Social Justice for a Fair Globalization**: **10 June 2008**.
- India: four **Labour Codes** (from **21 Nov 2025**), **Atmanirbhar Bharat** (May 2020) with **PLI**, trade remedies via **DGTR**.

Globalisation in Reverse Gear – Protectionism

- **Protectionism**: restricting imports to shield domestic producers; its spread = **deglobalisation**.
- Tools: tariffs, quotas, NTBs, subsidies, local-content rules, export controls; **EU CBAM** definitive from **1 Jan 2026**.
- Triggers: Brexit (**31 Jan 2020**), US-China disputes, Russia-Ukraine war (Feb 2022), 2026 West Asia conflict, COVID-19.
- Trade re-wired (world trade volume **+5.1%** in 2025, IMF): **friend-shoring**, near-shoring, **'China+1'**.
- US tariffs on India **50%** (Aug 2025, incl. 25% Russian-oil penalty); India-US framework (**6 Feb 2026**): **18%**, penalty removed **7 Feb 2026**; US Supreme Court struck down **IEEPA** tariffs **20 Feb 2026**, temporary **10%** global tariff followed.

- **WTO Appellate Body** non-functional since **11 Dec 2019**; **MC14 Yaounde** (Mar 2026) ended without consensus; e-commerce moratorium lapsed.
- Reversal raises costs and restrains growth: IMF WEO April 2026 ('Global Economy in the Shadow of War') projects world growth **3.1%** in 2026; trade disputes a key risk.
- **Economic Survey 2025-26**: move from import substitution to **strategic resilience** and **strategic indispensability**, with conditional, time-bound protection; India widening trade agreements.

India's trade agreements (30 Jun 2026)

Agreement	Status
India-EFTA TEPA	In force **1 Oct 2025**
India-UK CETA	Signed 24 Jul 2025; in force **15 Jul 2026** (notified 17 Jun 2026); not in force on 30 Jun 2026
India-Oman CEPA	Signed 18 Dec 2025; in force **1 Jun 2026**
India-NZ FTA	Signed **27 Apr 2026**
India-EU FTA	Negotiations concluded **27 Jan 2026**

Most Likely in Exam

- IMF definition of globalisation: WEO, May 1997.
- LPG reforms: NEP of July 1991 (Rao-Manmohan Singh).
- WTO set up 1 Jan 1995; India a founding member.
- 'Hindu rate of growth' (about 3.5%): Raj Krishna.
- Real GDP growth 2025-26: 7.7% (PE, base 2022-23).
- 'A Fair Globalization': ILO, 2004; ILO Declaration 10 June 2008.
- WTO Appellate Body non-functional since 11 Dec 2019.
- US Supreme Court struck down IEEPA tariffs on 20 Feb 2026.

CHAPTER 7. ECONOMIC REFORMS

Economic Reforms

Economic reforms: reducing the state's role and raising private involvement, typically via **deregulation**.

- **1980s**: piecemeal – broad-banding of licences, MRTP threshold **Rs 100 crore (1985)**, some import liberalisation.
- **New Economic Policy (July 1991)**: PM **P.V. Narasimha Rao**, FM **Dr Manmohan Singh**; IMF **Stand-by Arrangement (October 1991)** and World Bank support, with conditions.
- **Causes**: BoP crisis, PSE inefficiency, high debt, inflation; structurally, bureaucratic controls and inward-looking policies.
- **Triggers**: oil spike after Iraq's invasion of Kuwait (**August 1990**); NRI deposit flight; rating downgrades; political instability; end of rupee trade with USSR.
- **1990-91**: Centre's fiscal deficit ~**8.4%** of GDP; CAD ~**3.1%**; external debt ~**US$ 84 bn** (end-March 1991); double-digit inflation.
- Reserves ~**US$ 1.2 bn** (January 1991); **67 tonnes of gold** pledged (May-July 1991); India **never defaulted**.
- **Stabilisation** = short-run demand management (fiscal correction, tight money, devaluation **1 and 3 July 1991**); **structural reforms** = supply side.
- 1990s = **first-generation**; GST, IBC, labour codes = **second-generation**.
- Pillars: **LPG**. Growth rose, poverty fell; agriculture lagged, inequality rose. Real GDP growth **7.7%** in 2025-26 (**Provisional Estimates**, MoSPI, 5 June 2026; base 2022-23).

Economic Transformation – Real Sector

- **Liberalisation**: delicensing, price/interest deregulation, trade. **Privatisation**: CPSE disinvestment (from **1991-92**), strategic sales, opening telecom, aviation, banking, insurance. **Globalisation**: trade, FDI, portfolio flows, market exchange rate.

New Industrial Policy, 24 July 1991

Item	1991	Today
Industrial licensing	Kept for **18** industries	**5**: defence electronics/aerospace, explosives, hazardous chemicals, tobacco, alcohol
Public-sector reserved	**17 → 8**	**2**: atomic energy, railway operations
MRTP	Asset limits removed	Replaced by **Competition Act, 2002**
FDI	**51%** automatic, 34 industries	Mostly **100%** automatic

- **Trade**: peak customs duty **over 300% (1990-91) → 150% (1991-92)**, then lowered; import QRs removed by **April 2001**; founding member of **WTO (1 January 1995)**.
- **Rangarajan Committee** (**1993**); Dept of Disinvestment (**1999**) → **DIPAM (2016)**.
- **Air India** sold to Tata group (**January 2022**); **PLI** schemes for **14 sectors** (~**Rs 1.97 lakh crore**).
- **Four Labour Codes** replaced **29** central laws, in force from **21 November 2025**.
- **GVA shares 2025-26** (current prices, PE): agriculture **18.0%**, industry **27.7%**, services **54.3%**; agriculture ~**30%** in 1990-91 (old series).

Economic Transformation – Financial Sector

- Pre-1990s: **controlled interest rates**, micro-regulation. Aim: **efficient, competitive, autonomous** system via prudential, competition, market and legal reforms (**Lok Adalats, DRTs, ARCs**); NBFCs too.

Key Reform Committees

Committee	Year	Subject
Sukhamoy Chakravarty	1985	Monetary system
M. Narasimham (I)	1991	Financial system
Raja J. Chelliah	1991-93	Tax reforms
C. Rangarajan	1993	PSU disinvestment
R.N. Malhotra	1993-94	Insurance reforms
S. Padmanabhan	1995	Bank supervision (CAMELS-type)
S.S. Tarapore	1997, 2006	Capital account convertibility
S.H. Khan	1997-98	Roles of banks and DFIs
M. Narasimham (II)	1998	Banking sector reforms
M.S. Verma	1999	Weak PSBs
Urjit Patel	2014	Monetary policy framework

Narasimham I vs II

Item	Narasimham I (CFS)	Narasimham II
Timeline	**Aug-Nov 1991**	**Dec 1997-Apr 1998**
Capital	CRAR **8%** (Basel I); IRAC norms from **1992-93**	CRAR **9%** by 2000, **10%** by 2002
Reserves / NPAs	SLR **38.5% → 25%**; CRR **15% → 3-5%**	**90-day** NPA norm (from **March 2004**); net NPA below **5%** (2000), **3%** (2002)
Institutions	**DRTs** (**1993** Act); private banks (**Jan 1993**)	**ARCs** (→ **SARFAESI 2002**); narrow banking
Other	**Four-tier**: 3-4 international, 8-10 national, local, rural banks	Govt PSB stake **33%** (not implemented)

Key Milestones of Banking Sector Reforms

- **Prudential**: Basel I CRAR **8%** (by **1996**; **9%** from March 2000). **Basel II**: **31 March 2008** (foreign/overseas-present banks), **31 March 2009** (others). **Basel III**: from **1 April 2013**, fully **1 October 2021** – total capital **9% + 2.5% CCB**, plus leverage, **LCR, NSFR**.
- **NPAs**: **AQR (2015-16)**; **4R** (Recognition, Resolution, Recapitalisation, Reforms); GNPA peak ~**11.2% (March 2018)**.

- **Differentiated banks** (Budget 2014-15): **11 payments banks (Aug 2015)**, **10 SFBs (Sept 2015)**; **on-tap** licensing from **2016**.
- **Supervisory**: **BFS (November 1994)** under RBI (apex: banks, FIs, NBFCs); **CAMELS** (Capital, Asset quality, Management, Earnings, Liquidity, Systems) from **Padmanabhan** group; later **SPARC**.
- **Competition**: **1994 amendment** – PSBs may raise up to **49%** equity from public, Centre holds at least **51%**. New private banks **1993-94** (HDFC Bank, ICICI Bank, UTI Bank), **2001** (Kotak Mahindra, Yes Bank), **2014** (IDFC, Bandhan).
- **FDI**: private banks **74%** (**49%** automatic); PSBs **20%** (govt route).
- **PSB mergers**: BoB + Vijaya + Dena (**1 April 2019**); ten PSBs into four (**1 April 2020**) → **12 PSBs**.

Market and Monetary Reforms

Reform	Detail	Date
Lending benchmark	PLR → BPLR → Base Rate → MCLR → **EBLR**	1994, 2003, 2010, 2016, **Oct 2019**
Savings rate	Deregulated	Oct 2011
CRR / SLR	CRR 15% → **3%** of NDTL; SLR 38.5% → **18%**	CRR 3% from fortnight of **29 Nov 2025**
Ad hoc T-bills	Ended (→ **WMA**)	**1 Apr 1997**
Liquidity	**LAF**; call money inter-bank only; **SDF** = floor	June 2000; 2005; April 2022
Inflation targeting	Urjit Patel (2014); RBI Act amended; **6-member MPC**; CPI **4% ± 2%** retained Apr 2026-Mar 2031	2016; **Sept 2016**; March 2026

- **Legal**: **NARCL (2021)**; **SARFAESI 2002**; **CIBIL (2000)**; **CIC Act 2005**; **CCIL (2001)** central counterparty.
- **Ombudsman**: BOS (**1995**) → **RB-IOS 2021** ('One Nation One Ombudsman', **12 Nov 2021**); revised **RB-IOS 2026** issued **January 2026**, effective **1 July 2026**.
- **IBC 2016** (IBBI **Oct 2016**): to Dec 2025 creditors to realise ~**Rs 4.11 lakh crore** (~**32%** of claims). Recap: **Indradhanush (2015)**, **Rs 2.11 lakh crore** package (**2017**).
- **Technology**: **INFINET (1999)**; **NDS (2002)**, **NDS-OM (2005)**; **RTGS (2004)**, **NEFT (2005)**, 24x7 from **Dec 2020** / **Dec 2019**; **K.C. Chakrabarty** IT Vision (2011–2017); sandbox (**2019**); **e-Rupee** pilots **Nov 2022**.

- **DPI**: **PMJDY (28 August 2014)**, **UPI (2016)**, **JAM**; PMJDY over **56 crore** accounts, ~**Rs 2.68 lakh crore** (Aug 2025); UPI **23.2 bn** transactions, **Rs 29.9 lakh crore** (May 2026, NPCI); **DBT** from **1 January 2013**.
- **Debt market**: auctions – **364-day T-bills (1992)**, **91-day (1993)**, dated G-secs (**1992**); Zero Coupon (**1994**), Floating Rate (**1995**), Capital Indexed (**1997**), **Green Bonds (2023)**; **FAR (2020)** → **JP Morgan GBI-EM (June 2024)**; **MSS (2004)** for sterilisation.
- **Forex**: **LERMS (March 1992)**; unified market rate (**March 1993**, managed float); **current account convertibility (August 1994, Article VIII)**; **FEMA 1999** replaced FERA 1973 (in force **1 June 2000**); capital account **partial**.
- **Insurance**: **Malhotra (1993; report 1994)** → **IRDA Act 1999**, regulator **April 2000** (now IRDAI). FDI **26% → 49% (2015) → 74% (2021) → 100%** automatic (Sabka Bima Sabki Raksha Act, 2025; in force **5 February 2026**).
- **Capital market**: **SEBI** (April 1988; statutory **1992**); Capital Issues Act repealed (1992); FIIs (**Sept 1992**); **NSE** screen trading (**1994**); **Depositories Act (1996)**.
- **Today**: SCB GNPA **1.8% (March 2026)**, multi-decadal low.

Integration with the Global Economy

Trade, FDI % GDP (World Bank)

Year	Trade (X + M)	Net FDI inflows
1991	**17.0%**	0.03%
2008	–	**3.6%** (peak)
2012	**55.8%** (peak)	–
2020	about 38%	2.4%
2024	–	0.7%

- **2025-26**: exports + imports ~**46.5%** of GDP (22.2% + 24.4%; PE, not comparable).
- **FDI 2025-26**: total record **US$ 94.5 bn**; equity **US$ 58.85 bn** (DPIIT); net FDI **US$ 6.9 bn** (RBI). Net FPI outflow about **US$ 16.5 bn** (volatility risk).
- **CAD 2025-26**: **US$ 25.2 bn (0.6% of GDP)**; Q4 (Jan-Mar 2026) surplus **US$ 7.1 bn** (RBI, 8 June 2026).
- **Reserves**: **US$ 672.6 bn** (week ended **19 June 2026**).

- **Trade deals**: UAE **CEPA (2022)**, Australia **ECTA (2022)**, EFTA **TEPA** (in force **October 2025**).

Economic Reforms in India

- **BoP**: CAD **3.1% (1990-91) → 0.6% (2025-26)**.
- **Chelliah (1991-93)**: lower rates, wider base; **Kelkar Task Force (2002)**.
- **GST**: **1 July 2017** (**101st Amendment, 2016**); from **22 September 2025** slabs **5% and 18%**, plus **40%** on sin/luxury goods.
- **Corporate tax (Sept 2019)**: **22%** existing (no exemptions); **15%** new manufacturing.
- **Income-tax Act, 2025** (assent **21 August 2025**) replaced 1961 Act from **1 April 2026**.
- **FRBM Act 2003** (amended 2018): fiscal deficit **4.4%** (2025-26 RE), **4.3%** (2026-27 BE); anchor now **debt**: **50 ± 1%** of GDP by **2030-31**.

Most Likely in Exam

- NEP July 1991; reserves ~US$ 1.2 bn (Jan 1991).
- NIP 24 July 1991: licensing now 5; PSU reservation 2.
- Narasimham I (1991): SLR → 25%, CRR → 3-5%, CRAR 8%.
- Narasimham II (1998): CRAR 10%, 90-day NPA, ARCs.
- BFS Nov 1994; Basel III 9% + 2.5% CCB; 12 PSBs.
- MPC Sept 2016; CPI 4% ± 2% to March 2031.
- LERMS 1992; CA convertibility Aug 1994; FEMA 1 June 2000.
- GST 1 July 2017; IBC 2016; GNPA 1.8% (Mar 2026).

CHAPTER 8. FOREIGN TRADE POLICY, FOREIGN INVESTMENTS AND ECONOMIC DEVELOPMENT

Structural Changes During the 1990s

Pre-1991: **import substitution**, licences and **QRs** under the **Imports and Exports (Control) Act, 1947**, high tariffs, overvalued rupee. The **1990-91 BoP crisis** triggered reforms.

1990s reform timeline

Date	Reform	Key fact
1 & 3 Jul 1991	Rupee devalued	About **18-19%**; CCS abolished, EXIM scrips
1991	CCI&E renamed	**DGFT**
1992	**FT(D&R) Act, 1992**	Replaced 1947 Act; EXIM Policy 1992-97, negative list
Mar 1992	**LERMS**	60% market rate, 40% official
Mar 1993	Unified exchange rate	Market-determined
20 Aug 1994	**Current account convertibility**	IMF **Article VIII**
1 Jan 1995	**WTO**	Founder member
2000 / 1 Apr 2001	QRs removed	**714** items, then last **715**

- Peak customs duty: **150%** (1991-92) to **40%** (1997-98) to about **10%** by 2007-08.
- **2000**: EPZs converted to **SEZs** (SEZ Act, **2005**). **2004**: EXIM Policy renamed **Foreign Trade Policy** (FTP 2004-09).

Foreign Trade Policy (FTP) 2015-20

- Announced **1 April 2015**; target **US$ 900 bn** exports by 2019-20; world share **2% to 3.5%**.
- Five reward schemes merged into **MEIS** (merchandise) and **SEIS** (services); rewards as freely transferable **duty credit scrips**.
- Mid-term review (**5 Dec 2017**): MEIS +2% (labour-intensive MSME), SEIS +2%.
- **WTO panel (2019)**, on a US complaint, held MEIS inconsistent; MEIS replaced by **RoDTEP** from **1 Jan 2021**. **RoSCTL** (from March 2019): apparel and made-ups. SEIS ended after 2019-20.
- Extended (first to 31 March 2021) finally to **31 March 2023**; replaced by FTP 2023.

Foreign Trade Policy 2023

- **Announced 31 March 2023; in force from 1 April 2023**; **no end date**, updated as needed.
- Target: **US$ 2 trillion** exports by **2030** (US$ 1 tn merchandise + US$ 1 tn services). Administered by **DGFT** under FT(D&R) Act, 1992.
- **Four pillars**: incentive to **remission** (WTO-compliant); ease of doing business via technology and automation; export promotion through **collaboration** (exporters, States, Districts, Missions); **emerging areas** (e-commerce, districts as export hubs, SCOMET).
- **Automatic route**: AA and EPCG issue (earlier 3-7 days), revalidation and EO period extension (earlier 3 days-1 month) in **1 day**.
- **User charges (AA/EPCG)**: non-MSMEs Rs 1 per Rs 1,000 (cap **Rs 1 lakh** above Rs 10 crore); **MSMEs** (55-60% of exporters) **Rs 100** up to Rs 1 crore, **Rs 5,000** above.
- **e-CoO** self-certification; **paperless** EO discharge.

Status holder thresholds (US$ mn)

Status	Earlier	FTP 2023
One Star	3	3
Two Star	25	**15**
Three Star	100	**50**
Four Star	500	**200**
Five Star	2,000	**800**

- **Merchanting trade** allowed (goods not touching Indian ports), subject to RBI; **CITES and SCOMET** items excluded.
- INR exports via **Special Rupee Vostro Accounts** (RBI, **11 July 2022**) get FTP benefits.
- **Towns of Export Excellence**: 4 new (Faridabad-apparel; Moradabad-handicrafts; Mirzapur-carpet/dari; Varanasi-handloom/handicraft), **39 to 43**. Benefits: **MAI** support (now **Niryat Disha**), **CSP** under EPCG.
- **Districts as Export Hubs**: SEPCs, **DEPCs**, **District Export Action Plans**; training with **DICs**.
- **E-commerce**: all FTP benefits; DoC-CBIC-India Post IT link; courier limit **Rs 10 lakh** per consignment; **Dak Ghar Niryat Kendras** (hub-and-spoke with FPOs).

- **Manufacturing**: PM MITRA under EPCG CSP; dairy exempt from Average EO; green tech (BEVs, green hydrogen) reduced EO; Special AA for apparel (para **4.07** HBP); self-ratification extended from AEOs to **2-star and above**; **double weightage** for fruits/vegetables and MSME exporters.
- **Amnesty Scheme** ('Vivad se Vishwas' model) for AA/EPCG EO defaults: interest capped at **100%** of duty, none on ACD/SACD; applications closed **31 Dec 2023** (extended from 30 Sep 2023, PN 20/2023), payment by 31 Mar 2024; **lapsed**; fraud cases excluded.
- **SCOMET**: consolidated dual-use policy; General Authorisation for select items. India in **MTCR (June 2016)**, **Wassenaar (Dec 2017)**, **Australia Group (Jan 2018)**; not NSG.
- **Export Promotion Mission** (Cabinet **12 Nov 2025**): **Rs 25,060 crore**, 2025-26 to 2030-31, DGFT; sub-schemes **Niryat Protsahan** (credit) and **Niryat Disha** (market access); subsumes IES and MAI.
- **CGSE** (12 Nov 2025): NCGTC **100%** guarantee, up to **Rs 20,000 crore** extra collateral-free credit (up to 20% of sanctioned export working capital); open till **31 Mar 2026**.
- **RBI relief (14 Nov 2025)**: realisation **9 to 15 months**; advance-payment shipment 1 to 3 years; export credit up to **450 days**. **RoDTEP** extended to **30 Sep 2026**.
- **Trade agreements (30 Jun 2026)**: **EFTA TEPA** signed 10 Mar 2024, in force **1 Oct 2025**; **UK CETA** signed 24 Jul 2025, to come into force **15 Jul 2026** (notified 17 Jun 2026); **Oman CEPA** in force 1 Jun 2026; **New Zealand FTA** signed 27 Apr 2026; **EU FTA** talks concluded 27 Jan 2026.

Challenges to Be Addressed in the Upcoming FTP

India's foreign trade (US$ bn)

Item	2024-25	2025-26	Growth %
Merchandise exports	437.70	441.78	0.93
Services exports	387.55	418.31	7.94
Total exports	825.26	**860.09**	4.22
Total imports	919.92	**979.40**	6.47
Merchandise balance	-283.50	**-333.19**	-
Services balance	+188.84	**+213.89**	-
Overall balance	-94.66	-119.30	-

- 2025-26 exports an **all-time high** (estimates, DoC 15 Apr 2026); merchandise imports 774.98, services imports 204.42.

- **WTO compatibility**: support only as **remission of taxes** (RoDTEP, RoSCTL), not subsidies.
- Import dependence (crude, gold, electronics, Chinese inputs).
- **US tariffs** up to **50%** from 27 Aug 2025; extra 25% removed 7 Feb 2026; IEEPA tariffs struck down (20 Feb 2026), temporary **10%** global tariff from 24 Feb 2026.
- **EU CBAM** definitive phase from **1 Jan 2026** (steel, aluminium, cement, fertilisers); logistics cost, MSME credit.

FDIs, FIIs (FPIs) and Recent Trends

- Total FDI inflows (DPIIT): **84.83 bn** (2021-22), 71.4 (2022-23), 80.62 (2024-25), **US$ 94.53 bn** (2025-26, **+17%**, record); equity **US$ 58.85 bn** (provisional). Cumulative since April 2000 about **US$ 1.17 tn**.
- Top sources 2025-26: **Singapore** (19.80), **USA** (11.17), Mauritius, Japan, Netherlands. Top sector: computer software and hardware; top State: Maharashtra.
- **Net FDI** (RBI): 28 bn (2022-23), 10.2, 1.0, **6.9 bn** (2025-26); outward FDI **US$ 33.3 bn** (2025-26).
- **Automatic route**: no approval; report in **FC-GPR** on FIRMS within **30 days** (transfers: FC-TRS). **Government route**: FIPB abolished **2017**; apply on **FIFP**; above **Rs 5,000 crore** to **CCEA**.
- Framework: **FEMA, 1999**, **FEMA (NDI) Rules, 2019**, DPIIT Press Notes.
- **Press Note 3 (2020)**: land-border countries only via government route. **PN 2 (2026)**, 15 Mar 2026: beneficial owner per PMLA (**over 10%**); Cabinet (10 Mar 2026): 60-day decision for specified manufacturing (Indian majority ownership and control).
- **PN 1 (2026)**: **100% automatic in insurance** (LIC **20%**) after Sabka Bima Sabki Raksha Act, 2025; NDI Rules amended 2 May 2026. Pending (not policy): PSBs 20% to 49%, pension above 49%.
- **Types**: **Greenfield** (Hyundai, Kia), **Brownfield** (Daiichi Sankyo-Ranbaxy, 2008), **JV** (Maruti-Suzuki 1982; Hero Honda); horizontal, vertical, conglomerate.
- **Prohibited**: lottery, gambling/betting, chit funds, **Nidhi**, TDRs, real estate business, farmhouses, tobacco cigarettes, atomic energy, railway operations.
- **ODI**: FEMA (OI) Rules, 2022 (from **22 Aug 2022**); up to **400% of net worth**; individuals within LRS **US$ 2,50,000**/year.

- **FPI**: FIIs, sub-accounts, QFIs merged on **1 June 2014**; **SEBI (FPI) Regulations, 2019** (Categories I, II); per investor **below 10%** (else sell in 5 trading days or FDI); aggregate = sectoral cap. Debt limits 2026-27: **G-secs 6%, SGS 2%, corporate bonds 15%**; FAR unlimited.
- Non-resident individuals (12 Jun 2026): each below **10%**, all together up to **24%**. FPI net outflow 2025-26 about **US$ 16.5 bn**.

Key FDI caps (30 Jun 2026)

Sector	Cap	Route
Insurance (2026); LIC	**100%**; 20%	Automatic
Public sector banks	20%	Government
Private banks	74%	Auto up to 49%
Defence	100%	Auto up to 74%
Multi-brand retail	51%	Government
Print media; digital news	26%	Government
Pension; stock exchanges	49%	Automatic
E-commerce marketplace	100%	Automatic

- **FDI vs FPI**: FDI = **10% or more** of a listed company (or any unlisted stake), stable control; FPI = below 10%, volatile '**hot money**'.

Economic Development vs Economic Growth

Economic growth: increase in real national income/output over time; **quantitative**, narrow (GDP, GNI, per capita income). **Economic development**: sustained improvement in overall well-being; **quantitative and qualitative**, broader, long-run (HDI, MPI, Gini, PQLI).

- Growth is **necessary but not sufficient** for development; development can lag if growth is jobless or unequal.

Importance of Economic Development as a Dimension

- Development = growth + **structural change** + better distribution + human capabilities (**Amartya Sen**).
- Reduces poverty and inequality (**inclusive growth**); builds human capital; supports **SDGs**.
- **HDI** (UNDP, **1990**): life expectancy, education, GNI per capita (PPP). India **130 of 193**, HDI **0.685** (HDR 2025; data 2023). Also IHDI, GDI, GII.

- **MPI** (UNDP-OPHI, **2010**, replaced HPI). National MPI (NITI Aayog): **29.17%** (2013-14) to **11.28%** (2022-23); about **24.82 crore** out of poverty.
- **PQLI** (Morris D. Morris, **1979**): literacy, infant mortality, life expectancy at age one.

Most Likely in Exam

- FT(D&R) Act, 1992 replaced the 1947 Act; current account convertibility **20 Aug 1994**.
- FTP 2023: effective **1 Apr 2023**, no end date, **US$ 2 tn** by 2030.
- Five Star threshold **US$ 800 mn**; **43** Towns of Export Excellence.
- EPM: **Rs 25,060 crore**; Niryat Protsahan and Niryat Disha.
- 2025-26: exports **US$ 860.09 bn**; FDI inflows **US$ 94.53 bn**; net FDI US$ 6.9 bn.
- Insurance FDI **100% automatic** (PN 1 of 2026); land-border countries via government route (PN 3 of 2020).
- India's HDI rank **130 of 193** (HDR 2025); MPI replaced HPI in 2010.

CHAPTER 9. INTERNATIONAL ECONOMIC ORGANISATIONS (WORLD BANK, IMF, ETC.)

IMF and **World Bank**, the **Bretton Woods twins**, were conceived at the **Bretton Woods Conference (1-22 July 1944)**.

IMF: Formation, Governance and Quotas

- **191 members** (**Liechtenstein** 191st, Oct 2024). In existence **27 Dec 1945** (29 countries signed); operations from **1 Mar 1947**; HQ **Washington DC**. India a founding member.
- **Board of Governors** (one Governor + Alternate each) is highest, advised by **IMFC**; **Executive Board** (**25 EDs**) runs daily work.
- **MD Kristalina Georgieva** (second term from 1 Oct 2024); by convention a European.
- **Quota** decides subscription (up to **25%** in reserve assets), votes, financing access and SDR share.
- **Votes** = basic votes + one per **SDR 100,000** of quota. Key decisions need **85%**; USA (**about 16.5%**) has a **veto**.
- **14th Review** (approved 2010, effective **26 Jan 2016**): doubled quotas; **over 6%** shifted to emerging markets. **15th** (2020): no increase.
- **16th Review** (approved **15 Dec 2023**): **+50%**, **SDR 476 bn to 715.7 bn**, shares unchanged; deadline extended to **15 Nov 2026**; **not effective** as on 30 Jun 2026.

IMF: Functions and Lending

- Functions: **surveillance**; temporary **BoP** finance; poverty reduction (**PRGT**; **HIPC**, **MDRI** with WB; **RST** since **2022**); mobilising finance; monetary system; reserves (**SDRs, 1969**); technical assistance; research.
- **Non-concessional**: **SBA** (short-term BoP), **EFF** (medium-term structural), **FCL**/**PLL** (strong performers), **RFI** (urgent). **Concessional**: **ECF, SCF, RCF**; **RSF** (climate/pandemic).
- Reserve tranche drawing is **not a loan**; no conditions.

India and the IMF

- **Finance Minister** = Governor; **RBI Governor** = Alternate. ED **Dr Urjit Patel** (Aug 2025): India, Bangladesh, Bhutan, Sri Lanka.

- Quota **SDR 13,114.4 mn** (**about 2.75%**); votes **about 2.63%**; **8th-largest** (after USA, Japan, China, Germany, France, UK, Italy).
- Borrowed under **1981 EFF** and **1991 Stand-By**; repaid by **2000**. As on 30 Jun 2026: **no outstanding credit**; reserve tranche **SDR 3,525.82 mn**.

Special Drawing Rights (SDR)

- Created **1969**; **neither a currency nor a claim on the IMF**, but a potential claim on freely usable currencies.
- Largest allocation **about SDR 456 bn (about US$650 bn)**, **23 Aug 2021**; India **about SDR 12.57 bn**. Earlier: 1970-72, 1979-81, 2009.
- Initially 1 SDR = **0.888671 g fine gold** (= US$1); basket **since 1974**. Tests: **export** and **freely usable** criteria; reviewed **every five years**.
- **Renminbi** included from **1 Oct 2016** (decided 2015). 2022 weights (effective **1 Aug 2022**): **USD 43.38%, EUR 29.31%, RMB 12.28%, JPY 7.59%, GBP 7.44%**. Next review by **July 2027**.

World Bank and World Bank Group

- **IBRD** began operations **June 1946** to rebuild Western Europe; later poverty. **Largest development bank**; mainly funds sovereigns.
- **'World Bank' = IBRD + IDA**. **President Ajay Banga** (since **2 Jun 2023**); by convention a US national.
- India examples: **Sarva Shiksha Abhiyan**, **Neeranchal**, **NRLM**, **National Ganga River Basin Project**, **PMGSY**.
- Income groups (GNI per capita, Atlas; **FY2026**): low **up to US$1,135**; lower-middle **1,136-4,495**; upper-middle **4,496-13,935**; high **above 13,935**. **India: lower-middle**.
- **IDA**: zero/very low interest, **30-40 yr** maturity, grace **up to 10 yrs**; replenished **every three years**; **IDA21** (Jul 2025-Jun 2028) **about US$100 bn**.
- **MIGA**: political risk insurance. **ICSID**: **Washington Convention** (in force **14 Oct 1966**); investor-state arbitration.
- **India**: founding member of IBRD, IFC, IDA; **not in ICSID**. First loan **1949** (**US$34 mn**, Railways), Bank's first to Asia. **IDA graduate** (last **IDA16**, FY2014); now contributor.

IMF vs World Bank

Point	IMF	World Bank (IBRD/IDA)
Purpose	BoP and exchange rate stability	Long-term development
Lending	Short-/medium-term BoP	Long-term loans; IDA grants
Funds	Quotas; NAB	Bond markets; IDA donors
Voting	Quota-based	Shareholding-based

Other Multilateral Development Banks

Development Banks at a Glance

Body	Year	Members / HQ	Key point
IBRD	1944/45	189	India founding member
IDA	1960	175	Soft window; India founding
IFC	1956	186	Private sector; India founding
MIGA	1988	182	India joined 1994
ICSID	1966	158 Contracting States	**India not a member**
ADB	1966	69; Manila	**Masato Kanda** (from 24 Feb 2025); India **4th-largest** (about 6.3%)
AIIB	2016	111; Beijing	**Zou Jiayi** (from 16 Jan 2026); India **2nd-largest**
NDB	2015	Shanghai	Equal BRICS shares; first President **K.V. Kamath**

- **ADB** President by convention Japanese; Japan, USA largest shareholders. **AIIB**: China **over 25%** votes (veto).
- **NDB**: **Fortaleza (July 2014)**; President **Dilma Rousseff** (re-elected 2025).
- BRICS **Contingent Reserve Arrangement**: **US$100 bn** (India **US$18 bn**).

WTO: India and WTO

- **GATT** signed by **23 nations** on **30 Oct 1947** (Geneva); effective **1 Jan 1948**; India a founding member. Eight rounds: Geneva 1947 to **Uruguay (1986-94)**.
- **Marrakesh Agreement (15 Apr 1994)** set up **WTO** on **1 Jan 1995**. **166 members** (Comoros, Timor-Leste, Aug 2024); HQ **Geneva**.

- **DG Ngozi Okonjo-Iweala**: first woman and first African (from Mar 2021; second term from **1 Sep 2025**).
- **General Council** also sits as **DSB** and **TPRB**. **Appellate Body non-functional since Dec 2019** (USA blocks appointments).
- Principles: **MFN**, **National Treatment**, transparency, **S&DT**. Functions (**Article III**): administer agreements, negotiate, settle disputes, monitor policies, coherence with IMF/WB.
- Agreements: **AoA**, SPS, **ATC** (MFA quotas ended **1 Jan 2005**), **TRIMs**, **GATS**, **TRIPS**, **TFA** (in force **22 Feb 2017**).
- AoA boxes: **Amber** (capped; de minimis **10%** for developing), **Blue**, **Green** (not capped). **Peace clause** (Bali 2013) protects MSP stockholding.
- **Doha (2001)**: India led on **TRIPS and Public Health**; resisted **'Singapore issues'**; round not concluded.

WTO Ministerial Conferences

MC	Venue, year	Key point
1	Singapore, 1996	'Singapore issues' raised
2-3	Geneva 1998; Seattle 1999	Seattle collapsed amid protests
4	Doha, 2001	Doha Development Agenda
5-6	Cancun 2003; Hong Kong 2005	Farm deadlock; export subsidy end agreed in principle
9	Bali, 2013	TFA; peace clause
10	Nairobi, 2015	Farm export subsidies abolished
12	Geneva, 2022	Fisheries Subsidies Agreement; COVID-19 TRIPS waiver
13	Abu Dhabi, 2024	E-commerce moratorium extended to MC14
14	Yaounde, 26-30 Mar 2026	**No declaration**; e-commerce moratorium lapsed

- **Fisheries Subsidies Agreement** in force **15 Sep 2025**. **MC14**: **TRIPS non-violation** moratorium also lapsed; fisheries talks to **MC15**.
- **India's positions**: permanent public stockholding solution; artisanal fishers; opposes **IFD** without consensus; Appellate Body restoration.

Regional Economic Co-operation

Promotes growth, technology and economic security within a region, based on **equity, mutual gain, consensus** and consistency with the **multilateral trade system**.

Key Regional Groupings

Group	Founded	Members	Key fact
EU	Maastricht, in force 1 Nov 1993	27	UK left 31 Jan 2020; Nobel Peace 2012
Euro area	1 Jan 1999	21	**Bulgaria 1 Jan 2026**; ECB Frankfurt
SAARC	8 Dec 1985, Dhaka	8	Afghanistan 2007; Kathmandu; SAFTA 2006
ASEAN	8 Aug 1967	11	Timor-Leste Oct 2025; Jakarta
OPEC	1960	11	Vienna; **UAE exit 1 May 2026**
G-20	1999	19 + EU + AU	AU added Sept 2023, New Delhi
OECD	1961	38	Paris; India a Key Partner
APEC	1989	21	India not a member
IORA	1997	23	Mauritius; **India Chair 2025-27**
BIMSTEC	1997	7	Dhaka; Charter May 2024
BRICS	2009	10	**India Chair from 1 Jan 2026**

- **ASEAN-India FTA** (goods) since **2010**. **OPEC** exits: Qatar (Jan 2019), Ecuador (2020), Angola (2024), UAE.
- **G-7**: G-6 in 1975, Canada 1976; India an outreach partner. **G-20**: **about 85%** of GDP, **over 75%** of trade.
- **USMCA** replaced NAFTA on **1 Jul 2020**. **Mercosur** (1991): Bolivia 2024; India-Mercosur PTA since **2009**.
- **RCEP**: ASEAN + 5; in force **1 Jan 2022**; **India withdrew Nov 2019**.
- **BRICS**: South Africa 2010; Egypt, Ethiopia, Iran, UAE 2024; Indonesia Jan 2025.
- **ACU** (1974): net multilateral settlement among member central banks incl. RBI; ACU Dollar, Euro, Yen.

- **India's recent deals**: **EFTA TEPA** in force **1 Oct 2025**; **UK CETA** signed 24 Jul 2025, entry into force set for **15 Jul 2026**; **EU FTA** talks concluded **27 Jan 2026**, not signed; **Oman CEPA** in force **1 Jun 2026**.

Recent International Economic Issues

- **IMF WEO (April 2026)**: world growth **3.1% (2026)**, **3.2% (2027)**; India **6.5%** (FY2026-27), fastest among major economies.
- **Middle East war (2026)**: higher commodity prices and inflation expectations; tighter financial conditions.
- **UAE** left OPEC and OPEC+ from **1 May 2026**; OPEC down to 11.
- **US tariffs** since 2025; shift to bilateral and plurilateral deals as WTO weakens.
- Debt: Zambia, Ghana, Ethiopia under **G20 Common Framework (2020)**; Sri Lanka via Official Creditor Committee co-chaired by **India, Japan, France**.
- **COP29 (Baku, 2024)**: climate finance goal **US$300 bn a year by 2035**. China slowdown; **'China plus one'**.

Most Likely in Exam

- IMF: **191 members**; existence **27 Dec 1945**; MD Kristalina Georgieva.
- 16th Review: **+50%** to **SDR 715.7 bn**; not effective; deadline **15 Nov 2026**.
- India's IMF quota **SDR 13,114.4 mn** (about 2.75%), **8th-largest**; no outstanding credit.
- SDR (1969): **USD 43.38%, EUR 29.31%, RMB 12.28%, JPY 7.59%, GBP 7.44%**.
- World Bank = IBRD + IDA; WBG = 5; India **not in ICSID**; first loan 1949 (Railways).
- WTO: **1 Jan 1995**; **166 members**; Appellate Body non-functional since Dec 2019.
- **MC14** Yaounde (Mar 2026): no declaration; e-commerce moratorium lapsed.
- EU 27; euro area 21; ASEAN 11; OPEC 11; OECD 38; IORA 23; BIMSTEC 7; SAARC 8.

CHAPTER 10. CLIMATE CHANGE AND SUSTAINABLE DEVELOPMENT GOALS (SDGS)

Climate Change and Sustainable Development

- **2024**: warmest year on record, about **1.55°C** above pre-industrial levels.
- **UN SDG Report 2025**: only **35%** of targets on track or moderate; **18%** regressed.
- **Sendai Framework** (2015-2030): **131** countries had disaster risk reduction strategies in 2024 (57 in 2015).
- **NDC** every five years (Paris); **NDC 3.0** (to 2035) due 2025; India submitted NDC 2031-35 on **24 April 2026**.
- **IPCC AR6 (2023)**: for 1.5°C, cut emissions **43% by 2030**, **60% by 2035** (vs 2019).
- **SDG 13**: urgent action to combat climate change and its impacts.

Sustainable development: meeting present needs without compromising future generations' ability to meet theirs (**Brundtland, 'Our Common Future', 1987**). Pillars: **economic growth, social inclusion, environmental protection**.

- **MDGs**: **8** goals, Millennium Summit (2000), **2000-2015**, mainly developing countries; **Rio+20** (June 2012, 'The Future We Want') began successor process.
- **2030 Agenda** ('Transforming our World'), adopted **25 September 2015**: **17 SDGs, 169 targets**, **1 January 2016 to 2030**; universal; **'leave no one behind'**.
- **5 Ps**: People, Planet, Prosperity, Peace, Partnership. Reviewed at **HLPF** via **Voluntary National Reviews**.

SDG India Index 2023-24 scores

SDG	Goal	Score (earlier)
1	No Poverty	**72** (60 in 2020-21)
2	Zero Hunger	Aspirant to Performer
3	Good Health	77 (52 in 2018)
5	Gender Equality	**49**, lowest (36 in 2018)
6	Clean Water, Sanitation	89 (63 in 2018)
7	Clean Energy	**96**, highest (51 in 2018)
9	Industry, Innovation	61 (41 in 2018)
11	Sustainable Cities	83 (39 in 2018)
13	Climate Action	67 (54 in 2020-21)
14	Life Below Water	Not in composite
15	Life on Land	75 (66 in 2020-21)
17	Partnerships	Not scored
	Composite	**71** (66 in 2020-21; 57 in 2018)

Global Issues and Initiatives (UN's Role)

The **UN** tackles cross-border issues: health (HIV/AIDS), refugees, ageing, education, democracy, Africa's development, climate change.

- **IPCC**: **1988**, by **WMO and UNEP**.
- **UNFCCC**: **Rio Earth Summit (1992)**, in force 1994; supreme body **COP**; principle **CBDR-RC**.
- **Kyoto Protocol** (**1997**; in force 2005): binding targets for developed (**Annex I**) countries only.
- **Paris Agreement** (**COP21, 2015**; in force **4 November 2016**): well below **2°C**, pursue **1.5°C**; **Global Stocktake** every five years (first **COP28, 2023**); **Article 6**: carbon markets.

India's Progress on SDGs

- **NITI Aayog** coordinates; **SDG India Index** first in **December 2018**; **4th edition (2023-24)** released **12 July 2024**: **113 indicators, 16 goals**, scores 0-100.

- Categories: **Aspirant (0-49), Performer (50-64), Front-Runner (65-99), Achiever (100)**; **32** Front-Runner States/UTs (22 in 2020-21), incl. 10 new.
- **Kerala and Uttarakhand** top (**79**); **Bihar** lowest (**57**).
- Multidimensional poverty: **24.8% (2015-16) to 14.96% (2019-21)**. **SDG 13**: **largest gain** of any goal. Weak spots: **SDG 5** (women's workforce participation), **SDG 2** (malnutrition).
- Drivers: **PM Awas** (4 crore+ houses), **Ujjwala** (10 crore LPG), **Swachh Bharat** (11 crore rural toilets), **Jal Jeevan** (14.9 crore+ households).
- **MoSPI NIF**: **277 indicators**; **SDG-NIF Report 2026** (29 June 2026, Statistics Day): unemployment **6.1% to 3.1% (2025)**; MMR **122 to 87** per lakh live births (2022-24); social protection **22.0% to 65.3%**.

SDG reports and India

Report (publisher)	Latest edition	India
SDG India Index (NITI Aayog)	2023-24 (12 Jul 2024)	Score 71
SDR (SDSN)	2026 (June 2026)	**94th of 167**, 68.3; best yet (99th 2025)
SDG-NIF Report (MoSPI)	2026 (29 Jun 2026)	277 indicators
SDG Report (UN DESA)	2025 (14 Jul 2025)	No country ranks

India and SDG 13: Climate Action (COP26 to COP30)

- **Panchamrit (COP26, Glasgow, 2021)**: **net zero 2070**; **500 GW** non-fossil by 2030; **50%** energy from renewables by 2030; cut **1 billion tonnes** projected emissions; **45%** intensity cut by 2030 (vs 2005). Goal 3 formalised (NDC, August 2022) as 50% of installed capacity non-fossil.
- Also **OSOWOG**, **LiFE** (Mission LiFE, October 2022); single-use plastic ban from **1 July 2022**.

COP outcomes, 2022-2025

COP	Key outcomes	India
COP27 Sharm el-Sheikh, 2022	**Loss and Damage Fund** agreed	Presented **LT-LEDS**
COP28 Dubai, 2023	Fund operationalised; first **Global Stocktake**: transition away from fossil fuels, triple renewables, double efficiency gains by 2030	**LeadIT 2.0** (with Sweden); **Green Credit Programme**
COP29 Baku, 2024	**NCQG**: at least **US$300 bn a year by 2035** (was US$100 bn, 2009); **US$1.3 trillion** all actors; Article 6 rules (**6.2** country-to-country; **6.4** UN-supervised crediting); first Biennial Transparency Reports due end-2024; Baku Adaptation Roadmap	Called it inadequate
COP30 Belem, Brazil, 10-22 Nov 2025	'Global Mutirão': Global Implementation Accelerator, 'Belem Mission to 1.5'; triple adaptation finance by 2035; 59 adaptation indicators; Just Transition Mechanism; **TFFF**; no fossil-fuel roadmap	Article 9.1 finance; opposed carbon border taxes

- **Green Credit Programme**: notified **October 2023** under Environment (Protection) Act, 1986; rewards voluntary actions.
- Intensity down **33% (2005-2019)**, 36% by 2020; non-fossil capacity **40%** in 2021, crossed **50% in June 2025**; record **55.29 GW** added in 2025-26.
- **COP31**: **Antalya, Turkiye**, 9-20 November 2026 (Australia presides over negotiations); **COP32**: Addis Ababa, 2027.
- **NDC 2031-35**: Cabinet **25 March 2026**, submitted to UNFCCC **24 April 2026**; net zero 2070 unchanged.

India's climate targets

Target	2015 / 2022 NDC (2030)	NDC 2031-35	Achieved
Intensity cut (vs 2005)	33-35% / **45%**	**47%**	36% (2020)
Non-fossil capacity	40% / **50%**	**60%**	53.75% (31 May 2026)
Carbon sink	2.5-3 bn t	**3.5-4.0 bn t**	2.29 bn t (2021)

- **31 May 2026**: capacity **542.35 GW**; non-fossil **291.53 GW**; solar **157.05 GW**; wind 56.81 GW.

Banking Sector's Role in Climate Action

- RBI joined **NGFS** (**April 2021**); **Sustainable Finance Group** (May 2021); Discussion Paper on climate risk **27 July 2022**; 2022 survey of **34 banks**.
- **Green deposits**: issued **11 April 2023**, effective **1 June 2023**; now in RBI Climate Finance **Directions, 2025** (**28 November 2025**). **Rupee only**; excludes fossil fuels, nuclear, hydro above **25 MW**; Board-approved framework, annual third-party verification and impact assessment.
- **Draft disclosure framework** (**28 February 2024**): **Governance, Strategy, Risk Management, Metrics and Targets**; not final.
- **Sovereign Green Bonds**: framework November 2022; first issue **Rs 16,000 crore** (two tranches of Rs 8,000 crore), Jan-Feb 2023.
- **World Bank** (2018): climate could cost India **2.8% of GDP** by 2050.
- **SEBI green debt** framework (2017): proceeds use disclosed. **Carbon tax** is fiscal; **emissions trading** market-based.
- **NAPCC** (**30 June 2008**): **8 missions**: Solar, Enhanced Energy Efficiency, Sustainable Habitat, Water, Himalayan Ecosystem, Green India, Sustainable Agriculture, Strategic Knowledge. **CCFU** (2011, Finance Ministry).
- **BRSR** (May 2021) replaced **BRR** (2012, top 100); mandatory for **top 1,000** listed firms from 2022-23; **BRSR Core** (July 2023) from top 150.
- RBI circular on CSR and sustainable development: **December 2007**.
- **CCTS**: notified **28 June 2023** (Ministry of Power, Energy Conservation Act, 2001); **BEE** administrator, Grid Controller of India registry, **CERC** regulator; compliance and offset mechanisms.
- **PSL** (renewables since 2015; PSL Directions, 2025, effective 1 April 2025): up to **Rs 35 crore** per borrower, **Rs 10 lakh** per household.
- **500 GW** non-fossil target replaced 450 GW renewables goal; SBI green car loans **20 bps** cheaper.

Green schemes and missions

Scheme	Date	Key features
PM Surya Ghar	13 Feb 2024 (Cabinet 29 Feb)	Rs 75,021 crore; **1 crore** homes; up to **300 units** free a month; Rs 30,000/60,000/78,000 for 1/2/3+ kW
FAME I / II	2015 / 2019 (ended March 2024)	EV adoption
PM E-DRIVE	Oct 2024 to 31 Mar 2028	Rs 10,900 crore; e-2W/3W, e-buses, e-trucks, charging; e-2W registered up to 31 July 2026
Green Hydrogen Mission	4 Jan 2023	Rs 19,744 crore; **5 MMT** a year by 2030; about 125 GW renewables
ISA / CDRI	2015 / 2019	India-led alliances

Corporate Social Responsibility (CSR) Activities

CSR: a business approach integrating economic, social and environmental concerns into operations, for long-term growth and positive social contribution.

- Mandated by **Section 135, Companies Act, 2013**; activities in **Schedule VII** (hunger, health, sanitation, education, gender, environment, rural development, **PM CARES**).
- Spend **2% of average net profits of three preceding years** if net worth **Rs 500 crore**, turnover **Rs 1,000 crore** or net profit **Rs 5 crore**.
- Excess set off over **three succeeding years** (CSR Amendment Rules, 2021).
- **CSR Committee**: 3+ directors, one independent; not needed up to **Rs 50 lakh**.
- Unspent (ongoing): **Unspent CSR Account within 30 days**, spend in **three years**; else Schedule VII fund in **six months**.
- **Form CSR-1**; impact assessment if average obligation **Rs 10 crore**+, for projects of **Rs 1 crore**+.
- **2019 Amendment**: up to 3 years' imprisonment proposed; never in force.
- **2020 Amendment** (from **22 January 2021**): **civil wrong**; company: lower of **twice the amount** or **Rs 1 crore**; officer: lower of one-tenth or **Rs 2 lakh**.

Most Likely in Exam

- SDGs: 17 goals, 169 targets, 25 September 2015; MDGs: 8 goals.
- SDG India Index 2023-24: India 71; Kerala, Uttarakhand 79; Bihar 57.
- SDR 2026: India 94th of 167.
- Panchamrit: net zero 2070; 500 GW by 2030.
- NDC 2031-35: 47% intensity cut, 60% non-fossil.
- NCQG (COP29): US$300 bn a year by 2035.
- Green deposits effective 1 June 2023; PSL Rs 35 crore.
- CSR penalty: lower of twice the amount or Rs 1 crore.

CHAPTER 11. ISSUES FACING INDIAN ECONOMY

Overview: Growth and Structural Issues

- **NSO Provisional Estimates** (5 Jun 2026, **new base 2022-23**): real GDP growth **7.7%** in 2025-26 (Rs **323.12 lakh crore**); nominal **8.9%** (Rs 346.36 lakh crore). New series replaced 2011-12 base in **Feb 2026**.
- **IMF WEO (Apr 2026)**: India **6.5%** in 2026-27 and 2027-28; world **3.1%** in 2026.
- **Economic Survey 2025-26** (29 Jan 2026): potential growth about **7%**; 2026-27 projection **6.8-7.2%**.
- World Bank (FY2026): India is **lower-middle-income** (GNI per capita US$1,136-4,495).
- Issues: poverty, jobless growth, inequality, migration, post-pandemic fiscal repair, climate and external shocks.

Poverty Alleviation

Absolute poverty: consumption below a fixed minimum (poverty line). **Relative poverty**: measured against others (e.g. share of median income). **Head-count ratio (HCR)**: share of population below the line; estimated from NSO's **HCES**.

- **Alagh Task Force (1979)**: calorie norm **2,400** rural, **2,100** urban per person per day.
- **Lakdawala (1993)**: state-specific lines, updated with CPI-AL and CPI-IW.
- **Tendulkar (2009)**: one basket incl. health and education; 2011-12 lines **Rs 816** rural, **Rs 1,000** urban per month.
- **Rangarajan (2014)**: separate food/non-food baskets; lines **Rs 972 / Rs 1,407**; poverty **29.5%**; **not adopted**.
- **Last official estimate 2011-12** (Tendulkar, press note 22 Jul 2013): **21.9%** (about 26.98 crore); rural **25.7%**, urban **13.7%**.
- World Bank (Jun 2025) moved to 2021 prices; extreme poverty line raised from **US$2.15 to US$3.00** a day.

Poverty in India by measure

Measure (agency)	Earlier	Latest
Tendulkar (Planning Commission)	37.2% (2004-05)	**21.9%** (2011-12)
Rangarajan (Expert Group)	-	29.5% (2011-12)
US$2.15, 2017 PPP (WB, Apr 2025)	16.2% (2011-12)	2.3% (2022-23)
US$3.00, 2021 PPP (WB, Jun 2025)	27.1% (2011-12)	**5.3%** (2022-23)
National MPI (NITI, Jan 2024)	29.17% (2013-14)	**11.28%** (2022-23)

- US$3.00 line: about **26.9 crore** exited extreme poverty (2011-12 to 2022-23). US$2.15 line: rural 18.4% to 2.8%, urban 10.7% to 1.1%.
- UP, Maharashtra, Bihar, WB, MP: about **65%** of extreme poor (2011-12), about two-thirds of decline.
- **HCES 2023-24** (27 Dec 2024): MPCE Rs **4,122** rural, Rs **6,996** urban; urban-rural gap **70%** (84% in 2011-12).
- **MPI**: overlapping deprivations; **Alkire-Foster** method. NITI MPI: **3 dimensions, 12 indicators** (NFHS data).
- MPI Progress Review 2023: 24.85% (2015-16) to 14.96% (2019-21); about **13.5 crore** exited. NITI paper (Jan 2024): **24.82 crore** exited in nine years.
- **IRDP** (1978-80) merged into SGSY (1999); **JGSY** (1999) into SGRY (2001).
- **NFSA 2013**: up to **75%** rural, **50%** urban. **PMGKAY**: about **81.35 crore** get free foodgrains for five years from 1 Jan 2024 (about Rs 11.80 lakh crore).
- **MGNREGA 2005**: **100 days** wage work per rural household; in force on 30 Jun 2026, to be repealed and replaced from **1 Jul 2026** by the **VB-G RAM G Act, 2025** (assented 21 Dec 2025; commencement notified 11 May 2026).
- VB-G RAM G: **125 days**; Centre-State **60:40** (90:10 NE/Himalayan; 100% Central for UTs without legislature); States may pause work up to **60 days** in peak sowing/harvest.
- **DAY-NRLM** (2011, SHGs) and DAY-NULM; **PM SVANidhi** (Jun 2020, street vendors) extended (Aug 2025) to 31 Mar 2030, outlay Rs **7,332 crore**; PMAY (Urban, Gramin).
- **PMJDY** (2014), PMJJBY, PMSBY, APY; **PM-JAY**: Rs **5 lakh** per family a year.

Jobless Growth

Jobless growth: output grows but employment grows little or not at all; measured by **employment elasticity** (% change in employment / % change in GDP).

- Causes: rigid labour laws, capital-intensive industry, services-led growth, infrastructure bottlenecks.
- 2001-11: labour force grew about **2.23%** a year, employment about **1.4%**, GDP about **7.7%**.
- Types: **structural** (skill mismatch; main Indian problem), **disguised** (marginal productivity near zero; agriculture), seasonal, frictional, cyclical, educated, underemployment.
- **PLFS** (NSO) since **2017-18**: **Usual Status** (ps+ss) = **365 days**; **CWS** = **7 days**. LFPR = labour force/population; WPR = employed/population; UR = unemployed/labour force.
- Revamped PLFS (Jan 2025): monthly and quarterly CWS (rural, urban) and annual calendar-year report.

PLFS usual status, 15+ (%)

Indicator	2017-18	2023-24	2025 (Jan-Dec)
LFPR	49.8	60.1	**59.3**
Female LFPR	23.3	41.7	**40.0**
WPR	46.8	58.2	57.4
Unemployment rate	6.0	3.2	**3.1**
Youth (15-29) UR	17.8	10.2	**9.9**

- 2025: self-employed **56.2%**, regular salaried **23.6%**, casual **20.2%**; agriculture **43.0%**. Monthly CWS UR **5.5%** (May 2026).
- Remedies: **Startup India**, **Stand-Up India** (2016), **PM Mudra** (2015); skilling; labour-intensive sectors (food processing, textiles, leather, tourism, construction).
- **Four Labour Codes** in force **21 Nov 2025**: subsume **29** central laws; social security for gig/platform workers.
- **PM-VBRY** (Cabinet 1 Jul 2025): Rs **99,446 crore**; over **3.5 crore** jobs (1 Aug 2025 to 31 Jul 2027).
- **e-Shram** (Aug 2021): over **31 crore** unorganised workers; Skill India (PMKVY), PM Internship Scheme, PLI.

Rising Inequalities

- **Lorenz curve**: cumulative income vs population share; bigger bow = more inequality. **Gini**: **0** (equality) to 1 or 100. **Palma ratio**: top 10% share / bottom 40%. **Kuznets curve**: **inverted-U**.
- **WIR 2022**: top 10% **57%**, top 1% **22%**, bottom 50% **13%** of income (2021). **WIR 2026** (Dec 2025): top 10% about **58%**, bottom 50% about 15%; wealth: top 10% about 65%, top 1% about **40%**.
- **Oxfam (Jan 2018)**: richest 1% got **73%** of wealth generated in 2017. **'Survival of the Richest'** (2023): top 1% over **40%** of wealth (2021), bottom 50% about 3%.

Inequality by measure

Measure (source)	Earlier	Latest
Consumption Gini, rural (HCES)	0.266 (2022-23)	**0.237** (2023-24)
Consumption Gini, urban (HCES)	0.314 (2022-23)	**0.284** (2023-24)
Gini index (World Bank)	28.8 (2011-12)	**25.5** (2022-23)
Top 10% income (WIR)	57% (WIR 2022)	about 58% (WIR 2026)
Bottom 50% income (WIR)	13% (WIR 2022)	about 15% (WIR 2026)

- Surveys record consumption and miss the very rich; WIL adds tax data.
- Other dimensions: regional (South/West vs Bihar, UP), rural-urban (MPCE gap 70%), gender (female LFPR **40%** vs **79%** male, 2025).
- Remedies: health, education, R&D spending; taxing the rich; Aspirational Districts and Blocks.

Migration and Pressure on Resources

- Types: internal/international; permanent/seasonal/circular; streams rural-rural (**largest**, women after marriage), rural-urban, urban-urban, urban-rural.
- **Push**: low farm incomes, disguised unemployment, drought, poor services. **Pull**: jobs, wages, education, services.
- **Census 2011**: **45.58 crore** migrants (**37.64%**); marriage (women), work (men).
- **EAC-PM '400 Million Dreams!'** (Dec 2024): about **40.2 crore** in 2023 (**28.88%**), 11.78% fewer than 2011; top districts Mumbai, Bengaluru Urban, Howrah.
- **Census 2027** (notified Jun 2025): house-listing from Apr 2026; reference date **1 Mar 2027** (1 Oct 2026 snow-bound).

- Urban share **31.1%** (Census 2011); Economic Survey 2025-26: about **63%** functionally urban (GHSL, 2015); about **60 crore** (40%) urban by **2036**, almost 70% of GDP.
- Strain: slums, water, waste, congestion, pollution; 2020 lockdown exposed lack of portable entitlements.
- Environmental stress (drought, floods, cyclones) drives out-migration; 'pure' environment migration hard to isolate. Main cause of pressure: **unplanned urban growth**.

Possible Remedies

- **Smart Cities Mission** (2015, **100 cities**) closed **31 Mar 2025**; Economic Survey 2025-26: statutory **20-year City Spatial and Economic Plan** for million-plus cities.
- Portable entitlements: **ONORC** (NFSA rations), e-Shram, rental housing.

Remedies for main issues

Issue	Main remedies
Poverty	DBT (JAM); NFSA, PMGKAY; wage employment; DAY-NRLM, Mudra; PMAY, PM-JAY
Jobless growth	Labour-intensive sectors; MSME credit; PM-VBRY; skilling; Labour Codes
Inequality	Progressive tax; health, education; financial inclusion
Migration	Rural non-farm jobs; ONORC, e-Shram; planned cities
Shocks	Health infrastructure; fiscal buffers; climate resilience

Pandemic Situation

- First case **30 Jan 2020**; WHO pandemic **11 Mar 2020**; lockdown **25 Mar 2020**; Delta (Apr-May 2021), Omicron (Jan 2022); WHO ended emergency **5 May 2023**.
- **PM Garib Kalyan Package** (26 Mar 2020): Rs **1.70 lakh crore**. **Atmanirbhar Bharat** (May 2020): about Rs **20 lakh crore** (about 10% of GDP), incl. **ECLGS**.
- RBI: rate cuts, liquidity, loan moratorium, resolution frameworks.
- Scarring: **K-shaped** recovery, shift to agriculture, learning losses.
- **RBI RCF 2021-22** ('Revive and Reconstruct'): losses Rs 19.1, 17.1, 16.4 lakh crore (2020-21 to 2022-23); overcome by **2034-35**.

- Fiscal deficit above 9% (2020-21) to **4.4%** (RE 2025-26), **4.3%** (BE 2026-27); capex Rs **12.2 lakh crore**; Central debt **55.6%** of GDP.

Most Likely in Exam

- Last official poverty: **21.9%** (2011-12, Tendulkar); lines Rs 816 / Rs 1,000.
- Rangarajan (2014): 29.5%, not adopted.
- World Bank line **US$3.00** (2021 PPP); India 5.3% (2022-23).
- NITI MPI: 3 dimensions, 12 indicators; **24.82 crore** exited.
- MGNREGA (100 days; in force on 30 Jun 2026) to be replaced by **VB-G RAM G** (125 days) from 1 Jul 2026.
- PLFS 2025: UR **3.1%**, female LFPR **40.0%**; Labour Codes from 21 Nov 2025.
- WIR 2026: top 10% about **58%** of income; Kuznets = inverted-U.
- Census 2011: 45.58 crore migrants; RBI RCF: losses overcome by **2034-35**.

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