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# CONCISE ECONOMY

## Volume - II

Current Affairs for Prelims 2026  
(OCTOBER 2025- JANUARY 2026)



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## PREFACE

### Concise Prelims Current Affairs 2026

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## Unified Payments Interface (UPI)

### Why in News?

The RBI's Payment Systems Report (H1 2025) shows UPI leading in transaction volume (10,637 crore, ₹143.3 lakh crore), RTGS dominating large-value payments, NEFT growing steadily, while debit card usage declines, highlighting the rapid rise of digital payments in India.

### Description:

#### About UPI:

- **Type:** Real-time mobile payment system.
- **Developed by:** *National Payments Corporation of India (NPCI)*.
- **Launch Year:** 2016 (by RBI & NPCI).
- **Function:** Links multiple bank accounts into a single app for seamless *peer-to-peer (P2P)* and *merchant* transactions.
- **Authentication:** Two-factor authentication using a **Virtual Payment Address (VPA)** – no need to share bank details.

#### Technological Base:

- **Built on:** *IMPS (Immediate Payment Service)* and integrates *Aadhaar Enabled Payment System (AePS)*.
- **IMPS:** Enables instant interbank transfer.
- **AePS:** Allows basic banking via Aadhaar (withdrawal, deposit, transfer, balance inquiry).
- **App Example:** *BHIM (Bharat Interface for Money)* – UPI-based app by NPCI.

#### Key Features:

- **Interoperability:** Seamless transfer across apps/banks – no closed wallet limits.
- **Financial Inclusion:** Zero-cost, 24/7 real-time transfer for small vendors and micro-entrepreneurs.
- **Security:** Two-factor authentication; privacy ensured via UPI IDs.
- **Ease of Use:** QR code-based instant payments.

#### Global Expansion:

UPI now operational in **7 countries** – UAE, Singapore, Bhutan, Nepal, Sri Lanka, France, and Mauritius.

→ France launch marks UPI's entry into Europe.

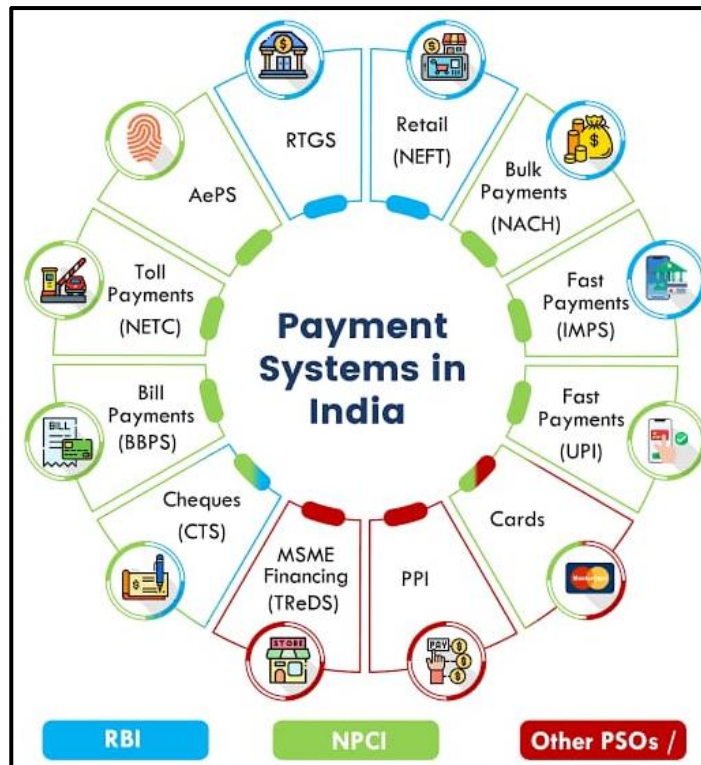
→ India promotes UPI integration across **BRICS nations** to boost remittances and payments abroad.

#### Nodal Agencies:

- **National Payments Corporation of India (NPCI)** – Developer.
- **Regulated by:** *RBI and Ministry of Electronics & IT (MeitY)*.

#### RTGS vs NEFT:

| Feature        | RTGS (Real Time Gross Settlement)                                                                  | NEFT (National Electronic Funds Transfer)                                        |
|----------------|----------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| Definition     | A system for <b>real-time, gross (individual) settlement</b> of high-value interbank transactions. | A system for <b>batch-wise settlement</b> of funds between banks electronically. |
| Settlement     | Real-time                                                                                          | Batch-wise                                                                       |
| Minimum Amount | ₹2 lakh                                                                                            | No minimum                                                                       |
| Maximum Amount | No limit                                                                                           | No limit                                                                         |
| Speed          | Instant                                                                                            | Within hours                                                                     |
| Use            | Large & urgent transactions                                                                        | Any amount, routine transactions                                                 |



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### Vallarpadam Rail Link – Underutilisation of a Strategic Infrastructure Project

#### Why in News?

The Vallarpadam rail link in Kochi, built for container movement to the International Container Transshipment Terminal (ICTT), remains underutilised 14 years after commissioning due to high rail freight costs, low trade patronage, and preference for cheaper, flexible road transport.

#### Key Points:

- **Location:** Kochi, Kerala; commissioned in 2011.
- **Purpose:** Connect ICTT Vallarpadam with mainland (Edappally) for container transport.
- **Length:** Main bridge 4.62 km; total track 8.86 km.
- **Cost & Agency:** ₹370 crore; executed by Rail Vikas Nigam Ltd (RVNL).
- **Stakeholders:** Concor (15% in ICTT operator), DP World (operator).
- **Issue:** Underutilised due to high rail freight, preference for road transport, and short-haul logistics.
- **Proposed Solution:** Dual-use rail link for freight + Kochi Metro; enhances urban connectivity, reduces road congestion, boosts tourism.
- **Significance:** Part of India's first transshipment terminal under Sagarmala vision; highlights challenges in modal shift from road to rail.

### Adjusted Gross Revenue (AGR)

#### Why in News?

The Supreme Court allowed the Centre to reconsider its additional Adjusted Gross Revenue (AGR) demand from Vodafone Idea for FY 2016–17, after the government said circumstances had changed due to its 49% equity stake and the public interest of 20 crore consumers.

**Description:**

- **Adjusted Gross Revenue (AGR)** is the revenue used by the **Department of Telecommunications (DoT)** to calculate the license fee and spectrum usage charges payable by telecom operators in India.
- **Defined by DoT:** Includes both **telecom revenues** (calls, data, SMS, roaming, VAS) and **non-telecom revenues** (interest, rent, dividend, asset sales, forex gains).
- **Exclusions:** GST and revenue shared with other operators (like roaming charges).

**Legal Background:**

- Dispute began in the early 2000s over inclusion of non-core revenue.
- **SC Verdict (2019):** Upheld DoT's definition; directed payment of ₹1.47 lakh crore in dues.
- **SC (May 2025):** Rejected pleas by Vodafone Idea, Airtel, Tata Teleservices for waiver of interest and penalties.

**Significance:**

- Strengthens government revenue.
- Strains private telecoms; led to sectoral reforms but limited relief.

**Draft National Labour & Employment Policy – Shram Shakti Niti 2025**
**Why in News?**

The Ministry of Labour & Employment released the draft National Labour & Employment Policy – Shram Shakti Niti 2025 for public consultation, aiming to unify social security schemes, boost women's labour participation, and create a future-ready, digitally compliant workforce.

**Description:**

**Vision:** To build a fair, inclusive, and future-ready labour ecosystem ensuring *Protection, Productivity & Participation* – aligned with **Viksit Bharat @2047**.

**Key Features:**

- **Universal Social Security:** Integration of EPFO, ESIC, PM-JAY, e-SHRAM, NCS into one **Labour Stack**; universal, portable accounts by 2030.
- **Digital Employment System:** NCS as **Digital Public Infrastructure** for transparent job matching and skill alignment.
- **Women's Participation:** Target 35% female LFPR by 2030.
- **Safety & Welfare:** Risk-based inspections, gender-sensitive OSH standards, near-zero workplace fatalities.
- **Green & Tech Jobs:** AI-enabled systems, green transition, MSME digital compliance.
- **Phased Implementation:**
  - Phase I (2025–27): Institutional setup
  - Phase II (2027–30): Rollout of universal social security
  - Phase III (Post-2030): Paperless governance
- **Monitoring:** *Labour Policy Evaluation Index (LPEI)* and *Annual Labour Report to Parliament*.

**Philosophy:** Rooted in “**Śrama Dharma**” – dignity and moral value of work.

**Goal:** *One Nation, Integrated Workforce by 2030.*

**Space for Notes:**

## CPI vs WPI

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### Why in News?

India's retail inflation fell to **1.54%** in **September 2025**, an **eight-year low**, driven by declining **food and fuel prices**. Food inflation contracted 1.4%, while edible oils and housing remain inflationary, influencing potential **RBI rate decisions**.

### Description:

#### Retail Inflation:

- **Meaning:** Retail inflation measures the rise in prices of goods and services that households buy for consumption at the retail level.
- **Measured by:** The **Consumer Price Index (CPI)** in India, compiled by the **Ministry of Statistics and Programme Implementation (MoSPI)**.
- **Coverage:** Includes categories like food & beverages, housing, clothing, fuel, and services.
- **Significance:**
  - Reflects the cost of living for consumers.
  - The **Reserve Bank of India** uses CPI-based inflation as the primary metric for its **Monetary Policy** under the inflation-targeting framework (current target:  $4\% \pm 2\%$ ).

| Feature                              | Consumer Price Index (CPI)                                                                             | Wholesale Price Index (WPI)                                                               |
|--------------------------------------|--------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|
| Meaning                              | Measures retail inflation paid by consumers                                                            | Measures wholesale inflation faced by producers                                           |
| Published by                         | <b>National Statistical Office (NSO)</b> , Ministry of Statistics & Programme Implementation           | <b>Office of Economic Adviser</b> , Ministry of Commerce & Industry                       |
| Base Year (as of 2025)               | <b>2012</b> (for CPI-Combined)                                                                         | <b>2011-12</b>                                                                            |
| Frequency                            | Monthly                                                                                                | Monthly                                                                                   |
| Price Level Captured At              | Retail level                                                                                           | Wholesale level                                                                           |
| Weightage - Food Items               | High ( $\approx 45\%$ in CPI-Combined)                                                                 | Low ( $\approx 24\%$ )                                                                    |
| Coverage                             | Goods & services (includes health, education, housing, etc.)                                           | Goods only (excludes services)                                                            |
| Used by RBI for Inflation Targeting? | <b>Yes</b> - CPI (Combined) is the benchmark for RBI's inflation targeting                             | No                                                                                        |
| Types of Indices                     | CPI-Rural, CPI-Urban, CPI-Combined, CPI for Industrial Workers (IW), Agricultural Labourers (AL), etc. | Single WPI index with major groups: Primary Articles, Fuel & Power, Manufactured Products |
| Reflects Impact On                   | Consumers (end users)                                                                                  | Producers and distributors                                                                |

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# INFLATION AND RELATED TERMS

## INFLATION

- ◆ Rise in goods/services prices; corresponding decline in purchasing power
  - **Creeping Inflation:** Mild/moderate inflation where price level persistently rises over a period of time at a mild rate (single digit inflation rate)
  - **Galloping Inflation:** Occurs when mild inflation is not checked/controlled (inflation in double/triple digits - 20/100/ 200% annually)
  - **Hyperinflation:** Prices rise a million or even a trillion percent annually (witnessed by Germany in 1920s)

## CORE INFLATION

- ◆ Change in costs of goods/services but excluding those from food/energy sectors (due to price volatility)

## HEADLINE INFLATION

- ◆ **Headline Inflation** - Change in value of all goods in the basket (including food and energy)

Core = Headline - Food & fuel items

## STAGFLATION

- ◆ When **Inflation, unemployment and economic stagnation/recession** occur simultaneously; most difficult type of inflation to manage
  - Witnessed by developed countries in the **1970s** (US, UK) when world oil prices rose dramatically


## DEFLATION

- ◆ **Reverse of inflation** - a sustained decline in price of goods/services
  - Here, **annual inflation rate falls below 0%** resulting in an increase in the real value of money (Japan suffered for almost a decade in **1990s**)
  - Can **worsen into recession/depression**; hence, more dangerous than inflation

## DISINFLATION

- ◆ When inflation rate decelerates
  - Implies that prices are rising (**inflation is happening**) but at a **slower rate** each passing month

Deflation is decline in prices, whereas disinflation is a decline in inflation rate



Inflation

V/s



Disinflation

V/s



Deflation

## REFLATION

- ◆ Typically follows deflation
  - Policymakers try to **stimulate economic activity by producing inflation** (more govt spending, reduced interest rates etc.)

## SKEWFATION

- ◆ Skewness of inflation among different sectors of the economy - some sectors facing huge inflation while some none and some even deflation

## GREEDFLATION

- ◆ Where (corporate) greed is fuelling inflation; companies increasing their prices beyond just covering costs to maximise profits

## SHRINKFLATION

- ◆ **Hidden form of inflation**; often leads to customer frustration/dissatisfaction
  - Practice of **reducing the size of a product while maintaining its sticker price**



2 liters → 1.75 liters

\$5 → \$5

Shrinkflation

## Minimum Support Price (MSP)

### Context / Why in News?

Farmers' organisations have renewed demands for a legal guarantee on MSP, bringing focus back to how MSP is defined, calculated, and implemented in India.

### About MSP:

- MSP is a **pre-announced minimum procurement price** offered by the government for certain crops to protect farmers from sharp drops in market prices and to ensure national food security.
- It acts as a **market intervention mechanism** administered through the Ministry of Agriculture.

### Genesis & Mandate:

- **Established:** 1965 with the creation of the **Agricultural Prices Commission (APC)**— later renamed the **Commission for Agricultural Costs and Prices (CACAP)**.
- **Purpose:**
  - Ensure **remunerative prices** for farmers.
  - Encourage the production of essential food crops.
  - Protect farmers from price volatility and exploitation.
  - Maintain adequate stocks for the **Public Distribution System (PDS)**.

### How MSP Is Calculated (Cost Concepts):

CACP recommends MSP based on three cost measures:

1. **A2:** Paid-out costs: seeds, fertilisers, pesticides, labour, leased land, machinery, fuel, irrigation, etc.
2. **A2 + FL:** A2 plus imputed value of unpaid family labour.
3. **C2:** Comprehensive cost: A2+FL plus rentals/interest on owned land and fixed capital.

### Current Formula:

The government fixes MSP at **minimum  $1.5 \times A2+FL$**  (not C2), based on the all-India weighted average Cost of Production.

**Note:** The **Swaminathan Commission (2006)** recommended that MSP should be  $1.5 \times C2$ , where C2 includes A2+FL plus interest on owned capital assets and rental value of owned land.

**Key difference:** Current system =  $1.5 \times (A2+FL)$ . Swaminathan formula =  $1.5 \times (C2)$  (i.e., “C2 + 50%”).

### How MSP Is Decided:

- **Recommended by:** CACP.
- **Approved by:** Cabinet Committee on Economic Affairs (CCEA).
- **Announced:** Twice a year – before **Kharif** and **Rabi** sowing seasons.

### Factors Considered by CACP:

- Cost of production
- Market demand & supply
- Domestic & international price trends
- Inter-crop price parity
- Input price changes
- Input-output price parity
- Industrial cost structure
- Impact on subsidies
- Terms of trade for agriculture
- Farmer income parity

### Crops Covered Under MSP (22 + 2 Linked Crops):

- **Kharif Crops (14):** Paddy, Jowar, Bajra, Ragi, Maize, Tur, Moong, Urad, Groundnut, Sunflower Seed, Soyabean (Yellow), Sesamum, Nigerseed, Cotton.
- **Rabi Crops (6):** Wheat, Barley, Gram, Masur, Rapeseed & Mustard, Safflower.
- **Commercial Crops (2):** Copra, Jute.

### Additional MSP-linked:

- **Toria** (based on rapeseed–mustard MSP)
- **De-husked coconut** (based on copra MSP)

### Significance of MSP:

- Prevents distress sales during price crashes.
- Ensures minimum income stability.
- Supports food security and PDS stocking.
- Encourages cultivation of strategic crops.
- Stabilises agricultural markets and reduces farmer vulnerability.

**Space for Notes:**

### Export Promotion Mission (EPM)

Space for Notes:

#### Why in News?

The Union Cabinet approved a six-year Export Promotion Mission (₹25,060 crore) and an additional ₹20,000-crore collateral-free credit facility for exporters, aiming to counter the impact of steep 50% US tariffs and support stressed sectors like textiles, engineering goods, leather, and gems & jewellery.

#### Description:

- A Union Cabinet-approved mission to boost India's export competitiveness.
- Total Outlay: ₹25,060 crore
- Duration: FY 2025–26 to 2030–31 (6 years)
- Managed by: Directorate General of Foreign Trade (DGFT)
- Purpose: Counter global trade uncertainties + US's 50% tariffs on Indian goods.

#### Why was EPM Launched? (Background)?

- The US imposed 50% tariffs (Aug 2025) on Indian exports → major impact.
- Exports to the US declined:
  - Overall: -12%
  - Engineering goods: -9.4%
  - Textiles/apparel: -10.34% (28% of India's textile exports go to the US)
- Needed to:
  - Protect labour-intensive sectors
  - Prevent job losses
  - Diversify markets
  - Maintain export momentum

**Structure of EPM:** EPM has two sub-schemes: Niryat Protsahan, Niryat Disha

#### Key Objectives:

- Reduce cost of credit for exporters.
- Improve access to trade finance (especially MSMEs).
- Overcome non-tariff barriers.
- Enhance global branding of Indian products.
- Boost exports in labour-intensive sectors:
  - Textiles
  - Leather
  - Gems & Jewellery
  - Engineering goods
  - Marine products

#### Digital & Flexible Framework:

- Full digital implementation through DGFT systems.
- Embassy-based, real-time market intelligence.
- Dynamic revision based on global trade shifts.

### GI Tags (Geographical Indications)

#### Why in News?

Commerce Minister Piyush Goyal announced that the GI tag application fee has been reduced to ₹1,000 from ₹5,000 to support traditional artisans, especially tribal communities. At the Tribal Business Conclave, GI certificates were awarded to several tribal-linked products, boosting protection and market access.

**Description:**

- A **Geographical Indication (GI)** is a sign used on products that originate from a specific geographical location and possess unique qualities, reputation or characteristics due to that origin.
- A form of **Intellectual Property Right (IPR)**.

**Legal Basis (India & International):****India:**

- Governed by: **Geographical Indications of Goods (Registration and Protection) Act, 1999**
- Administered by: **GI Registry, Chennai** (under DPIIT, Ministry of Commerce & Industry)
- **First GI in India: Darjeeling Tea**

**International:**

- **Paris Convention (1883)** – protection of industrial property (includes GIs)
- **TRIPS Agreement, WTO** – mandatory protection for GIs
- **Lisbon System, 1958** – protection of appellations of origin
- **Madrid System** – allows collective/certification marks

**Key Features of GI Tag:**

- Protects **collective rights** of producers/community.
- Cannot be used by unauthorized manufacturers.
- Helps prevent **misuse, imitation, unfair competition**.
- Product categories: Agricultural goods, Foodstuffs, Handicrafts, Manufactured goods, Natural products.

**Eligibility:**

- Any **association of persons**, producers, organisation, or authority representing the product can apply.
- Must show:
  - Uniqueness
  - Historical evidence
  - Detailed production process

**Protection & Duration:**

- Validity: **10 years**
- **Renewable indefinitely**
- Civil & criminal penalties for misuse under the GI Act.

**Benefits of GI Tag:**

- Legal protection
- Higher market value
- Rural development + local employment
- Branding of regional identity
- Conservation of traditional knowledge
- Encourages sustainable practices

**Government e-Marketplace (GeM)**
**Why in News?**

Indian Railways will promote the newly launched 'Aabhar' online store on the Government e-Marketplace (GeM) to encourage local artisans, handloom weavers, and tribal craftsmen by showcasing ODOP and GI products, aligning with the 'Vocal for Local' and OSOP initiatives.

**Space for Notes:**

**About GeM:**

**Launched in:** 2016

**Nodal Ministry:** Ministry of Commerce and Industry

**Developed by:** Directorate General of Supplies & Disposals (DGS&D) with support from National e-Governance Division (NeGD), MeitY

**Legal Mandate:** Authorized under *Rule 149 of General Financial Rules (GFR), 2017*

**Governing Framework:** Included under *Government of India (Allocation of Business) Rules, 1961*

**Nature & Purpose:**

A **paperless, cashless, and contactless online procurement platform** that enables government departments, PSUs, and ministries to procure goods and services transparently, efficiently, and economically.

**Core Objectives:**

- Enhance **transparency and efficiency** in public procurement.
- **Speed up** procurement cycles using digital tools.
- Achieve **value for money** through competitive bidding.
- Promote **Ease of Doing Business** with system-driven, simplified transactions.

**Key Features:**
**1. Comprehensive Digital Platform:**

- Offers over **33,000 services**, including manpower hiring.
- Serves as a one-stop procurement portal for all government entities.

**2. E-Procurement Tools:**

- Includes **e-bidding, reverse auctions, and demand aggregation** for competitive pricing.
- Minimizes human interference to curb corruption and delays.

**3. Inclusive Vendor Base:**

- Empowers **MSMEs, startups, SHGs, women entrepreneurs, and tribal artisans** via dedicated storefronts.

**4. Innovation & Customization:**

- Launched a **Bamboo Market Window** with the National Bamboo Mission.
- Introduced "**Country of Origin**" tag to promote *Make in India*.

**5. Labour Compliance:**

- Ensures **fair labour practices** and adherence to **Service Level Agreements (SLAs)** in manpower outsourcing.

**Recent Initiatives:**

- Launch of '**Aabhar**' online store (2025) under GeM to promote *ODOP* and *GI* products by Indian Railways, supporting local artisans and women-led enterprises.

**Periodic Labour Force Survey (PLFS)**
**Why in News?**

The latest Periodic Labour Force Survey (PLFS) for July–September 2025 showed rural unemployment declining to 4.4% while urban unemployment slightly rose. Self-employment increased in rural areas, and agriculture continued to dominate rural jobs, while urban workforce remained tertiary sector heavy.

**Space for Notes:**

**Description:**

1. **Conducting Authority:**
  - Conducted by National Sample Survey Office (NSO)
  - Under Ministry of Statistics & Programme Implementation (MoSPI)
2. **Launch & Purpose:**
  - Launched in 2017 (first report 2017-18).
  - Aim: To provide timely estimates of key labour market indicators.
3. **Key Indicators measured:**
  - Labour Force Participation Rate (LFPR)
  - Worker Population Ratio (WPR)
  - Unemployment Rate (UR)
4. **Latest Update (2025):** Unemployment rate fell to 5.2% in July 2025 (from 5.6% in June 2025) – as per PLFS Monthly Bulletin.
5. **Revamping (From Jan 2025):**
  - Sample design updated.
  - Monthly rotational panel scheme introduced for both rural & urban.
  - Each selected household is surveyed 4 times across 4 consecutive months.
6. **Objective of redesigned PLFS:**
  - Monthly estimates for rural + urban under Current Weekly Status (CWS).
  - Quarterly results extended to include rural areas also (earlier only urban).
  - Annual estimates for rural + urban under both Usual Status (ps+ss) & CWS.
7. **Status Concepts:**
  - Usual Status (ps + ss) = long-term principal + subsidiary activity status.
  - CWS (Current Weekly Status) = employment situation based on the last 7 days.
8. **Importance:** Used for policy making, labour reforms, employment planning, economic growth assessment, sectoral labour participation analysis.

**Special Economic Zones (SEZ)**
**Why in News?**

Due to steep U.S. tariffs impacting exports, especially gems & jewellery, a government panel is working on new SEZ norms, including allowing “reverse job work” so SEZ units can supply to the domestic market and remain competitive amid declining profitability.

**Description:**

SEZs are duty-free, geographically demarcated trade enclaves treated as *foreign territory* for trade, customs and tariff purposes.

**Objective:**

- Promote exports
- Attract FDI
- Generate employment
- Develop industrial infrastructure
- Provide stable + business friendly regulatory environment

**Historical Timeline:**

- 1965 → India's first SEZ → Kandla, Gujarat
- 2000 → Formal SEZ policy introduced
- 2005 → SEZ Act passed
- 2006 → SEZ Rules notified → rapid expansion

**Space for Notes:**

**Administration Structure (3-tier):**

1. Board of Approval (BoA) – final SEZ approval
2. Unit Approval Committee (UAC) – approves units inside SEZ
3. Development Commissioner (DC) – day to day operations

**Operational Features:**

- 100% FDI allowed (mostly automatic route)
- Units must be **Net Foreign Exchange Earner** over 5 years
- Nearly **276 operational SEZs** in India

**Reverse Job Work Demand (Important term):**

**Meaning:** SEZ units want permission to undertake production/processing work for Domestic Tariff Area (DTA) units.

**Why demand?**

- under-utilised labour & machinery
- boost productivity
- offset falling US export orders

**Space for Notes:**
**IRDAI**
**Context:**

IRDAI has highlighted a widening gap between **health insurance claims filed** and **claims settled** in FY25. Despite rising premiums and increasing number of claims, settlement ratios have not kept pace—raising concerns about inefficiencies and disputes in the claims ecosystem.

**Standalone Health Insurance Companies (SAHI):**

Standalone Health Insurance Companies (SAHI) are **specialized insurers that focus exclusively on health, accident, and travel insurance**, distinguishing themselves from general insurance providers that offer a broader range of products.

- Examples: Star Health, Niva Bupa, Care Health etc.
- Their claims settlement ratio is lower than general insurers.

**IRDAI:**
**Genesis:**

- Formed on recommendations of the **Malhotra Committee**.
- Set up as an **autonomous body in 1999**.
- Became a **statutory body in 2000** under the IRDA Act, 1999.

**Objectives:**

- Ensure **orderly growth** of the insurance sector.
- **Speedy settlement** of genuine claims.
- Provide **effective grievance redressal**.

**Ministry:** Functions under the **Ministry of Finance**.

**Composition:** 10-member body:

- 1 Chairperson
- 5 full-time members
- 4 part-time members

**Headquarters:** Hyderabad, Telangana.

**Key Roles:**

- Issue, renew, modify, withdraw or cancel **registration** of insurers.
- **Protect policyholders' interests**.
- **Adjudicate disputes** between insurers and intermediaries.
- **Regulate and promote** insurance and reinsurance organizations.

Facts about Insurance sector:

- **Insurance penetration** (percentage of insurance premium to GDP) at **4.2%** in 2021-22 compared to **2.71%** in 2001-02.
- **Insurance Density** (ratio of premium to population) at **\$91** in 2021-22 compared to **\$11.5** in 2001-02.
- **'Insurance for All' by 2047**: IRDAI has committed to enable 'Insurance for All' by 2047, where every citizen has an appropriate life, health and property insurance cover etc.

### Dredging Corporation of India Limited (DCIL)

**Why in News?**

Dredging Corporation of India Ltd. (DCIL) is set to become future-ready with a ₹4,000 crore modernization plan under the Maritime Amrit Kaal Vision, including the procurement of 11 new dredgers to boost capacity, efficiency, and global competitiveness.

**Description:**

During **India Maritime Week 2025 (Oct 27–31, 2025)** held at **Bombay Exhibition Centre, Mumbai**, the **Dredging Corporation of India Limited (DCIL)** signed **22 MoUs worth ₹17,645 crore** with **16 leading organizations** to modernize its dredging fleet and boost India's maritime capabilities.

**About DCIL:**

- **Type**: Public Sector Undertaking (PSU)
- **Parent Ministry**: Ministry of Ports, Shipping & Waterways (MoPSW)
- **Headquarters**: Visakhapatnam, Andhra Pradesh
- **Ownership**: Operates under a consortium of four major ports –
  - Visakhapatnam Port Authority (VPA)
  - Paradip Port Authority (PPA)
  - Jawaharlal Nehru Port Authority (JNPA)
  - Deendayal Port Authority (DPA)
- **Core Function**: Specializes in **maintenance and capital dredging** – ensuring navigable waterways, port development, and inland waterway infrastructure.
- **Fleet Strength**: Operates **10 Trailer Suction Hopper Dredgers (TSHDs)** handling **50–60 million cubic meters** annually – about **55%** of India's total dredging requirement.

**Why It Matters?**

- Ensures **navigability** and expansion of **major and minor ports**.
- Supports **coastal shipping, inland waterways, and trade logistics**.
- Aligns with India's **Sagarmala and National Maritime Development Programme (NMDP)**.

**Vision Alignment:**

These MoUs align with the following national initiatives:

- **Maritime Amrit Kaal Vision (2025–2047)**: To modernize India's maritime infrastructure.
- **Maritime India Vision 2030**: To enhance port efficiency and sustainability.
- **Atmanirbhar Bharat 2047**: To promote self-reliance, indigenization, and blue economy growth.

**Significance:**

- Boosts **indigenization** of dredgers and spares.
- Enhances **operational efficiency and capacity utilization**.

**Space for Notes:**

- Promotes **public-private partnerships (PPP)** in maritime infrastructure.
- Strengthens India's position in the **global dredging and blue economy sector**.
- Reinforces India's maritime leadership and **coastal development strategy**.

#### Government Support:

The MoUs were signed in the presence of **Mr. Shantanu Thakur**, Minister of State for Ports, Shipping & Waterways, and senior officials from MoPSW, major ports, and international organizations.

### Indian Rupee: Asia's Worst Performing Currency

#### Context:

In 2025, the Indian Rupee (INR) has **depreciated by 4.3% CYTD (Calendar Year to Date)** against the US Dollar, making it **Asia's worst-performing currency**. Analysts warn that INR may touch **₹90 per USD** if the India-US trade deal is delayed.

#### INR Depreciation (CYTD 2025):

- INR has fallen **4.3%** against USD
- Comparatively:
  - **Indonesian Rupiah (IDR): -2.9%**
  - **Philippine Peso (PHP): -1.3%**
  - **Chinese Yuan (CNY): appreciated**

#### Why is INR Weakening?

##### A. Global Factors

- **US Dollar Strength:** USD has appreciated **3.6%** in 2 months due to **Safe-haven demand** and **Higher US interest rates**
- **Strong Chinese Yuan (CNY) due to PBOC/SAFE intervention:**
  - **SAFE:** China's State Administration of Foreign Exchange.
  - **PBOC:** People's Bank of China, China's central bank.

##### B. India-Specific Factors:

- **Capital Outflows:** INR weakness is driven more by **capital outflows** than the current account deficit.
- **External Shocks:**
  - **50% U.S. tariff** on Indian goods
  - **Surge in gold prices** leading to:
    - Higher gold imports
    - **October 2025 gold import bill at \$14.72 billion**
    - Spike in demand for gold ETFs
- **Record Trade Deficit:**
  - **October 2025: \$41.7 billion trade deficit**
  - Triggered rapid INR slide
- **Merchandise Trade Deficit Pressure:** Continuous trade imbalance adds downward pressure on INR.

#### Structural Comparison with Other Asian Currencies:

- **Better-Performing Currencies:**
  - **Japanese Yen (JPY)**
  - **Korean Won (KRW)**
  - **Chinese Yuan (CNY)**

Even though these currencies have their own policy challenges, they have performed better than INR in 2025.

**Space for Notes:**

**Key Terms:**

- **CYTD (Calendar Year to Date):** Performance from Jan 1 to present date.
- **Capital Outflows:** Foreign investors pulling money out of Indian markets.
- **Spot Market:** Market for immediate currency transactions.
- **The Current Account Deficit (CAD)** occurs when a country's imports of goods, services, and transfers exceed its exports.

### Insurance Regulatory and Development Authority

**Why in News?**

Through **Sabka Bima Sabka Raksha** (Amendment of Insurance Laws) Bill, 2025, the government enhanced IRDAI's enforcement and supervisory powers, including search, seizure, disgorgement, and commission regulation, to curb mis-selling and strengthen policyholder protection.

**IRDAI:**

- **Established:** Under the Insurance Regulatory and Development Authority Act, 1999.
- **Headquarters:** Hyderabad, Telangana.
- **Current Chairperson:** Ajay Seth
- IRDAI is the statutory regulator of the insurance and reinsurance sector in India.
- It regulates life insurance, general insurance, health insurance, and reinsurance.
- **Based on:** Malhotra Committee recommendations (1994).
- **Ministry:** Ministry of Finance
- **Composition:** 10-member body, Appointed by the Central Government.
  - 1 Chairperson
  - 5 Full-time Members
  - 4 Part-time Members

**Key Functions & Powers:**

- Grant, renew, modify, suspend, or cancel registration of insurers and intermediaries.
- Protect policyholder interests.
- Regulate insurance intermediaries (agents, brokers, TPAs, IMFs, surveyors).
- Promote and regulate professional organisations in insurance and reinsurance.
- Adjudicate disputes between insurers and intermediaries.

**Major Initiatives by IRDAI:**

- **Bima Sugam:** An online insurance marketplace for buying, selling, and servicing insurance policies as well as settling claims. It is a part of IRDAI's Bima Trinity - Bima Vistaar, Bima Vahak, and Bima Sugam.
- **Saral Jeevan Bima:** Provides basic protection to self-employed individuals or people in low-income groups.
- Integrated Grievance Management System

### Goldilocks Phase

**Why in News?**

RBI Governor **Sanjay Malhotra** stated that interest rates are likely to remain low for a long period, citing that the Indian economy is currently in a "Goldilocks phase."

**Goldilocks Phase:**

A phase where the economy is "**just right**", neither Overheating (high inflation), nor Slowing down (low growth)

**Space for Notes:**

**Key Features of a Goldilocks Economy:**

- Steady and robust economic growth
- Low and stable inflation
- Moderate, manageable interest rates
- Allows policy continuity without aggressive interventions

**Why RBI Can Keep Rates Low:**

- Inflation remains **within or below RBI's target range**
- Growth momentum is **strong but non-inflationary**
- Monetary conditions support: Investment, Consumption and Credit growth

**Policy Significance:**

- Goldilocks phase gives RBI **policy space** to:
  - Maintain accommodative or neutral stance
  - Avoid frequent rate hikes or cuts
- Reflects success of **inflation targeting framework**

**Space for Notes:**
**Open Market Operation (OMO)**
**Context:**

Amid tightening liquidity conditions, the RBI announced **OMO purchases of ₹1,00,000 crore** in Government Securities (G-Secs) to inject durable liquidity into the banking system.

**What is OMO?**

Open Market Operation (OMO) is the sale and purchase of government securities in the open market by the Reserve Bank of India (RBI).

**Why OMO Purchases Now?**

- **High government cash balances** (Govt having more money) → reduced liquidity in banks.
- **RBI's forex operations** → drained rupee liquidity.
- Festival-season and year-end credit cycles increased bank lending, tightening systemic liquidity. **Reduces the cash reserves** banks hold with RBI and in the interbank market.
- Overnight rates rose **above the repo rate**, signalling persistent liquidity stress.

**OMO Purchase and its impact on the Economy:**

1. Improves credit flow.
2. **Bond Market:** RBI buying G-Secs increases demand → **yields soften**.
3. **Monetary Transmission:** Better liquidity → Borrowing costs for govt. and corporates may decline.
4. **Currency Stability:** OMO + Foreign Exchange swap combination avoids rupee over-depreciation.

**Why Not OMO Sales?**

- OMO **purchases** = liquidity injection.
- OMO **sales** = liquidity absorption.

Given tight liquidity, the RBI chose **purchase-side OMOs**.

**Masala Bonds**
**Context:**

The Enforcement Directorate (ED) has issued show-cause notices to the Kerala CM, former Finance Minister, and KIIFB (Kerala Infrastructure Investment Fund Board) officials for alleged FEMA violations linked to the KIIFB Masala Bond issue.

**Masala Bonds:**

- Rupee-denominated bonds issued in overseas markets by Indian entities, where repayment is in INR, not foreign currency.
- Term 'Masala' coined by International Finance Corporation (IFC) to promote Indian culture abroad.

**Objectives:**

1. Raise funds for infrastructure and domestic investment.
2. Internationalize the Indian rupee.
3. Reduce dependence on foreign currency borrowings.
4. Support the rupee via increased INR demand overseas.

**Key Features:**

1. Currency risk is borne by the investor, not the Indian issuer.
2. Borrowing cost may be lower than domestic markets.
3. Supports rupee stability if foreign demand is strong.
4. Listed mainly on London Stock Exchange (LSE).
5. Proceeds cannot be used for real estate or capital market operations.
6. Bonds may be sold to third parties (domestic/offshore).

**History & Firsts:**

1. First Masala Bond (2014): IFC's Uridashi Masala Bond.
2. First Green Masala Bond: Issued by IFC.
3. First Indian issuer (2016): HDFC.
4. First foreign government issuer: British Columbia (Canada).

**Trade Watch Quarterly by NITI Aayog**
**Context:**

According to NITI Aayog's Trade Watch Quarterly, India's trade deficit with its Free Trade Agreement (FTA) partners widened sharply in 2025, even as exports from sunrise sectors like electronics showed strong growth.

**Key Terms:**

- **Trade Deficit:** Excess imports over exports.
- **Free Trade Agreement (FTA):** Bilateral or multilateral agreement reducing or eliminating trade barriers.
- **Structural Divergence:** Mismatch between export composition and import dependence.
- **Sunrise Sectors:** Emerging high-growth industries such as electronics.

**Key Findings:**

- India's trade deficit with FTA partners rose by 59.2% between April–June 2025 compared to the previous year.
- Imports increased by ~10%, while exports declined by ~9% during the same period.
- Total deficit with FTA partners reached ~\$38.7 billion.

**Export Trends:**

- Electronics exports grew ~47% year-on-year, increasing their share in total exports to over 11%.
- Reflects India's deeper integration into global electronics value chains.
- However, strong electronics exports were insufficient to offset declines in other sectors.

**Space for Notes:**

**Import Trends:**

- Surge in imports from **UAE**, driven by Gold compounds & Petroleum oils and bitumen
- UAE emerged as a **major import source**, overtaking earlier suppliers.
- India's imports from its **top 7 markets** accounted for **~43%** of total imports in Q1 FY26.

**Sectoral Imbalance:**

- Decline in **petroleum exports**.
- Rising imports of **electronics components, mineral fuels, and precious metals**.
- Indicates **continued dependence** on import-intensive supply chains, even with FTAs.

**Regional Trends:**

- India's exports to **ASEAN**, its largest FTA bloc, **contracted sharply**.
- Exports to some partners (Malaysia, Singapore, Australia) declined significantly.
- Highlights **uneven benefits** across FTA partners.

**India's FTA Landscape:**

- Concluded FTAs with **UAE, Australia, UK, Oman, New Zealand**.
- Active negotiations with **EU, USA, GCC, EAEU, SACU**, and others.
- Exploring **Preferential Trade Agreements (PTAs)** with new partners.

**Index of Industrial Production (IIP)**
**Context:**

India's Index of Industrial Production (IIP) recorded **6.7%** year-on-year **growth** in November 2025, the **highest** in the last 25 months, driven mainly by manufacturing and capital goods, after a weak October **due to base and calendar effects**.

**Key Terms:**

- **Calendar effect:** Variations in economic data caused by the **timing of festivals, holidays, or number of working days**, which temporarily affect production levels without changing underlying demand.
- **Base effect:** Distortion in growth rates when current performance is compared with an **abnormally high or low reference period**, making growth appear artificially strong or weak.

**About IIP:**

A composite indicator that measures short-term changes in the volume of production of a selected basket of industrial products during a given period relative to a base period.

**Institutional / Administrative Framework:**

- **Ministry:** Ministry of Statistics and Programme Implementation (**MoSPI**).
- **Releasing Authority:** National Statistical Office (**NSO**).

**Key Technical Parameters:**

- **Base Year:** 2011-12.
- **Frequency:** Monthly.

**Classification:**

- **Sectoral Classification:** Manufacturing (77.6%) > Mining (14.4%) > Electricity (8.0%)
- **Use-Based Classification:**
  - **Primary Goods:** ~34.0% (Highest weightage).
  - **Intermediate Goods:** ~17.2%.
  - **Consumer non-durables:** ~15.3%.
  - **Infrastructure/Construction Goods:** ~12.3%.
  - **Consumer Durables:** ~12.8%.
  - **Capital Goods:** ~8.2% (Lowest weightage).

**Space for Notes:**

**Limitations of IIP:**

- Does not include services sector
- Highly volatile month-to-month
- Sensitive to base effects and seasonal factors

**Space for Notes:**
**Great Nicobar Island Mega Infrastructure Project**
**Context:**

The Great Nicobar Island mega infrastructure project has raised concerns over diversion of forest land and alleged coercion of tribal communities to surrender ancestral lands.

**Key Terms:**

- **Great Nicobar Island:** Southernmost island of India, part of the Andaman & Nicobar archipelago, ecologically fragile and seismically active.
- **Nicobarese:** Scheduled Tribe community inhabiting coastal areas of Great Nicobar.
- **Shompen:** Particularly Vulnerable Tribal Group (PVTG), nomadic/semi-nomadic, inhabiting interior forests.

**About the Project:**

- Location: Great Nicobar Island
- Forest land involved: Significant portion of tropical evergreen forests.
- Area overlaps with tribal reserves notified under the Andaman & Nicobar Protection of Aboriginal Tribes Regulation (ANPATR), 1956.
- Development of International trans-shipment port, Greenfield international airport, Township, Power and related infrastructure
- Implementing agency: **Andaman & Nicobar Islands Integrated Development Corporation (ANIIDCO).**

### Andaman & Nicobar Islands

- Located in Bay of Bengal
- **572 islands** (only 37 inhabited)
- India's eastern maritime frontier

| Andaman Islands                                                                                             | Nicobar Islands                                                           |
|-------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|
| <b>Location:</b><br>Closer to mainland India                                                                | <b>Location:</b><br>South of Andamans                                     |
| <b>Extent:</b><br>~800 km (North-South)                                                                     | <b>Separated by:</b><br>Ten Degree Channel                                |
| <b>Major islands:</b><br>North, Middle & South Andaman                                                      | <b>Capital:</b><br>Car Nicobar                                            |
| <b>Capital:</b> Port Blair                                                                                  | <b>Strategic value:</b><br>Indira Point - India's southernmost tip        |
| <b>Strategic value:</b><br>Near Ten Degree Channel                                                          | <b>Biodiversity:</b><br>UNESCO World Biosphere Reserve                    |
| <b>Biodiversity:</b><br>Tropical rainforests & coral reefs<br>Andaman wild pig, dugong, saltwater crocodile | <b>Biodiversity:</b><br>Nicobar pigeon, coconut crab                      |
| <b>Tribes:</b><br>Great Andamanese, Onge, Jarwa, Sentinelese                                                | <b>Tribes:</b><br>Nicobarese<br>Shompen (PVTG) - interior forest dwellers |
| <b>Tourism:</b><br>Havelock Island, Radhanagar Beach<br>Scuba diving & water sports                         | <b>Tribes:</b><br>Nicobarese<br>Shompen (PVTG) - interior forest dwellers |

**SIDBI**
**Context:**

The Union Cabinet has approved a ₹5,000 crore equity infusion into **Small Industries Development Bank of India (SIDBI)** to expand institutional credit flow to Micro, Small and Medium Enterprises (MSMEs).

**Key Terms:**

- **Equity Infusion:** Capital support by the government to strengthen a financial institution's balance sheet.
- **MSMEs:** Enterprises classified under the MSMED Act, 2006 based on investment and turnover.
- **CRAR:** Capital to Risk-weighted Assets Ratio; indicator of capital adequacy.

**About SIDBI:**

- **Status:** Principal Development Financial Institution (DFI) for MSME sector in India
- **Established:** 2 April 1990
- **Legal basis:** Small Industries Development Bank of India Act, 1989
- **Headquarters:** Lucknow, Uttar Pradesh
- **Mandate:**
  - Promotion, financing and development of MSMEs
  - Strengthen and facilitate **credit flow** to MSMEs
  - Address **financial and developmental gaps** in MSME ecosystem
  - Coordinate activities of institutions engaged in MSME financing
- **Shareholding pattern:** Central Government, 29 other institutions including Public Sector Banks (PSBs), Central Government-owned insurance companies
- **Administrative oversight:** Department of Financial Services, Ministry of Finance

**Rationale for Infusion:**

- Improve **Capital to Risk-Weighted Assets Ratio (CRAR)** and balance sheet strength
- Support expansion of **risk-weighted assets (RWA)**
- Enhance availability of **affordable and timely credit** to MSMEs
- Address persistent **credit gap** faced by small enterprises

**India - the 4th Largest Economy**
**Context:**

India has surpassed Japan to become the **world's 4th largest economy** in nominal GDP (Gross Domestic Product) terms, driven by strong domestic demand and sustained high growth momentum.

**Key Terms:**

- **Nominal GDP:** Gross Domestic Product (GDP) measured at current market prices (not adjusted for inflation).
- **Real GDP Growth:** GDP growth adjusted for inflation.
- **Purchasing Power Parity (PPP):** GDP adjusted for cost-of-living differences across countries.

**Key Facts:**

- India's Nominal GDP (2025): ~**USD 4.18 trillion**
- India's Global Rank (Nominal GDP): **4th**
- India has overtaken: **Japan**
- Top Economies (Nominal GDP): United States, China, Germany, **India**

**Growth Performance (India):**

- Real GDP Growth (Q2, 2025–26): 8.2%
- Real GDP Growth (Q1, 2025–26): 7.8%
- India among the fastest-growing major economies globally

**Drivers of Growth:**

- Robust private consumption (key driver)
- Urban demand recovery
- Improved export performance
- Benign inflation conditions
- Strong credit flow to commercial sector
- Structural reforms & public capital expenditure

**Space for Notes:**