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# DAILY CURRENT AFFAIRS

FOR UPSC CIVIL SERVICE EXAMINATION

**DATE: 29/08/2025 (FRIDAY)**



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## 1. Industrial Growth Reaches 3.5% in July 2025

### 1. Key Data Highlights

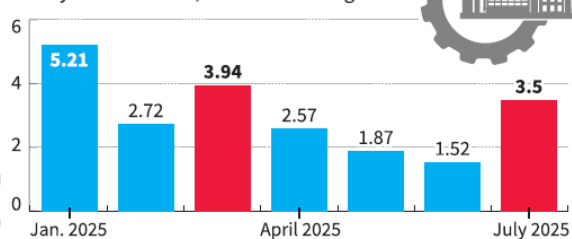
- **Industrial growth (IIP)** rose to **3.5% in July 2025**, a four-month high.
- Growth was broad-based: **manufacturing (5.4%)**, **electricity (0.6%)**, **capital goods (5%)**, and **consumer durables (7.7%)**.
- **Index of Industrial Production (IIP) Definition:** A composite indicator measuring the growth of different sectors of the economy such as manufacturing, mining, and electricity.
- Growth rate is slower than **5% in July 2024**, showing moderate recovery.

### 2. Sector-Wise Performance

- **Manufacturing:** Six-month high at 5.4%, supported by basic metals, fabricated metals, and machinery (double-digit growth).
- **Electricity:** Returned to positive (0.6%) after two months of contraction.
- **Mining:** Contracted by **-7.2%**, fourth consecutive month of decline, attributed to monsoon disruptions and weak demand.
- **Consumer Goods:** Durables grew at 7.7% (seven-month high); Non-durables saw a marginal rise of 0.5% (eight-month high).

#### Industrial recovery

The Index of Industrial Production growth rate in July stood at 3.5%, a four-month high



SOURCE: MINISTRY OF STATISTICS & PROGRAMME IMPLEMENTATION

### 3. Investment and Economic Signals

- Strong growth in **capital goods and non-metallic mineral products (9.5%)** indicates investment momentum in the economy.
- Positive signs for infrastructure development and manufacturing-led growth.
- Consumer demand recovery visible in durable goods (automobiles, appliances), though non-durable growth remains weak.

### 4. Challenges and Risks

- **Mining contraction** poses risk to energy supply chains and raw material availability.
- Electricity growth sluggish compared to July 2024 (7.9%).
- Global slowdown, trade disruptions, and monsoon impact remain potential risks to sustained recovery.

### 5. Constitutional & Legal Provisions

- **Article 246 & Seventh Schedule (Union List – Entry 52, 53, 54):** Union control over industries, mines, and minerals.
- **Industries (Development and Regulation) Act, 1951:** Empowers the central government to regulate key industries.
- Linked with **National Manufacturing Policy** and **Make in India** initiatives to boost domestic production.



## 6. Additional Keypoints

- Consistent IIP growth is crucial for achieving **\$5 trillion economy target** and supporting India's **PLI (Production-Linked Incentive)** schemes.
- Industrial growth contributes to **employment generation, exports, and self-reliance (Atmanirbhar Bharat)**.
- Sectoral performance directly influences **inflation, demand cycles, and fiscal stability**.

## Conclusion

India's industrial growth at 3.5% in July 2025 reflects a **moderate but broad-based recovery**, led by manufacturing and consumer demand. However, persistent mining contraction and weaker electricity output highlight structural bottlenecks. Sustained reforms, infrastructure push, and investment inflows are necessary to maintain long-term industrial momentum.

## UPSC Relevance

- **GS3 (Indian Economy, Growth & Development, Infrastructure)**: Industrial policy, IIP trends, sectoral growth.
- **GS1 (Geography of Resources)**: Mining and monsoon-related disruptions.
- **Essay/Economy**: Role of industrial growth in India's structural transformation.

## 2. Impact of U.S. Tariff Hike on Tamil Nadu Exports

- **Key Issue**: The U.S. decision to raise tariffs on Indian exports to 50% has severely impacted Tamil Nadu's textile sector, particularly the Tiruppur hub, with an estimated trade loss of ₹3,000 crore. Exports worth ₹73,000 crore annually from Coimbatore and Tiruppur are at risk.
- **Employment Concerns**: Over 2 lakh jobs in Tiruppur are under threat as U.S. traders shift purchases to cheaper alternatives from Bangladesh, Vietnam, and Cambodia, where tariffs are below 20%. Exporters face risks of distress sales due to limited market diversification options.
- **Demands by Tamil Nadu CM**:
  1. **Relief Package** – Special financial assistance to exporters.
  2. **GST Reform** – Correcting inverted duty structure by bringing the entire man-made fibre chain under 5% GST.
  3. **Import Duty Exemption** – For all varieties of cotton.
  4. **Credit Support** – Extending 30% collateral-free loans under ECLGS, with 5% interest subvention and two-year moratorium.
  5. **Export Incentives** – Enhancing RoDTEP benefits to 5%, and extending pre- & post-shipment credit to yarn and textiles.
- **Structural Reforms Needed**: Experts suggest long-term competitiveness requires rationalising GST, strengthening MSME credit support, diversifying export destinations, and investing in modernisation of textile clusters.
- **Constitutional & Legal Provisions**:
  - **Article 301-307**: Freedom of trade, commerce, and intercourse across India.



- **Foreign Trade (Development & Regulation) Act, 1992:** Empowers government to regulate imports/exports.
- **GST Provisions:** GST Council recommendations crucial in addressing inverted duty structures affecting textile sector.
- **Labour Welfare Laws:** Protecting workers' rights in case of layoffs is a constitutional and statutory responsibility under Directive Principles of State Policy (Article 39, 41, 43).
- **Definition:**
  - **Tariff:** A tax imposed by a country on imported or exported goods, often used as a trade barrier.
  - **Inverted Duty Structure:** A situation where input taxes are higher than taxes on finished goods, reducing competitiveness of domestic manufacturers.

### Conclusion

The U.S. tariff hike exposes vulnerabilities in India's export ecosystem, particularly in states like Tamil Nadu heavily reliant on the textile sector. Without corrective GST reforms, targeted relief, and diversification of export markets, India risks both industrial slowdown and large-scale job losses.

### UPSC Relevance

- **Economy:** Trade policy, tariff impact, GST issues, MSME and textile sector reforms.
- **Polity & Governance:** Centre-State coordination, GST Council's role, labour welfare.
- **International Relations:** Trade diplomacy, India-U.S. economic relations.
- **Current Affairs:** Useful for **Prelims (economy, GST, trade)** and **Mains GS-2 (IR), GS-3 (Economy, MSMEs, employment)**.

## 3. Rajasthan Becomes First State to Issue Guidelines on Stray Dogs

### 1. Background and Legal Context

- Rajasthan has become the first state to issue **comprehensive guidelines on stray dog management**, following the **Supreme Court directive** concerning stray dog population control in NCR.
- The framework is based on the **Animal Birth Control (ABC) Rules, 2023**, framed under the **Prevention of Cruelty to Animals Act, 1960** (a central law).
- SC has previously upheld that **Right to Life under Article 21 of the Constitution** applies to both humans (safety concerns) and animals (humane treatment).

### 2. Key Features of Guidelines

- Mandatory **designated feeding zones** for stray dogs in every ward/locality.
- Establishment of **sterilisation, vaccination, and deworming centres**.
- Clear procedure for **capture, treatment, and release** of dogs.
- Urban Local Bodies (ULBs) must submit **compliance reports within 30 days**.





### 3. Humane Handling Mandate

- Use of **tongs, wires, or nooses** for capturing dogs has been banned.
- Trained personnel must adopt **humane methods** such as nets or hand capture.
- Aligns with the **doctrine of compassion** under Article 51A(g) (Fundamental Duty to protect and improve the environment and show compassion to living beings).

### 4. Importance of Animal Birth Control (ABC) Rules, 2023

- Provides for **scientific sterilisation, vaccination, and relocation** of stray dogs to control population.
- Ensures balance between **public health and safety** (reducing dog bites, rabies) and **animal rights**.
- Empowers municipalities to partner with NGOs/animal welfare boards for effective implementation.

### 5. Social and Administrative Impact

- Helps prevent **stray dog menace** in urban areas, addressing concerns of public safety.
- Strengthens **coexistence framework** by institutionalising feeding, care, and population management.
- Rajasthan could emerge as a **model state** for other regions to adopt humane ABC programmes.

### 6. Challenges Ahead

- Implementation will require **adequate funds, trained manpower, and monitoring**.
- Public participation and awareness will be crucial for success.
- Balancing rights of residents (safety, hygiene) with **animal rights activists' demands** may create friction.

### Conclusion and UPSC Relevance

Rajasthan's initiative represents a **progressive step in reconciling public health, urban governance, and animal rights**, aligning with constitutional provisions (Article 21, Article 48A, Article 51A(g)). It reflects how **judicial directives influence state policy**, making it a relevant case study for UPSC topics like **Indian Polity, Governance, Social Justice, Urban Development, and Environmental Ethics**. For UPSC, this example can be cited under "**Balance between development and humane governance**" and as a **best practice in policy implementation**.

## 4. Kerala Reports Another Case of Amoebic Encephalitis

### 1. Background and Current Status

- Kerala has reported a new case of **amoebic meningoencephalitis**, bringing the total number of infected patients under treatment to **nine**, with one earlier death.
- Cases are concentrated in **Kozhikode, Malappuram, and Wayanad districts**.

### Rajasthan becomes first State to issue detailed guidelines on stray dogs after SC directive

Mohammed Iqbal  
JAIPUR

Rajasthan has become the first State in the country to issue a detailed framework on the management of stray dogs with the guidelines for civic bodies following a recent directive of the Supreme Court in the matter. The apex court's ruling pertained to the control of stray canine population in the National Capital Region.

The Department of Local Self Government has circulated comprehensive instructions to all municipal corporations, municipal councils, and municipalities, mandating strict adherence to the Animal Birth Control (ABC) Rules, 2023.

According to the guidelines, every ward and locality will have designated feeding zones for stray dogs, while new centres



According to the guidelines, every ward and locality will have designated feeding zones for stray dogs. FILE PHOTO

will be established for their sterilisation, vaccination and deworming. The instructions include the action to be taken for capture, treatment and release of dogs. The urban local bodies are required to submit compliance reports within 30 days.

**'Humane handling'**  
The guidelines ban the use of tongs, wires or nooses to capture dogs, instead mandating "humane handling"

by trained personnel who should either use nets or capture them by hand.

Jaipur-based animal rights activist Mariam Abuhaideri said Rajasthan would become a model State for animal birth control and harmonious coexistence with the new framework.

"The implementation of these guidelines is going to be important, as it is not an easy task," Ms. Abuhaideri told *The Hindu*.



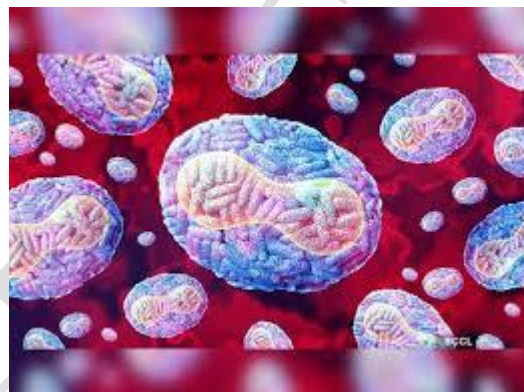
- The infection is confirmed to be caused by **free-living amoeba** found in contaminated well water.

## 2. Definition and Nature of the Disease

- **Amoebic encephalitis:** A rare but severe infection of the brain and its membranes caused by amoebae such as *Naegleria fowleri* or other free-living amoebae.
- Infection spreads when contaminated water enters the nasal passages and travels to the brain, not through drinking.
- Symptoms include fever, headache, seizures, and altered mental status, often with high fatality rates.

## 3. Legal and Institutional Measures

- The **Kerala Public Health Act, 2023** has been invoked to enable coordinated preventive and control measures.
- Local bodies have been directed to **clean, chlorinate, and monitor** wells, swimming pools, and storage tanks.
- Public health labs confirmed presence of amoeba, highlighting importance of **state-level disease surveillance**.



## 4. Constitutional and Legal Provisions

- **Article 21 (Right to Life)** includes right to health and safe environment.
- **Article 47 (Directive Principle of State Policy)** obliges the State to improve public health.
- The **Epidemic Diseases Act, 1897** and **Public Health Acts** empower authorities to take preventive action.
- This case reflects **cooperative federalism in health** where state-level action supports national health security.

## 5. Public Health Challenges and Way Forward

- Poor sanitation, unchlorinated wells, and unsafe water storage remain primary causes.
- Preventive measures include **awareness campaigns**, chlorination drives, safe water practices, and **strengthening primary health care**.
- Need for **rapid diagnostic capacity** and research on rare infections to prevent future outbreaks.

## 6. Broader Significance

- Illustrates challenges of **emerging infectious diseases** in India due to climate change, urbanisation, and water contamination.
- Emphasises importance of **One Health approach**, linking human health, water safety, and environmental management.

## Conclusion and UPSC Relevance

The Kerala case of amoebic encephalitis highlights the intersection of **public health governance, environmental hygiene, and constitutional obligations**. It demonstrates how legal frameworks like the Kerala Public Health Act, 2023 can be used for swift preventive measures. For UPSC, this is relevant under **GS2 (Health and Governance), GS3 (Science & Technology, Environment), and GS4 (Ethics in Public**



Health Policy). It can also serve as a case study in **state-level innovations in disease control** and **right to health** as part of Article 21.

## 5. India's Demographic Dividend as a Time Bomb

### 1. Background and Definition

- **Demographic Dividend:** The economic growth potential that arises when the working-age population (15–64 years) is larger than the non-working-age population.
- India has over **800 million people below the age of 35**, making it one of the youngest nations.
- However, due to a mismatch between education and employability, this “dividend” risks turning into a **demographic time bomb**.

### 2. Skills Mismatch and Education Gaps

- **Outdated curriculum:** School and college courses are not aligned with the **AI-driven job market**; only 43% of graduates are job-ready (Graduate Skills Index 2025).
- **Career awareness gap:** 93% of students know only about 7 traditional careers, while over **20,000 career paths** exist globally.
- **STEM crisis:** 40–50% of engineering graduates remain unemployed due to lack of practical skills and industry alignment.

### 3. AI and Future of Work

- According to McKinsey, **70% of Indian jobs may face automation risk by 2030**, while new technologies may create **170 million new jobs**, with over half offset by job displacement.
- Without **up-skilling, re-skilling, and cross-skilling**, India's youth may face large-scale unemployment.

### 4. Government Initiatives and Challenges

- Schemes: **Skill India Mission, PMKVY, PMKK, JSS, PMYY, SANKALP**, and others launched to address skill gaps.
- Despite large-scale funding, implementation gaps led to limited success; Skill India Mission fell short of its **400 million target**.
- Need for **cohesive national strategy** linking education, skilling, and industry demands, with greater **public-private partnerships**.

### 5. Constitutional and Legal Provisions

- **Article 41:** Right to work and education.
- **Article 21:** Right to life includes right to livelihood.
- **Article 45 & 51A(k):** Compulsory education for children.

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## India's demographic dividend as a time bomb

TH Premium

India's demographic 'asset' — its large youth population — is in danger of becoming a 'liability' as the gap between education and real-world skills and degrees and employability grows wider

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- **Directive Principles (Art. 38 & 39):** Obligation to promote social and economic welfare through employment opportunities.
- **NEP 2020 and Skill Development Policy 2015** provide frameworks but require better execution.

## 6. Social and Economic Implications

- Rising **educated but unemployed youth** may trigger social unrest, similar to **Mandal Commission protests (1990)**.
- Failure to act could destabilize India's **social contract** and economic progress.
- Success, however, could make India a **global digital powerhouse** with an innovation-driven workforce.

## Conclusion and UPSC Relevance

India's demographic dividend is at a crossroads: it can either fuel rapid economic growth or become a **demographic time bomb** leading to unemployment, unrest, and economic stagnation. To avert crisis, India must **realign its education system, strengthen skill development, and harness AI-driven opportunities** through coordinated state, private sector, and academic collaboration.

For UPSC, this is important under **GS1 (Population, Demography)**, **GS2 (Governance, Education Policy)**, **GS3 (Employment, Technology, Economic Development)**, and **Essay Paper**. It can also serve as a case study on demographic transition, skill development, and the role of state policy in converting population pressure into economic strength.

## 6. Building Health for 1.4 Billion Indians – Summary

### 1. India's Healthcare at an Inflection Point

- India faces a dual challenge: **expanding access** to underserved populations and **ensuring affordability** amid rising medical costs.
- Requires an integrated approach: stronger insurance, preventive care, digital adoption, regulatory clarity, and sustained investment.
- Definition: **Universal Health Coverage (UHC)** – ensuring all people have access to essential health services without financial hardship.

### 2. Insurance as the Foundation of Affordability

- Risk pooling through insurance is key to reducing catastrophic health expenditure.
- Currently, only **15–18% of Indians are insured**, with India's premium-to-GDP ratio (3.7%) far below the global average (7%).
- Schemes like **Ayushman Bharat – PMJAY** cover 500 million citizens with ₹5 lakh per family, ensuring cashless advanced care.

### Building health for 1.4 billion Indians

India's health-care system stands at a defining juncture. The task is dual: expand access for the millions who are underserved, while ensuring affordability amid rising costs. This needs an integrated framework, strengthening insurance, leveraging scale, embedding prevention in primary care, accelerating digital adoption, enabling regulatory clarity, and unlocking sustained investment. Through a systemic, interconnected approach, India can build a health-care model that is inclusive, financially viable, and globally aspirational.

**Insurance as the foundation of affordability**  
Pooling risk remains the most effective way to make costly care accessible. Even modest premiums – ₹5,000 to ₹20,000 for individuals or ₹10,000 to ₹50,000 for families – can unlock coverage worth several lakhs, shielding households from catastrophic financial shocks. Yet, penetration remains low: only 15%-18% of Indians are insured, with the premium-to-GDP ratio at 3.7% compared to the global average of 7%. The gap is significant, but so is the opportunity, as gross written premiums already stand at \$15 billion in 2024 and are projected to grow at over 20% CAGR till 2030.

Affordability cannot rest on insurance alone. True impact comes when payers, providers and patients partner, expanding coverage, embracing prevention and making insurance a tool for everyday health security, not just a crisis shield. India's health-care system has mastered something that the world is only now beginning to appreciate – delivering quality care at extraordinary scale. Where an MRI in the West may handle seven to eight scans a day, in India the same machine manages many times that volume. This ability to stretch resources without diluting quality is not coincidence. It is the product of decades of ingenuity in doctor-patient ratios, workflow design, and infrastructure use. The next leap is clear: extend this efficiency to India's vast heartland. Tier-2 and tier-3 cities remain underserved, yet they represent the true



**Sandhya Reddy**  
Is Joint Managing Director, Apollo Hospitals Group

frontier. If India can replicate its urban efficiency in these geographies, it will not just close the access gap, it could set a global benchmark for how scale, innovation and inclusion can reshape health care.

Schemes such as Ayushman Bharat (Pradhan Mantri Jan Arogya Yojana, or PMJAY) have redefined access. Covering nearly 500 million people, with ₹5 lakh a family for advanced care, PMJAY has enabled millions of cashless treatments in both public and private hospitals. Its impact is visible: timely cancer treatments for beneficiaries have increased by nearly 90%.

Expanding private hospital participation in government-backed schemes is essential to reach the next 500 million. But this must be anchored in fair reimbursements and transparent processes, ensuring viability for providers and real value for patients.

**Prevention as the most powerful cost-saver**  
A study in Punjab revealed a stark reality – even insured families faced catastrophic expenses on diabetes, hypertension, and other non-communicable disease (NCD) outpatient care. The solution is two-fold: redesign insurance to include outpatient and diagnostics, and launch a nationwide push for prevention. But this is incomplete without public participation.

Alongside payers and providers, people must embrace a preventive mindset – controlling risks, staying alert and raising awareness. Every rupee in healthier lifestyles saves multiples in treatment. If schools, employers, communities and citizens rally behind prevention, India can blunt the looming tsunami of NCDs and secure a healthier future.

Health care in India is at an inflection point and must move from being a privilege to becoming every Indian's right

Digital health is also democratising access. Remote consultations mean that a cardiologist in a metropolitan city can guide treatment for a patient in a village that is hundreds of kilometres away. Combined with the government's Ayushman Bharat Digital Mission, such innovations could enable universal health records and continuity of care across the country.

**Regulation and trust as the missing link**  
Health-care innovations are promising, but challenges persist. Insurers in New Delhi are considering a 10%-15% premium hike due to pollution-driven respiratory illnesses which shows how environmental factors raise health-care costs. Without safeguards, such pressures could hit affordability for millions. This is where regulation is crucial. The Finance Ministry has urged the Insurance Regulatory and Development Authority of India (IRDAI) to strengthen claims of settlement and grievance redress, recognising that trust drives insurance penetration. Without confidence in fair and transparent claims, households will not prioritise health insurance. Robust regulation, paired with fair pricing, is essential to deepen coverage and build confidence.

In 2023, India's health sector drew \$5.5 billion in private equity and venture capital, fuelling digital health, pharmacy networks, and hospitals. But capital remains skewed toward metros. The true test is directing this to tier-2 and tier-3 cities, building primary networks, and training specialists so that growth translates into inclusion.

India's health care is at an inflection point. Insurance must cover everyday care, providers must scale efficiently, prevention must cut long-term costs, and technology must drive access. With aligned investment and bold public-private partnerships, we can design a system that is not episodic or exclusionary, but universal, resilient, and sustainable. Health care must move from being a privilege to becoming every Indian's right.



- Constitutional Link: **Article 41 (Directive Principles of State Policy)** – State to provide public assistance in sickness and disablement.

### 3. Prevention and Primary Care as Cost-Savers

- NCDs like diabetes and hypertension cause catastrophic spending even for insured families.
- Preventive approach: insurance must cover OPD and diagnostics, along with community-driven awareness campaigns.
- Every rupee spent on prevention (healthy lifestyles, early screening) saves multiple rupees on treatment costs.
- Legal Link: **National Health Policy 2017** emphasizes preventive and promotive health care.

### 4. Technology and Digital Health Transformation

- India's telemedicine, AI-driven diagnostics, and **Ayushman Bharat Digital Mission** enable universal health records and remote consultations.
- Digital health reduces urban–rural gaps by connecting specialists in metros to patients in villages.
- Example: AI tools for early sepsis detection, digital triaging, and teleconsultations.

### 5. Regulation, Trust, and Investment

- Rising costs (e.g., due to pollution-driven illnesses) risk making healthcare unaffordable.
- Need for **robust regulation by IRDAI** to ensure fair claims settlement, pricing, and grievance redressal.
- Investment: \$5.5 billion FDI/VC in 2023, but concentrated in metros. Tier-2 and Tier-3 cities must be the next frontier for hospitals, diagnostics, and workforce training.
- Constitutional Link: **Right to Health as part of Right to Life under Article 21** (judicial interpretation, e.g., *Paschim Banga case 1996*).

### 6. Way Forward

- Expand insurance penetration with everyday coverage, not just crisis protection.
- Strengthen public-private partnerships to scale infrastructure and reach rural/underserved areas.
- Integrate preventive care, digital innovations, and regulatory safeguards for universal, resilient, and sustainable healthcare.

### Conclusion

India's health system stands at a defining juncture. With insurance expansion, preventive health culture, digital inclusion, and equitable investments, India can create a model that is **affordable, inclusive, and globally aspirational**. Health must be treated as a **right, not privilege**, aligning with constitutional mandates and Sustainable Development Goal (SDG) 3 – *Good Health and Well-being*.

### UPSC Relevance

- **GS2:** Issues relating to health, government policies (Ayushman Bharat, PMJAY, Digital Mission).
- **GS3:** Science & Tech in health (AI, digital health), inclusive growth.
- **GS4:** Ethical obligation of State to ensure health as a human right.



- **Essay:** “Health as a Human Right in India’s Developmental Journey.”

## 7. GST Reform and State Compensation Debate

### 1. Next-Generation GST Reforms

- The Union Government has proposed shifting from the current four-tier GST system to a predominantly two-tier structure (5% and 18%) with an overall reduction in average tax rate to ~10% (from ~11.5%).
- Objective: Simplify GST, boost consumption, reduce tax burden, and improve ease of doing business.

### 2. Impact on Revenue

- Short-term revenue loss estimated at ₹60,000–₹1,00,000 crore annually (0.2–0.3% of GDP).
- Mitigation: Higher taxes on sin and luxury goods, increased consumption, and better compliance expected to offset losses in the medium term.
- About 70% of GST revenues come from the 18% slab, which remains unchanged to safeguard revenue.

### 3. Differential Impact on States

- Industrial States (Maharashtra, Karnataka, Tamil Nadu) will face higher revenue losses compared to agrarian States (Bihar, Uttar Pradesh).
- GST distribution is not equal; States with broader manufacturing/service bases generate higher collections, leading to asymmetry in revenue impact.



### 4. State Compensation Issue

- Under the **GST (Compensation to States) Act, 2017**, the Centre compensated States for 5 years (till June 2022) for revenue losses due to GST implementation.
- Currently, no legal obligation for the Centre to provide compensation.
- Debate: Larger States seek mechanisms (such as special packages or a contingency fund from the Consolidated Fund of India) to protect against revenue volatility.

### 5. Constitutional and Legal Framework

- **Article 246A:** Empowers both Centre & States to legislate on GST.
- **Article 269A:** Levy and collection of GST on inter-State trade shared between Centre & States.
- **GST Council (Article 279A):** Apex body for GST decisions; usually works on consensus.
- Compensation was enabled through the **101st Constitutional Amendment Act, 2016**.

### 6. Key Terms

- **GST (Goods and Services Tax):** A destination-based, indirect tax subsuming multiple indirect taxes into a unified system.



- **Sin Goods:** Products like tobacco and alcohol, taxed at higher rates due to negative externalities.
- **Compensation Cess:** A temporary levy to compensate States for GST-related revenue shortfalls.

### Conclusion

GST reform aims to simplify tax slabs, lower the burden, and attract manufacturing investment. While short-term revenue shocks are expected, medium-term gains through compliance and consumption growth may balance losses. States' concerns on compensation highlight the need for a balanced fiscal federalism approach.

### UPSC Relevance

- **Economy (GS-3):** Tax reforms, revenue implications, GST design.
- **Polity (GS-2):** Federal fiscal relations, GST Council functioning, Centre-State financial dynamics.
- **Current Affairs:** Ongoing debates on tax rationalisation and cooperative federalism.

## 8. US Tariff Impact on Indian Exports – Key Summary

### Definition of Key Term:

*Tariff* is a tax imposed by a government on imported or exported goods. It can be used to protect domestic industries, regulate trade balances, or as a retaliatory measure in trade disputes.

### 1. Scale and Severity of Tariffs

- The U.S. imposed **50% tariffs (effective August 27, 2025)** on Indian imports, severely affecting several labour-intensive sectors.
- Combined with earlier duties, the total tariff burden now exceeds **60% in key sectors** like shrimp, textiles, and jewellery.
- The impact is determined by three metrics: absolute exports to the U.S., share of U.S. in sectoral exports, and the final tariff rate.

### 2. Severely Affected Sectors

- **Shrimp:** \$2.4 billion exports; U.S. share 32.4%; tariffs now 60%. Andhra Pradesh shrimp farmers already face a **20% fall in purchase prices**.
- **Diamonds, gold & jewellery:** \$10 billion exports; 40% share; tariffs up from 2.1% to **52.1%**, causing production cuts in Surat (employs ~12 lakh).
- **Textiles & apparel:** \$10.8 billion exports; U.S. share 35%; tariffs up to **63.9%**. Tiruppur, Noida-Gurugram, Ludhiana, and Bengaluru units report cancellations, downsizing, and slump in demand.
- **Carpets:** \$1.2 billion exports; U.S. share 58.6%; tariffs surged to **52.9%**.

GOODS SUBJECT TO 50% U.S. TARIFF	
Product Group	Exports to US in 2024-25
Textiles and apparel	\$10.9 bn
Diamonds, gold and jewellery	\$10 bn
Machinery and mechanical appliances	\$6.7 bn
Agriculture, meat and processed food	\$6.0 bn
Steel, aluminium, copper	\$4.7 bn
Organic chemicals	\$2.7 bn
Shrimps	\$2.4 bn
Handicrafts	\$1.6 bn
Carpets	\$1.2 bn
Leather and footwear	\$1.2 bn
Furniture, bedding, mattresses	\$1.1 bn
Source: Ministry of Commerce & Industry, GTI analysis	





### 3. Moderately Affected Sectors

- **Organic chemicals:** \$2.7 billion exports; 13.2% share; tariffs now 54%. Exporter bodies (CHEMEXCIL) seek relief.
- **Metals (steel, aluminium, copper):** \$4.7 billion exports; 17% share; critical for SMEs in Delhi-NCR and eastern foundry hubs.
- **Machinery & appliances:** \$6.7 billion exports; 20% share; demand likely to fall.

### 4. Government Response

- **Short-term:** Multi-ministry plan to ease exporters' burden; RBI readiness for liquidity support.
- **Medium & long term:**
  - Diversification of export destinations.
  - Better use of Free Trade Agreements (FTAs).
  - “Vocal for Local” and **Swadeshi push** to reduce dependence on U.S. markets.

### 5. Constitutional & Legal Dimensions

- **Article 301–307:** Ensure freedom of trade and commerce within India; international trade, however, falls under **Union List (Entry 41, Seventh Schedule)**.
- **Foreign Trade (Development and Regulation) Act, 1992:** Empowers the government to regulate imports/exports and negotiate trade remedies.
- **WTO Framework:** India can appeal against U.S. tariffs under dispute settlement if proven discriminatory.

### Conclusion

The sharp escalation of U.S. tariffs poses a **serious risk to India's export-driven sectors**, especially labour-intensive industries like textiles, shrimp, jewellery, and carpets. While immediate consequences include falling prices, job losses, and production cuts, the government's strategy of diversification, FTAs, and promoting domestic consumption will be critical in cushioning the impact.

### UPSC Relevance

- **Prelims:** Trade policy, WTO, tariff definitions, impacted sectors.
- **Mains (GS-III – Economy):** Impact of global trade protectionism on India, strategies for export competitiveness, role of FTAs.
- **Essay/Ethics:** Balancing globalization with self-reliance (“Atmanirbhar Bharat” vs. global supply chains).

## 9. U.S. Ends Duty-Free Imports of Low-Value Goods: Implications for Global Trade

### 1. What is the De Minimis Rule?

- **Definition:** The *de minimis exemption* (Latin: “too small to be trifled with”) allowed duty-free import of low-value goods, under Section 321 of the U.S. Tariff Act (1930).



- Initially meant for personal souvenirs, it became a trade facilitation tool. In 2016, the limit was raised from \$200 to \$800, leading to exponential growth in imports (134 million parcels in 2015 → 1.36 billion in 2024).
- About 50% of such imports were from China, supporting e-commerce giants like Temu and Shein.

## 2. U.S. Policy Shift and Rationale

- Effective **August 29, 2025**, the U.S. eliminated duty-free imports of low-value goods.
- Objective: reduce trade deficit, prevent *intellectual property theft*, curb *counterfeit products*, and protect domestic industries.
- This follows earlier measures like the 2019 *Universal Postal Union (UPU) agreement*, which increased postal rates for exporters from developing nations.

## 3. Global Trade and Business Implications

- International courier and postal services face disruptions.
- Welfare losses estimated at **\$11–13 billion**, disproportionately affecting poorer households (as per NBER study).
- E-commerce platforms and small businesses relying on low-cost imports will be hit hardest.



## 4. International Parallels and Responses

- European Union**: introduced handling fees (€2 per product, €0.5 for warehouses), ended €150 duty-free threshold to curb illegal imports, especially from China (90% of low-value imports).
- These measures signal a broader protectionist wave, shifting compliance responsibility onto e-commerce firms.

## 5. Undermining Multilateral Trade Order

- U.S. and EU measures weaken the **World Trade Organization (WTO)**, undermining principles of free and fair trade.
- Failure of nations to coordinate responses reflects erosion of post-war global trade architecture.
- Highlights rise of unilateralism over multilateral consensus in trade governance.

## 6. Constitutional & Legal Angle (India's Perspective)

- Article 301-307 (Part XIII, Constitution of India)**: ensures freedom of trade and commerce within India, showing contrast with growing protectionism abroad.
- WTO Obligations**: India, as a member, must monitor such unilateral actions, which may affect its exports and negotiations in future trade pacts.
- Customs Act, 1962**: governs duty structures on imports/exports in India—similar challenges may arise if India adopts reciprocal measures.



## Conclusion

The U.S. removal of duty-free status for low-value goods marks a significant shift toward protectionism, affecting global supply chains, e-commerce platforms, and consumer welfare. With the EU adopting similar measures, the rules-based global trade order is under strain, potentially pushing nations toward bilateral deals over multilateral institutions like the WTO.

## UPSC Relevance

- *Prelims*: De minimis exemption, Tariff Act (1930), WTO principles, UPU agreements.
- *Mains (GS-III: Economy)*: Impact of U.S. tariff policy on global trade, protectionism vs. free trade, implications for India's exports and e-commerce.
- *Essay / IR*: "Erosion of Multilateralism in Global Trade Governance" – case study of U.S. trade policies.

## 10. Governor Cannot Act as 'Super CM': Tamil Nadu's Argument in Supreme Court

### 1. Constitutional Role of Governor

- *Definition*: The Governor is a constitutional head of the State (Article 153) and functions on the *aid and advice* of the Council of Ministers (Article 163).
- Tamil Nadu argued that the Governor is only a *facilitator* or *lubricator* in the legislative process, not a legislator or decision-maker.
- The Chief Minister and Council of Ministers hold real executive responsibility in a parliamentary democracy (Articles 163 & 164).

### 2. Issue of Assent to State Bills (Article 200)

- Article 200 empowers the Governor to: (i) assent, (ii) withhold assent, (iii) return a Bill (other than a Money Bill), or (iv) reserve it for President's consideration.
- Tamil Nadu contended that this power is not discretionary but must be exercised within the constitutional framework and guided by the State Cabinet.
- Allowing a Governor to have the "last word" on State Bills would undermine federalism and democracy.



### 3. Judicial Context

- The case arose from the **April 8, 2025 Supreme Court judgment** that prescribed timelines for Governors to decide on Bills to prevent undue delays.
- Centre and BJP-ruled States argued that curtailing gubernatorial discretion could create governance risks, but Tamil Nadu rejected such "doomsday scenarios."
- Counsel A.M. Singhvi stressed that constitutional interpretation cannot be based on hypothetical fears.



#### 4. Federalism and Separation of Powers Concerns

- Two parallel power centers — Governor vs. CM — would violate the federal scheme (“two swords cannot be in one scabbard”).
- A Governor having a dominating role would weaken *cooperative federalism* and create constitutional chaos.
- Tamil Nadu argued that discretion to return or reserve Bills must always be guided by Cabinet advice, ensuring accountability to the legislature.

#### 5. Centre’s Stand on State’s Right to Litigate

- Solicitor-General Tushar Mehta argued that:
  - A State cannot move the Supreme Court under *Article 32*, as States do not have *fundamental rights*.
  - Article 32 remedies are available only to individuals or groups whose fundamental rights are infringed.
  - Governors enjoy **immunity under Article 361** for actions taken in office, shielding them from legal proceedings.

#### 6. Key Constitutional Provisions Involved

- **Article 153:** Governor for each State.
- **Article 163:** Governor to act on aid and advice of Council of Ministers.
- **Article 164:** Collective responsibility of CM and Council of Ministers.
- **Article 200:** Governor’s role in State legislation (assent to Bills).
- **Article 361:** Immunity for President and Governors.
- **Article 32:** Right to constitutional remedies (only for individuals, not States).

#### Conclusion

The debate underscores the tension between gubernatorial discretion and the principle of responsible government in India’s parliamentary federalism. Tamil Nadu’s position reinforces that the Governor is not a parallel authority but a constitutional figurehead who must act within the advice-based system. Expanding gubernatorial powers risks upsetting the balance of power and weakening democratic accountability.

#### UPSC Relevance

- *Prelims:* Articles 153, 163, 164, 200, 361, 32; Governor’s powers and limitations.
- *Mains (GS-II):* Issues of federalism, role of Governor in State politics, judicial interpretations of gubernatorial discretion, Centre–State relations.
- *Essay / Polity:* “Governor in Indian Federalism: Facilitator or Parallel Authority?”

## 11. India–Japan Summit 2025: Security, Economy & Technology Cooperation

- **Upgrading Security & Strategic Cooperation**  
Prime Minister Narendra Modi and Japanese PM Shigeru Ishiba will hold the 15th Annual Summit in Tokyo. The 2008 Declaration on Security Cooperation is expected to be upgraded to include defence





hardware purchases and enhanced defence collaboration. A new **“Economic Security”** initiative will be launched focusing on resilient supply chains, especially in **critical minerals, AI, and semiconductors**. This aligns with India’s broader Indo-Pacific strategy and the Quad framework.

- **Economic & Investment Ties**

Japan is India’s **5th largest source of FDI** with cumulative investments worth \$43.2 billion till Dec 2024. During the summit, Japan is expected to increase investment commitments to **\$68 billion**. Nearly **100 B2B agreements** may be signed at the business event, reflecting deepening corporate-to-corporate ties. Current bilateral trade is relatively modest at **\$22.8 billion**, showing room for expansion.

- **Technology & Infrastructure Cooperation**

Both leaders will focus on collaboration in **AI, semiconductors, and new technologies**, along with discussions on the **Mumbai–Ahmedabad Shinkansen bullet train project** (launched in 2017 with Japanese funding, originally \$17 billion). Modi and Ishiba will also ride the **Shinkansen high-speed rail** to Sendai, visit a semiconductor factory, and review the project’s progress.

- **Geopolitical Context & Regional Cooperation**

India-Japan cooperation is central to the **Indo-Pacific vision** and Quad grouping, particularly amid India-U.S. trade frictions and China’s assertiveness. Modi’s travel from Japan to attend the **SCO Summit in China**, where he will meet Xi Jinping and Vladimir Putin, adds a significant geopolitical backdrop to the visit.

- **Diaspora Engagement & Vision 2035**

PM Modi will meet members of the Indian diaspora in Japan (approx. 54,000). A **2035 Vision Statement** will be released, updating the **2025 Vision Statement** adopted with Shinzo Abe, strengthening long-term bilateral frameworks in security, economy, and technology.



- **Historical Context: Development Partnership**

Japan has been India’s **largest overseas development aid donor since 1958**, with major contributions in infrastructure projects, including metro rail systems, freight corridors, and the Shinkansen project. The summit highlights continuity in this development partnership with a forward-looking strategic alignment.

## Key Constitutional & Legal Provisions

- **Article 73 & 246:** Centre’s power in foreign affairs, treaties, and external agreements.
- **Article 253:** Parliament can make laws for implementing international agreements.
- **Article 51 (Directive Principles):** Promotes international peace, security, and cooperation.
- **Foreign Trade Policy & FDI Regulations:** Legal frameworks enabling Japan’s investment inflow.

## Definitions

- **Economic Security:** Protection of a nation’s economy from external shocks by diversifying supply chains, ensuring access to critical technologies, and reducing dependency on hostile powers.
- **FDI (Foreign Direct Investment):** Investment by foreign entities in domestic companies or infrastructure, often bringing capital, technology, and managerial expertise.



- **Shinkansen (Bullet Train):** Japan's high-speed rail network, a symbol of advanced technology and Indo-Japan cooperation in infrastructure.

## Conclusion

The India–Japan Summit 2025 is not just a bilateral engagement but a **strategic convergence** shaping the Indo-Pacific architecture, advancing technology partnerships, and expanding economic cooperation. It deepens trust-based relations while balancing regional power dynamics.

## UPSC Relevance

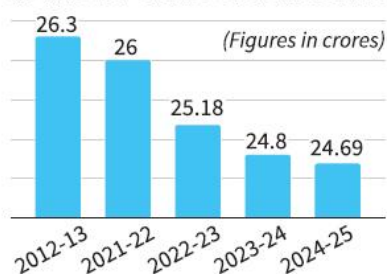
- **GS-II:** International Relations – Bilateral, regional and global groupings involving India.
- **GS-III:** Economy – Investment, FDI, technology transfer, infrastructure development.
- **GS-I:** Diaspora and cultural diplomacy.
- **Essay/Interview:** India-Japan relations as a model of “Special Strategic and Global Partnership.”

## 12. Decline in School Enrolment in India (UDISE+ 2024-25 Data)

- **Key Findings from UDISE+**
  - Enrolment of students aged 3–11 (Anganwadi, pre-school, Classes 1–5) dropped by **24.93 lakh** from 12.09 crore (2023-24) to 11.84 crore (2024-25).
  - Total enrolment (Classes 1–12) fell by **11 lakh**, from 24.8 crore in 2023-24 to 24.69 crore in 2024-25—lowest since 2018-19.
  - Compared to 2012-13 (26.3 crore), India has lost about **1.6 crore students** in total school enrolment.
- **Reasons for Decline**
  - **Falling birth rates:** India's **Total Fertility Rate (TFR) dropped to 1.91 (NFHS-2021)**, below replacement level (2.1), except in Uttar Pradesh, Bihar, and Meghalaya.
  - Migration to **standalone private pre-primary institutions**.
  - Demographic transition due to sustained fertility decline across States.
- **Positive Indicators**
  - **Gross Enrolment Ratio (GER)** improved:
    - Middle level: 89.5% (2023-24) → 90.3% (2024-25).
    - Secondary level: 66.5% (2023-24) → 68.5% (2024-25).
  - **Dropout rates** reduced: Preparatory (3.7% → 2.3%), Middle (5.2% → 3.5%), Secondary (10.9% → 8.2%).
  - Enrolment in **Classes 6–12 increased by ~14 lakh** between 2023-24 and 2024-25.
- **Definitions & Concepts**
  - **Gross Enrolment Ratio (GER):** Ratio of students enrolled at a particular education level to the official school-age population for that level, expressed as %.
  - **Dropout Rate:** Percentage of students leaving school without completing a given stage.

### Declining enrolments

The number of students enrolled in Classes 1-12 has fallen to an all-time low of 24.69 crore in 2024-25



Source: UDISE+



- **Replacement Fertility Rate:** The level of fertility at which a population exactly replaces itself ( $\approx 2.1$  children per woman).

- **Constitutional & Legal Provisions**

- **Article 21A:** Right to Free and Compulsory Education (RTE) for children aged 6–14 years.
- **Article 45:** Directive Principle—State shall provide early childhood care and education for children below 6 years.
- **RTE Act, 2009:** Ensures free and compulsory education with norms for pupil-teacher ratio, infrastructure, and inclusion.
- **NEP 2020:** Focuses on foundational literacy & numeracy, 5+3+3+4 structure, universalization of education up to secondary level by 2030.

- **Policy & Data Challenges**

- Use of outdated **2011 Census population data** in GER calculation may distort real enrolment indicators.
- Methodological changes in UDISE+ 2022-23 onwards make long-term comparisons complex.
- Declining enrolment in early stages raises concerns about **future human capital formation**.

### Conclusion & UPSC Relevance

The UDISE+ 2024-25 data highlights a paradox: while India is achieving better **GER and reduced dropouts**, the **absolute enrolment is declining** due to demographic transition and falling fertility. This has long-term implications for **labour force availability, demographic dividend, and human capital development**. For UPSC, it is important in the context of **Education Policy, Demographic Trends, RTE implementation, NEP 2020 reforms, and Sustainable Development Goal (SDG-4: Quality Education)**.

## 13. MGNREGS Budget Utilisation 2025-26

- **Current Status of Fund Utilisation**

- Nearly **₹51,521 crore ( $\approx 60\%$ )** of the **₹86,000 crore** allocated for MGNREGS in Union Budget 2025-26 has already been spent within the first five months of the financial year.
- Only **₹79 crore** remains for September due to a spending cap imposed by the Finance Ministry (60% utilisation allowed in H1 of FY).

- **Pending Liabilities from Previous Year**

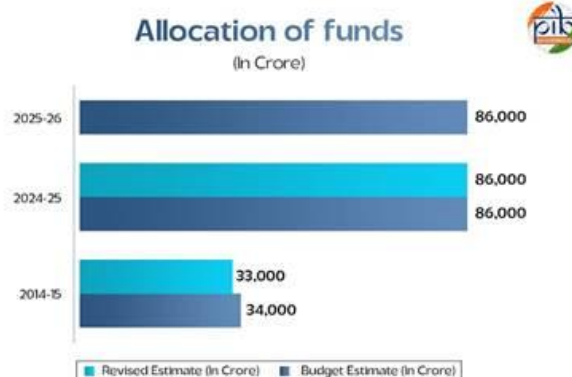
- Around **38% of current year's budget** was spent on clearing past dues.
- On **April 1, 2025**, wage liabilities stood at **₹17,259 crore** and material liabilities at **₹15,641 crore** from FY 2024-25.
- This reduced the effective funds available for ongoing works in 2025-26.

- **Scale of the Scheme**

- MGNREGS supports **12.15 crore active workers** dependent on wage employment.
- Expenditure in the same period last year (2024-25) was higher, at **₹61,829 crore**, but with severe shortfalls due to under-allocation.

- **Definitions & Key Concepts**

- **MGNREGS (Mahatma Gandhi National Rural Employment Guarantee Scheme):** Provides at least 100 days of guaranteed wage employment in a financial year to every rural



Source: Lok Sabha



household whose adult members volunteer for unskilled manual work.

- **Pending Liabilities:** Outstanding wage and material payments that roll over to the next financial year, reducing the net availability of fresh funds.

- **Constitutional & Legal Framework**

- **Article 41 (DPSP):** State shall make effective provision for securing the right to work.
- **Article 21:** Right to life includes the right to livelihood (judicial interpretation).
- **MGNREGA, 2005:** Statutory right to guaranteed employment; mandates wage payment within 15 days; transparency provisions (social audit).
- Linked to **SDG 1 (No Poverty)** and **SDG 8 (Decent Work and Economic Growth)**.

- **Policy Challenges & Concerns**

- **Chronic underfunding:** Annual allocations do not match actual demand for work.
- **High pending liabilities** reduce trust in the programme and delay wage payments.
- **Mismatch between demand-driven nature of the scheme and capped budgetary spending** undermines the statutory guarantee.
- Dependence on supplementary allocations from the Finance Ministry weakens programme predictability.

### Conclusion & UPSC Relevance

MGNREGS, one of the largest rights-based welfare schemes in the world, faces a persistent mismatch between demand for rural employment and budgetary support. With over **12 crore workers** dependent on it, delayed wage payments and funding shortfalls undermine its credibility and effectiveness. For UPSC, this is significant under topics like **inclusive growth, poverty alleviation programmes, Centre-State fiscal relations, labour rights, and welfare governance**. It also links to **constitutional DPSPs and the Right to Work debate**.