



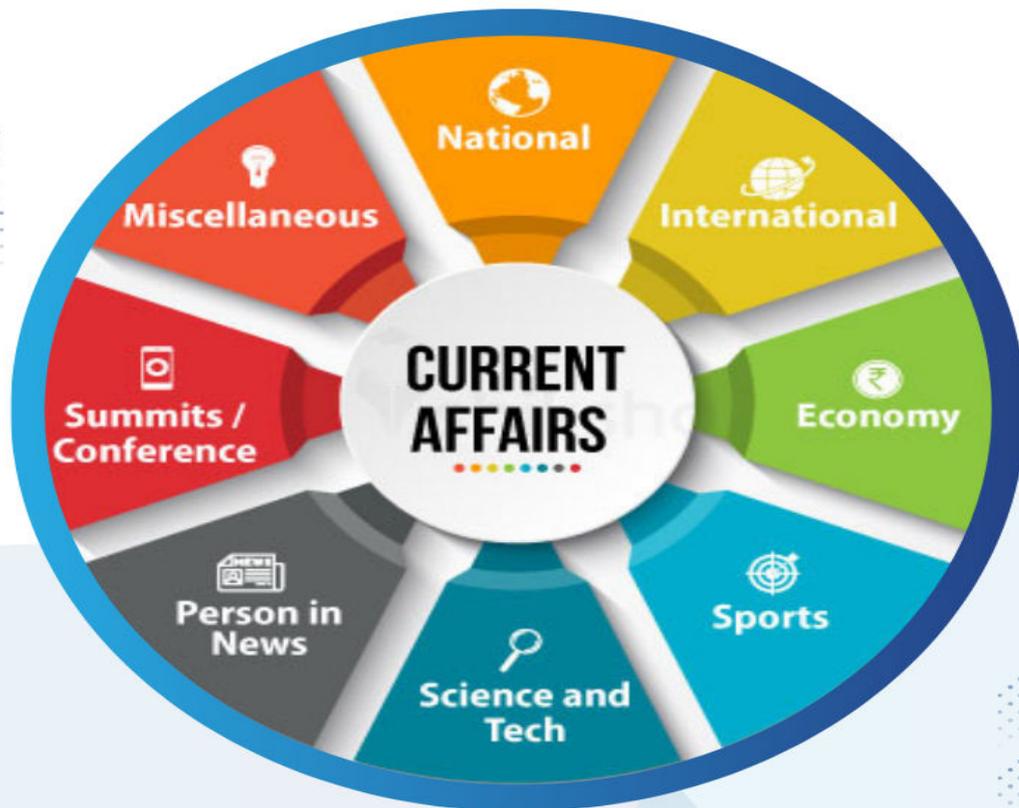
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VIDHVATH IAS KAS ACADEMY & STUDY CENTRE

DAILY CURRENT AFFAIRS

FOR UPSC CIVIL SERVICE EXAMINATION

DATE: 30/12/2025 (TUESDAY)



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1. Judicial Oversight and Ecological Protection: The Aravali Range Case

The Supreme Court of India recently stayed its own November 20 judgment concerning the definition of the Aravali Range, signaling a proactive stance on environmental preservation over restrictive administrative interpretations.

- **Abeyance of Restrictive Definition:** The Court suspended the implementation of a definition that limited "Aravali hills" to those with an elevation of 100 metres or above and clusters within 500 metres of each other, fearing it would leave the vast majority of the range unprotected.
- **Protection Against Irreversible Action:** By keeping the judgment in abeyance, the Bench ensures that no "irreversible administrative or ecological actions"—such as new mining clearances—are taken based on a potentially flawed geographical framework.
- **Suo Motu Cognizance of Ecological Risk:** The Bench, led by CJI Surya Kant, acted on public apprehension that the 100-metre threshold would strip environmental protection from nearly 11,000 hills in Rajasthan alone.
- **Proposed High-Powered Committee:** The Court mooted a new expert panel to conduct a fresh analysis of "sustainable mining" and assess if the exclusion of lower hillocks would compromise the overall ecological integrity of the mountain system.
- **Ban on Mining Leases:** Until the proceedings reach a logical finality, the Court directed that no fresh or renewed mining leases in the Aravali region shall be granted without its prior permission.
- **Stakeholder Consultation:** The Court emphasized the need for independent expert opinions and consultation with all stakeholders to resolve ambiguities in the demarcation of ecologically sensitive zones.

Key Definitions

- **Abeyance:** A state of temporary disuse or suspension.
- **Suo Motu:** Latin for "on its own motion," referring to a situation where a court takes up a case on its own without a petition being filed.
- **Regulatory Lacuna:** A gap or missing part in the laws or regulations that prevents effective governance or protection.
- **Sustainable Mining:** Extraction of minerals in a manner that meets current needs without compromising the ability of future generations to meet theirs, minimizing environmental footprints.

Constitutional and Legal Provisions

- **Article 48A (DPSP):** Mandates that the State shall endeavor to protect and improve the environment and safeguard the forests and wildlife of the country.
- **Article 51A(g) (Fundamental Duties):** It is the duty of every citizen to protect and improve the natural environment including forests, lakes, rivers, and wildlife.
- **Article 21 (Right to Life):** Expanded by the judiciary to include the right to a clean and healthy environment as a fundamental right.
- **Environment Protection Act, 1986:** Provides the framework for the Centre to restrict activities in ecologically sensitive areas like the Aravali.
- **Forest (Conservation) Act, 1980:** Regulates the diversion of forest land for non-forest purposes, including mining.



Conclusion

The Supreme Court's intervention underscores the "Precautionary Principle" in environmental jurisprudence. By rejecting a narrow, elevation-based definition, the Court has prioritized the functional ecosystem of the Aravali Range over arbitrary topographical benchmarks. This move prevents the potential "legalized degradation" of thousands of hillocks that serve as critical barriers against desertification and as groundwater recharge zones for North India.

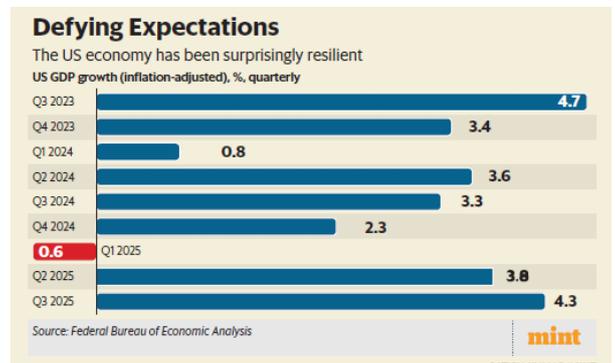
UPSC Relevance

- **GS Paper I (Geography):** Physical features of India, the significance of the Aravali as the oldest fold mountain system, and its role in climate regulation.
- **GS Paper II (Governance & Judiciary):** Judicial activism, Suo Motu powers of the SC, and the balance between executive definitions and judicial oversight.
- **GS Paper III (Environment):** Conservation, environmental impact assessment (EIA), and the conflict between mining (economic development) and ecological preservation.

2. US Economic Resilience in 2025: Defying Scepticism

The United States economy has exhibited unexpected strength throughout 2025, consistently outperforming the pessimistic forecasts of a recession that were prevalent at the start of the year.

- **Surprise Growth Momentum:** The US economy grew at an annualized rate of 4.3% in the third quarter of 2025, the fastest pace in two years and significantly higher than the projected 3%.
- **Diverse Growth Engines:** This expansion was propelled by a combination of resilient consumer spending (3.5% annualized), a boom in corporate AI investments, and a surge in federal defense outlays.
- **Muted Impact of Tariffs:** Despite the implementation of steep tariffs earlier in the year, headline inflation remained relatively stable at approximately 3% due to strategic exemptions and companies absorbing costs rather than passing them all to consumers.
- **K-Shaped Recovery Trends:** While the overall numbers are strong, the economy reflects a "K-shaped" trajectory, where affluent households benefit from high asset prices while middle- and lower-income groups face an affordability crisis and a cooling labor market.
- **Monetary Policy Shift:** The Federal Reserve initiated a rate-cutting cycle in late 2025 (totaling 75 basis points) to prevent labor market stagnation, though persistent inflation near 2.9% limits the scope for aggressive easing.
- **Positive 2026 Outlook:** Projections for 2026 remain optimistic, with expected boosts from fiscal stimulus (tax cuts) and continued technological deepening in the semiconductor and AI infrastructure sectors.



Key Definitions

- **Basis Points (bps):** A standard unit of measure for interest rates and other percentages in finance; \$100\$ basis points equal 1%\$.



- **K-Shaped Recovery:** An economic situation where different parts of the economy recover at different rates, times, or magnitudes following a recession, leading to increased wealth inequality.
- **Real GDP:** An inflation-adjusted measure that reflects the value of all goods and services produced by an economy in a given year.
- **PCE Price Index:** The Personal Consumption Expenditures price index; a measure of price changes in consumer goods and services, often preferred by the Fed over CPI.

Constitutional & Legal Context

- **Article I, Section 8 (US Constitution):** Grants Congress the power to lay and collect taxes, duties, and imposts, and to regulate commerce with foreign nations.
- **International Emergency Economic Powers Act (IEEPA), 1977:** A federal law that allows the President to regulate international commerce after declaring a national emergency in response to any unusual and extraordinary threat.
- **Federal Reserve Act of 1913:** Established the Federal Reserve System and its "dual mandate" to promote maximum employment and stable prices.
- **Tax Cuts and Jobs Act (TCJA) Extensions:** Legislative measures that influenced fiscal policy by extending 2017 income tax cuts into the 2025–2026 period.

Conclusion

The US economy's ability to "defy the doubters" in 2025 stems from its structural depth and the massive capital inflow into emerging technologies. However, the widening disparity between those benefiting from asset inflation and those struggling with the cost of living remains a critical internal risk. The sustainability of this growth in 2026 will depend on the Federal Reserve's ability to navigate the narrow path between supporting employment and preventing a secondary inflation spike driven by trade protectionism.

UPSC Relevance

- **GS Paper II (International Relations):** Impact of US trade policies (tariffs) on global supply chains and multilateral trade norms.
- **GS Paper III (Economy):** Understanding the global economic environment, the impact of "K-shaped" growth on social equity, and the role of disruptive technologies like AI in driving national productivity.
- **Prelims:** Conceptual understanding of inflation types (demand-pull vs. cost-push), monetary policy tools, and global growth forecasts by institutions like the IMF and World Bank.

3. Industrial Resurgence: IIP Growth Hits 25-Month High

The Index of Industrial Production (IIP) for November 2025 recorded a significant surge, reaching 6.7%, the highest growth rate in over two years. This rebound follows a period of sluggishness and reflects both structural recoveries and seasonal adjustments in the Indian economy.

- **Broad-Based Growth Acceleration:** The 6.7% expansion was driven by a robust 8% growth in the manufacturing sector, which accounts for nearly 78% of the index weight. This marks a sharp recovery from the 0.5% growth recorded in October 2025.
- **Positive Sectoral Turnaround:** For the first time in nine months, all six use-based categories—including Primary, Capital, Intermediate, and Infrastructure goods—recorded positive growth. Capital goods, a proxy for investment sentiment, rose by 10.4%.



- **Consumption Rebound:** Consumer durables and non-durables witnessed a significant bounce-back, growing at 10.3% and 7.3% respectively. This indicates a clearance of inventories and a potential revival in rural and urban demand post-GST rate rationalizations.
- **Normalization of Mining and Electricity:** Mining output grew by 5.4%, recovering from previous monsoon-induced contractions. While electricity generation remained in a slight contraction of 1.5%, it showed signs of recovery from the deeper 6.9% dip seen in October.
- **Impact of Festive Calendar:** Analysts attribute part of this spike to the "base effect" and the shifting festive calendar (Diwali timing), which led to massive restocking by wholesalers and manufacturers in November after the October holidays.
- **Future Outlook and Risks:** While November showed strength, experts remain cautious about December due to waning restocking benefits and potential external headwinds, such as the impact of US trade tariffs on Indian manufacturing exports.



Key Definitions

- **Index of Industrial Production (IIP):** An index that tracks the short-term changes in the volume of production of a basket of industrial products during a given period with respect to a chosen base year.
- **Base Effect:** The impact that the choice of a basis of comparison or reference point has on the result of a comparison between current and previous data points.
- **Capital Goods:** Physical assets that a company uses in the production process to manufacture products and services that consumers will later use (e.g., machinery, equipment).
- **Consumer Non-Durables:** Goods that are used up quickly or have a short life span (e.g., food items, pharmaceuticals).

Constitutional and Legal Provisions

- **Article 77:** Conduct of Business of the Government of India, under which the Ministry of Statistics and Programme Implementation (MoSPI) functions to compile and release national data.
- **Collection of Statistics Act, 2008:** The legal framework that empowers the government to collect data from industrial units and establishments for national planning and policy formulation.
- **National Indicator Framework (NIF):** Linked to the Sustainable Development Goals (SDG 9: Industry, Innovation, and Infrastructure), where IIP serves as a primary metric to track industrial progress.

Conclusion

The November IIP data offers a breather for the Indian economy, suggesting that the industrial engine is regaining its rhythm after a volatile monsoon and festive season. The double-digit growth in infrastructure and capital goods is particularly encouraging for long-term capacity building. However, for this to translate into sustained high-single-digit growth, the government must ensure that consumption remains resilient against global trade uncertainties and that private sector capital expenditure (Capex) continues its upward trajectory.



UPSC Relevance

- **GS Paper III (Indian Economy):** Crucial for topics related to Industrial Growth, Manufacturing Sector, and Economic Indicators. IIP is the "barometer" of the industrial climate.
- **GS Paper III (Infrastructure):** Growth in the "Infrastructure/Construction goods" category directly relates to the success of schemes like Gati Shakti and National Infrastructure Pipeline (NIP).
- **Prelims:** Frequently asked questions regarding the IIP components (Mining, Manufacturing, Electricity), their weights, the base year (currently 2011-12), and the publishing agency (National Statistical Office - NSO).

4. Infrastructure Financing: Proposed ₹25,000 Crore Risk Guarantee Fund

The Union Government is considering a significant financial intervention in the upcoming Budget for FY27 by establishing a ₹25,000-crore risk guarantee fund designed to de-risk infrastructure lending and mobilize private capital.

- **Credit Guarantee Mechanism:** Modeled after the successful Credit Guarantee Fund Scheme for Micro and Small Enterprises (CGMSE), this fund will provide a safety net by covering a portion of defaults on loans extended to infrastructure projects.
- **Role of NaBFID and NCGTC:** The proposal originates from a committee under the National Bank for Financing Infrastructure and Development (NaBFID). The National Credit Guarantee Trustee Co. (NCGTC) is expected to act as the underwriter, providing the necessary sovereign-backed assurance to lenders.
- **Addressing Bottlenecks:** The fund aims to mitigate chronic issues such as project delays, cost overruns, and high borrowing costs that traditionally deter commercial banks from taking large exposures in long-gestation infrastructure projects.
- **Financing the \$7 Trillion Ambition:** With India requiring approximately \$2.2 trillion in infrastructure investment by 2030, this fund acts as a catalyst to bridge the funding gap through enhanced credit flow and easier lending terms.
- **Collaborative Funding Model:** While the initial corpus will be provided through the Union Budget, the Finance Ministry is engaging with both public and private financial institutions to expand the fund's participation and reach.
- **Impact on Lending Rates:** Although a nominal guarantee fee will be charged, the overall impact on lending rates is expected to be minimal compared to the benefits of reduced risk premiums for high-stakes projects.



Key Definitions

- **Credit Guarantee:** A commitment by a third party (the guarantor) to pay the lender a portion of the loan if the borrower defaults, thereby reducing the lender's risk.
- **Underwriting:** The process by which an institution takes on financial risk for a fee, specifically by guaranteeing payment in case of loss or damage.
- **Long-Gestation Projects:** Projects that require a long period of time to complete and start generating revenue, common in the power, roads, and port sectors.



- **Asset-Liability Mismatch:** A situation where the maturity profile of a bank's assets (long-term infrastructure loans) does not match its liabilities (short-term deposits), a major hurdle in infra-funding.

Constitutional and Legal Provisions

- **Article 112 (Union Budget):** The proposed allocation for the fund will be part of the "Annual Financial Statement" presented by the President to Parliament.
- **Article 292:** Governs the executive power of the Union to give guarantees within limits fixed by Parliament, providing the legal basis for sovereign-backed funds.
- **NaBFID Act, 2021:** This legislation established NaBFID as a Development Financial Institution (DFI) to support the development of long-term non-recourse infrastructure financing in India.
- **Fiscal Responsibility and Budget Management (FRBM) Act:** The fund's impact on the fiscal deficit will be monitored under this framework as it involves direct budgetary support.

Conclusion

The creation of a ₹25,000-crore risk guarantee fund represents a strategic shift from direct government spending to "credit enhancement." By providing a sovereign-backed cushion, the government can leverage limited budgetary resources to unlock much larger volumes of private institutional credit. This "multiplier effect" is essential for reviving stalled projects and achieving the infrastructure targets set under the National Infrastructure Pipeline (NIP).

UPSC Relevance

- **GS Paper III (Economy):** Issues relating to planning, mobilization of resources, and growth. It specifically touches upon Infrastructure (Energy, Ports, Roads, Airports, Railways etc.) and Investment Models.
- **GS Paper III (Government Budgeting):** Understanding how the Union Budget uses innovative financial instruments like guarantee funds to achieve macro-economic goals.
- **Mains Perspective:** Important for questions on Development Financial Institutions (DFIs), the challenges of the "Twin Balance Sheet" problem, and the transition from public-led to private-led infrastructure growth.
- **Prelims:** Potential questions on the functions of NaBFID, NCGTC, and the distinction between credit guarantees and direct subsidies.

5. Strategic Capability Boost: DAC Clears ₹79,000 Crore Defence Deals

The Defence Acquisition Council (DAC), chaired by Defence Minister Rajnath Singh, recently accorded the Acceptance of Necessity (AoN) for capital acquisition proposals worth approximately ₹79,000 crore. This move aims to modernize the Indian Armed Forces with a strong emphasis on indigenization and precision strike capabilities.

- **Precision Firepower for Army:** The DAC approved the procurement of **Loiter Munition Systems** for Artillery Regiments and **Long-Range Guided Rocket Ammunition** for the Pinaka Multiple Launch Rocket System (MLRS) to enhance strike range and accuracy against high-value tactical targets.
- **Counter-Drone and Surveillance Infrastructure:** To address emerging aerial threats, the council cleared **Low-Level Lightweight Radars** for detecting small, low-flying drones and the **Integrated**



Drone Detection and Interdiction System (IDDIS) Mk-II for protecting vital assets in both forward areas and the hinterland.

- **Enhanced Air Combat Reach:** For the Indian Air Force, the approval includes **Astra Mk-II** Beyond-Visual-Range (BVR) air-to-air missiles and **SPICE-1000** long-range guidance kits, significantly increasing the stand-off engagement range of fighter aircraft.
- **Naval Domain Awareness:** The Navy will receive **High-Frequency Software Defined Radios (HF SDR)** for secure communication and will lease **High-Altitude Long-Endurance (HALE) Remotely Piloted Aircraft Systems (RPAS)** to ensure continuous surveillance over the Indian Ocean Region.
- **Safety and Training Upgrades:** The deal includes an **Automatic Take-off and Landing Recording System** to enhance aerospace safety for the Air Force and a **Full Mission Simulator** for the Light Combat Aircraft (LCA) Tejas to facilitate cost-effective pilot training.
- **Focus on Atmanirbharta:** Nearly 90% of the cleared proposals are expected to be sourced through indigenous routes, providing a major fillip to the domestic defence manufacturing ecosystem and public sector undertakings (PSUs) like BEL and BDL.

Key Definitions

- **Acceptance of Necessity (AoN):** The initial step in the defence procurement process where the government formally acknowledges the requirement for a specific military equipment or system.
- **Loiter Munition:** Often called "kamikaze drones," these are aerial weapon systems that can fly around a target area for some time, search for a target, and attack once located by crashing into it.
- **Beyond-Visual-Range (BVR) Missile:** A missile capable of engaging targets at ranges of 37 km or more, beyond the pilot's naked-eye visibility.
- **HALE RPAS:** High-Altitude Long-Endurance Remotely Piloted Aircraft System; drones capable of flying at high altitudes (above 60,000 feet) for extended periods (over 24 hours) for reconnaissance.

Constitutional and Legal Provisions

- **Entry 2, List I (Union List):** The Constitution of India places "Naval, military and air forces; any other armed forces of the Union" under the exclusive legislative and executive domain of the Centre.
- **Defence Acquisition Procedure (DAP) 2020:** The governing policy framework that streamlines the procurement process to ensure transparency, accountability, and a preference for "Make in India."
- **Article 53:** Vests the supreme command of the Defence Forces of the Union in the President, while the operational and procurement decisions are executed by the Cabinet and the Ministry of Defence.

Conclusion

The massive ₹79,000 crore clearance reflects India's shift towards a "technologically-driven" military posture. By prioritizing loiter munitions, long-range guided rockets, and sophisticated drone interdiction systems, the government is incorporating lessons from recent global conflicts (such as Ukraine and Nagorno-Karabakh). This procurement not only addresses critical capability gaps against regional adversaries but also solidifies the domestic "military-industrial complex" by ensuring that the bulk of the capital remains within the Indian economy.

UPSC Relevance

- **GS Paper III (Internal Security & Defence):** Challenges to internal security, mandate of various security forces, and the evolution of modern warfare (drones, BVR missiles).



- **GS Paper III (Economy):** Indigenization of technology and developing a domestic defence manufacturing hub under "Atmanirbhar Bharat."
- **Prelims:** Understanding the structure of the DAC (chaired by the Defence Minister), the meaning of AoN, and specific indigenously developed systems like Pinaka and Astra.

6. Strengthening Indo-Pacific Ties: Zero-Duty Access for Indian Goods to Australia

Marking the third anniversary of the India-Australia Economic Cooperation and Trade Agreement (Ind-Aus ECTA), the Union Government announced that starting 1 January 2026, 100% of Indian exports will enjoy duty-free access to the Australian market. This milestone transitions the trade partnership from strategic intent to comprehensive market integration.

- **Total Tariff Elimination:** Australia will remove import duties on all remaining tariff lines (covering approximately 3.6% of India's export value that was under a phase-out period), effectively making all Indian goods duty-free from the first day of 2026.
- **Boost to Labour-Intensive Sectors:** The move is set to provide a massive competitive edge to sectors such as textiles, apparel, leather, footwear, furniture, and gems and jewellery, which previously faced 4-5% duties.
- **Improved Trade Balance:** Since the ECTA's implementation in 2022, India's trade deficit with Australia has narrowed significantly, falling from \$12.06 billion in FY23 to \$6.94 billion in FY25, driven by a surge in high-value manufacturing and agricultural exports.
- **Strategic Supply Chain Resilience:** The agreement has strengthened bilateral supply chains, particularly in critical minerals and raw materials from Australia (like coal and lithium) that fuel India's domestic manufacturing under the "Make in India" initiative.
- **Sectoral Gains and Diversification:** Recent data highlights a 16% rise in gems and jewellery exports (April-Nov 2025) and exceptional growth in agricultural products like coffee, fruits, and marine goods, aided by a Mutual Recognition Arrangement (MRA) for organic products.
- **Transition to CECA:** The success of the ECTA serves as a foundational "building block" for the ongoing negotiations of a Comprehensive Economic Cooperation Agreement (CECA), which aims to include digital trade, government procurement, and deeper services integration.



Key Definitions

- **Duty-Free Access:** The elimination of customs duties or tariffs on imported goods, making them cheaper for the consumer in the importing country and more competitive for the exporter.
- **Tariff Lines:** Specific product categories in a country's customs schedule; 100% coverage means every single classified product is included in the tax exemption.
- **Economic Cooperation and Trade Agreement (ECTA):** An interim or "early harvest" trade deal that covers a significant portion of trade before a full-scale Free Trade Agreement (FTA) is finalized.
- **Labour-Intensive Sectors:** Industries that require a large amount of manual labour to produce goods or services, such as garments and handicrafts, crucial for employment generation in India.



Constitutional and Legal Provisions

- **Article 253:** Empowers Parliament to make laws for implementing international treaties, agreements, and conventions, providing the legal basis for trade pacts like ECTA.
- **Entry 41, List I (Union List):** "Trade and commerce with foreign countries; import and export across customs frontiers" is an exclusive subject for the Central Government under the Seventh Schedule.
- **Rules of Origin (ROO):** Legal criteria used to determine the national source of a product. Under ECTA, strict ROO prevent third-party countries from "routing" goods through Australia to claim Indian tax benefits illegally.
- **Customs Act, 1962:** The primary legislation used to notify changes in tariff rates following the signing of international trade agreements.

Conclusion

The transition to a zero-duty regime with Australia marks a watershed moment in India's trade diplomacy, representing the first time a developed nation has offered 100% tariff elimination to India. By securing predictable and cost-effective market access, India is well-positioned to diversify its export basket beyond traditional markets like the US and EU. This partnership not only addresses economic imperatives but also reinforces the "Quad" security architecture by anchoring economic dependencies within the Indo-Pacific region.

UPSC Relevance

- **GS Paper II (International Relations):** Bilateral agreements involving India and affecting India's interests; the role of the Indo-Pacific in India's foreign policy.
- **GS Paper III (Economy):** Effects of liberalization on the economy, changes in industrial policy, and their influence on industrial growth; mobilization of resources and international trade.
- **Prelims Focus:** Differences between ECTA, CEPA, and CECA; major items of export/import between India and Australia; and the concept of "Early Harvest" schemes.

7. Fiscal Management: Government to Raise ₹3.84 Trillion via T-Bills in Q4

The Union Finance Ministry, in coordination with the Reserve Bank of India (RBI), has released the borrowing calendar for the fourth quarter (January–March) of the current financial year. The government aims to manage short-term liquidity and cash flow mismatches through the issuance of Treasury Bills (T-Bills).

- **Scale of Borrowing:** The government plans to raise ₹3.84 trillion through short-term T-Bills over a 12-week period. This is slightly lower (by ₹10,000 crore) than the ₹3.94 trillion raised in the corresponding quarter of the previous fiscal year.
- **Auction Structure:** Weekly auctions are scheduled to range between ₹29,000 crore and ₹35,000 crore. These auctions provide a predictable schedule for market participants to manage their liquidity.
- **Tenure Distribution:** The borrowing will be spread across the three standard tenors of T-Bills currently issued in India: 91-day, 182-day, and 364-day instruments.
- **Purpose of Issuance:** These funds are primarily used to bridge temporary mismatches between the government's receipts and expenditures (Ways and Means), rather than long-term capital creation.



- **Market Flexibility:** The government and RBI retain the right to modify the notified amount and timing of auctions based on evolving market conditions, liquidity in the banking system, and actual funding requirements.
- **Liquidity Absorption:** Such large-scale borrowing effectively acts as a tool for the RBI to manage money supply, as it absorbs excess liquidity from the banking system into the government's account.

Key Definitions

- **Treasury Bills (T-Bills):** Short-term debt instruments issued by the Central Government with maturities of less than one year. They are "zero-coupon" securities, meaning they pay no interest but are issued at a discount and redeemed at face value.
- **Zero-Coupon Securities:** Financial instruments where the investor's return is the difference between the purchase price and the redemption value at maturity.
- **Discount Rate:** The rate at which the face value is reduced to determine the purchase price of the T-Bill.
- **Ways and Means Advances (WMA):** Temporary loan facilities provided by the RBI to the government to meet temporary mismatches in receipts and payments.

Constitutional and Legal Provisions

- **Article 292:** Vests the executive power of the Union to borrow upon the security of the Consolidated Fund of India within limits fixed by Parliament.
- **Article 266(1):** Directs that all loans raised by the Government by the issue of treasury bills or other loans shall form part of the **Consolidated Fund of India**.
- **FRBM Act, 2003:** The Fiscal Responsibility and Budget Management Act sets the broad framework for government borrowing and limits on fiscal deficits, ensuring long-term fiscal sustainability.
- **Reserve Bank of India Act, 1934:** Empowers the RBI to manage the public debt of the Union and State governments and act as the merchant banker to the government.

Conclusion

The Q4 borrowing plan reflects the government's calibrated approach to fiscal management. By slightly reducing the borrowing target compared to the previous year, the government signals an improvement in cash management or a narrowing of the short-term fiscal gap. However, the high volume of T-Bill issuance ensures that short-term yields remain sensitive to liquidity conditions in the banking sector, making it a crucial period for both the debt market and monetary policy transmission.

UPSC Relevance

- **GS Paper III (Economy):** Essential for understanding "Government Budgeting," "Mobilization of Resources," and the "Money Market." T-Bills are a core component of India's money market.
- **Prelims Focus:** Differences between T-Bills (issued only by Centre) and Dated Securities (issued by both Centre and States); the concept of zero-coupon bonds; and the role of RBI as the debt manager.
- **Mains Perspective:** Relevant for questions regarding fiscal consolidation, the impact of government borrowing on private investment (Crowding Out effect), and the interaction between fiscal and monetary policy.



8. Rural Transformation: The VB-G RAM G Act Replacing MGNREGA

The Union Government has introduced the **Viksit Bharat - Guarantee for Rozgar and Aajeevika Mission (Gramin) (VB-G RAM G) Act, 2025**, marking a comprehensive statutory overhaul of the decades-old MGNREGA. This legislative reset aims to transform the rural employment framework from a purely distress-relief tool into a productivity-linked engine for rural development.

- **Enhanced Employment Guarantee:** The Act increases the legal guarantee of wage employment from 100 days to **125 days** per rural household per financial year, providing a stronger social safety net and higher income security for adult members willing to do unskilled manual work.
- **Transition to Supply-Driven Model:** In a major shift, the scheme moves from MGNREGA's demand-driven right-to-work to a **normative, budget-capped model**. Central funding is now based on objective "Viksit Gram Panchayat Plans" and pre-defined financial allocations, aiming for fiscal predictability.
- **Revised Funding Pattern:** The funding ratio has been restructured to a **60:40 split** between the Centre and General Category States (previously, the Centre bore 100% of unskilled wage costs). For North-Eastern, Himalayan states, and UTs, the ratio is maintained at 90:10 or 100% Central funding.
- **Strategic Work Verticalization:** To ensure durable asset creation, permissible works are streamlined into four priority categories: **Water Security, Core Rural Infrastructure, Livelihood-related Infrastructure, and Climate-Resilient Assets** (Extreme Weather Mitigation).
- **Statutory Agricultural Pause:** The Act introduces a mandatory **60-day "no-work" period** during peak sowing and harvesting seasons. This is designed to prevent rural labor shortages and wage inflation that could adversely affect farm productivity.
- **Tech-Driven Accountability:** The framework integrates advanced monitoring tools, including **AI-based fraud detection**, biometric authentication, GPS-tagged real-time tracking, and a National Rural Infrastructure Stack to ensure transparency.

MGNREGA	VB-G RAM G
◆ 100 wage employment days	◆ 125 wage employment days
◆ Work scattered across categories; no robust national strategy	◆ Localised planning; mandates Viksit Gram Panchayat Plans
◆ Centre bears unskilled wage costs; states bear unemployment allowance	◆ State cost-sharing for wages ; 60:40 for most states; 90:10 for certain special-category regions
◆ No explicit statutory "pause window"	◆ States can notify up to 60 days in a FY when work will not be executed
◆ Wage payment within a stipulated time window	◆ Weekly wage payments mandated ; fortnight at most
◆ Gram Panchayat planning is central	◆ Integrates institutionalised convergence and infrastructure planning

Key Definitions

- **VB-G RAM G:** Viksit Bharat Guarantee for Rozgar and Aajeevika Mission (Gramin).
- **Normative Allocation:** A method of distributing funds based on established standards and objective parameters (like rural population and past performance) rather than actual real-time demand.
- **Jan Bhagidari:** A people-centric approach emphasizing community participation in the planning and execution of village development projects.
- **Durable Assets:** Physical infrastructure that provides long-term utility to the community, such as check dams, paved roads, and storage godowns.



Constitutional and Legal Provisions

- **Article 41 (DPSP):** Directs the State to ensure the right to work within the limits of its economic capacity and development.
- **Schedule VII (Seventh Schedule):** While "Social Security" is in the Concurrent List, "Local Government" and "Agriculture" are in the State List; the shared funding model (60:40) reflects the principles of **Cooperative Federalism**.
- **Viksit Bharat-G RAM G Act, 2025:** The primary legislation that repeals and replaces the MGNREGA Act of 2005.
- **Article 243G:** Empowers Gram Panchayats as institutions of self-government; the new Act enhances their role in planning through "Viksit Gram Panchayat Plans."

Conclusion

The VB-G RAM G Act represents a "major reset" of India's rural development strategy. By prioritizing asset quality and climate resilience over mere person-day generation, it aligns rural employment with the **Viksit Bharat @2047** vision. While the shift to a budget-capped model and higher state financial burden has drawn criticism for potentially diluting the "right-to-work" as a justiciable entitlement, the government argues that higher administrative capacity (9% vs 6%) and outcome-based monitoring will ultimately lead to higher household incomes and reduced distress migration.

UPSC Relevance

- **GS Paper II (Governance):** Welfare schemes for vulnerable sections; issues relating to the management of Social Sector/Services; Central vs State roles in flagship programs.
- **GS Paper III (Economy):** Employment, inclusive growth, and rural infrastructure. Impact of fiscal shifts (60:40 ratio) on state finances and the "Twin Fulcrum of Equity and Efficiency."
- **Mains Perspective:** Critical for questions on the "Rights-based approach" vs "Outcome-based approach" in social welfare, and the effectiveness of MGNREGA's evolution in a modern economy.

9. Reform Express 2025: Strengthening India's Economic Foundations

The year 2025 marked a pivotal era of "quiet governance," where the Indian government focused on systemic de-bottlenecking and modernizing the legislative landscape. Collectively termed "Reform Express 2025," these measures have transitioned India into the world's fourth-largest economy, with a nominal GDP surpassing \$4.1\$ trillion.

- **Macroeconomic Resilience and Global Stature:** India overtook Japan to become the world's 4th largest economy. This was complemented by S&P's first sovereign rating upgrade in 18 years to **BBB (Stable)**, affirming the durability of India's fiscal consolidation and capex-led growth model.
- **Consolidation of Labour Laws:** On November 21, 2025, the government operationalized the **four Labour Codes**, subsuming 29 central laws. This reform streamlines compliance, guarantees a national floor wage, and extends social security to gig and platform workers while allowing operational flexibility for industries.
- **Modernizing Maritime and Logistics:** The **Indian Ports Act, 2025** replaced the 1908 colonial framework, establishing the Maritime State Development Council (MSDC) as a statutory body. Alongside the Merchant Shipping Act, 2025, these reforms aim to reduce logistics costs and boost shipbuilding via a ₹25,000 crore Maritime Development Fund.



- **Energy Transition and Strategic Autonomy:** The **SHANTI Bill, 2025** (Sustainable Harnessing and Advancement of Nuclear Energy for Transforming India) overhauled the atomic energy framework, permitting regulated private participation to achieve 100 GW of nuclear capacity by 2047. Simultaneously, the Oilfields Amendment Act, 2025 shifted toward a single petroleum lease model to de-risk long-cycle investments.
- **Capital Market and Digital Governance:** The **Securities Markets Code Bill, 2025** was introduced to unify securities laws and strengthen SEBI's enforcement powers. On the digital front, the ONDC and GeM platforms hit record transaction volumes, while the Trade Connect ePlatform simplified the export-import ecosystem for MSMEs.
- **Legislative Decriminalization:** Parliament passed the **Repealing and Amending Bill 2025**, striking off 71 obsolete Acts. Over 4,458 legal provisions were decriminalized, and 47,000 compliances were reduced, shifting the governance philosophy toward "trust-based" engagement with entrepreneurs.



Key Definitions

- **Nominal GDP:** The total market value of all finished goods and services produced within a country's borders in a specific time period, measured at current market prices without adjusting for inflation.
- **Sovereign Rating:** An independent assessment of a country's creditworthiness, which influences the cost of borrowing for the government and domestic corporations in international markets.
- **SMR (Small Modular Reactors):** Advanced nuclear reactors with a power capacity of up to 300 MW per unit, designed for factory fabrication and easier deployment compared to traditional large-scale plants.
- **ONDC (Open Network for Digital Commerce):** A government-backed initiative aimed at promoting open networks for all aspects of exchange of goods and services over digital or electronic networks.

Constitutional & Legal Provisions

- **Article 246 (Seventh Schedule):** Reforms across Labour (Concurrent List), Maritime (Union List), and Energy (Union List) reflect the constitutional distribution of powers. The Indian Ports Act specifically strengthens **Cooperative Federalism** through the statutory MSDC.
- **Article 39(e) & 42:** These Directive Principles of State Policy provide the moral foundation for the new Labour Codes, ensuring the health and strength of workers and just/humane conditions of work.
- **Atomic Energy Act, 1962 (Repeal):** The SHANTI Bill, 2025 seeks to replace this Act to allow for a multi-agency and private-sector integrated approach to nuclear power.
- **Article 292:** Provides the executive power to borrow and manage the public debt, relevant to the fiscal management strategies that led to the S&P rating upgrade.

Conclusion

"Reform Express 2025" signifies a shift from "big-bang" announcements to "functional efficiency." By cleaning the statute book, modernizing sector-specific laws (Ports, Energy, Labour), and scaling Digital Public Infrastructure (DPI), India has built a predictable risk framework for private capital. This quiet work



of governance is designed to convert India's demographic dividend into a sustainable manufacturing and services powerhouse, laying the bedrock for double-digit growth in the coming decade.

UPSC Relevance

- **GS Paper II (Governance & Polity):** Reforms in the delivery of services, statutory bodies (MSDC, SEBI), and the impact of repealing obsolete laws on the "Ease of Doing Business."
- **GS Paper III (Economy):** Evolution of India's GDP, sovereign ratings, infrastructure planning (Gati Shakti), and the significance of the four Labour Codes in formalizing the economy.
- **GS Paper III (Energy & Environment):** The role of nuclear energy (SHANTI Bill) and deep-water exploration in India's path toward Net Zero and energy security.

10. The Industrial Credit-Growth Puzzle: Implications for India's National Accounts

The Indian banking sector's shifting credit patterns have revealed a significant "decoupling" between industrial lending and industrial GDP growth. This anomaly, particularly observed between FY17 and FY19, has sparked a debate among economists regarding the accuracy of India's current National Accounts Statistics (NAS).

- **Declining Industrial Credit Share:** The proportion of industrial credit in total bank lending has plummeted from **42% in 2013 to 23% in 2024**. This shift indicates a "financialization of consumption," as banks increasingly pivot toward retail and personal loans over long-term industrial financing.
- **Abysmal Credit Growth:** During 2014-24, industrial credit saw a compound annual growth rate (CAGR) of just **4.1%**, a stark contrast to the **23%** growth recorded in the preceding decade (2004-14). Even excluding the pandemic years, the growth rate remains structurally stagnant.
- **Regional and Sectoral Stagnation:** The deceleration is widespread; even traditionally industrialized regions like Western and Southern India saw growth below the national average. No major industrial group recorded double-digit credit growth during the 2014-24 window.
- **The FY17-FY19 Decoupling:** Historically, industrial credit and output (GVA-ASI) move in lockstep (correlation of **0.82** pre-pandemic). However, between 2016-17 and 2018-19, industrial GDP remained puzzlingly stable while both industrial credit and formal manufacturing output (ASI-GVA) slowed sharply.
- **Statistical Credibility Concerns:** This divergence supports claims that the **2011-12 NAS series** may be overestimating industrial GDP. The anomaly suggests that the output-based measures (GDP) are not being validated by input-based indicators like bank credit and physical production data.
- **IMF's "Grade C" Rating:** In 2025, the IMF assigned a 'C' grade to India's national accounts—the second-lowest rating—citing an outdated base year, reliance on the Wholesale Price Index (WPI) for deflation, and weak coverage of the informal sector.

Key Definitions

- **NAS (National Accounts Statistics):** The complete set of data describing the economic activity of the nation, including GDP, GVA, and savings.
- **GVA-ASI:** Gross Value Added as measured by the **Annual Survey of Industries**, which captures data from the formal, registered manufacturing sector.



- **Financial Deepening:** The increase in the ratio of money supply or credit to GDP, signifying a more advanced and integrated financial system.
- **Single Deflation:** A method where nominal GVA is deflated by a single price index (like WPI) to get real GVA, which can lead to overestimation if input and output prices diverge.

Constitutional & Legal Provisions

- **Article 246 (Seventh Schedule):** Statistics is a Concurrent List subject (Entry 45), but "Census" is in the Union List (Entry 69). The collection of industrial data falls under the **Collection of Statistics Act, 2008**.
- **RBI Act, 1934:** Empowers the Reserve Bank of India to regulate the credit system of the country to its advantage, including sectoral credit allocation.
- **Government of India (Allocation of Business) Rules, 1961:** Assigns the responsibility of national income estimation to the Ministry of Statistics and Programme Implementation (MoSPI).

Conclusion

The "industrial credit-growth disconnect" is more than a statistical quirk; it is a diagnostic signal of structural imbalances. As India prepares for a new GDP series with a **2022-23 base year** in 2026, it is imperative to align output estimations with real-world financial indicators. Reviving industrial credit is not just about banking liquidity, but about restoring the link between financial depth and industrial productivity to sustain long-term growth.

UPSC Relevance

- **GS Paper III (Economy):** Essential for topics on "Inclusive Growth and issues arising from it," "Mobilization of Resources," and "Investment Models."
- **Mains Perspective:** Highly relevant for questions on the "Twin Balance Sheet" problem, the shift from manufacturing to retail lending, and the "Credibility of Data" in Indian economic planning.
- **Prelims Focus:** Concepts of GDP vs. GVA, the difference between ASI and IIP, and the roles of MoSPI and the National Statistical Office (NSO).

11. Crisis of Legitimacy: Myanmar's 2025-26 Staggered General Elections

Nearly five years after the February 2021 coup, the Myanmar military (Tatmadaw) is conducting a highly contentious general election. Despite failing to establish nationwide stability and facing significant armed resistance, the military-led State Security and Peace Commission (SSPC) is pushing forward with a three-phase electoral process to replace the defunct civilian-led Union Parliament and provincial legislatures.

- **Phased and Fragmented Execution:** The elections are staggered into three phases: Phase 1 on December 28, 2025; Phase 2 on January 11, 2026; and Phase 3 on January 25, 2026. However, voting is restricted to approximately 274 of the 330 townships, as the junta lacks control over nearly 42% of the country held by ethnic and insurgent forces.
- **Exclusion of Genuine Opposition:** The National League for Democracy (NLD), which won landslides in 2015 and 2020, was dissolved by the Union Election Commission (UEC) after refusing to register under the restrictive Political Parties Registration Law. Major regional and ethnic parties, such as the Arakan National Party (ANP), have also been disqualified, leaving the military-backed Union Solidarity and Development Party (USDP) as the sole dominant contender.



- **The "Election Protection Law" Draconian Measures:** Enacted in July 2025, this law criminalizes dissent against the electoral process. Punishments range from three years in prison to the death penalty for "obstructing" or "disrupting" the polls. Reports indicate that over 229 individuals have been arrested for social media criticism or anti-election activism.
- **Strategic Shift in Electoral Systems:** The Tatmadaw has moved away from the simple First-Past-the-Post (FPTP) system. While the Lower House (Pyithu Hluttaw) retains FPTP, the Upper House and State legislatures now use Proportional Representation (PR) or Mixed-Member Proportional (MMP) systems. This shift is designed to fragment the opposition and prevent any single party from achieving a commanding majority.
- **Low Confidence and Turnout:** Early reports from Phase 1 indicate extremely low voter turnout due to security threats, calls for boycotts, and widespread migration. Many young people have fled the country to avoid the junta's forced conscription policy, further depleting the legitimate voting base.
- **Polarized International Response:** The UN, EU, Japan, Australia, and ASEAN have largely condemned the polls as neither free nor fair. Conversely, China and Russia have signaled support by sending election observers, viewing the process as a path toward stability rather than democratic restoration.

Key Definitions

- **Tatmadaw:** The official name of the armed forces of Myanmar, which has historically wielded immense political power.
- **State Administration Council (SAC) / SSPC:** The executive body formed by the military following the 2021 coup to govern Myanmar.
- **Proportional Representation (PR):** An electoral system in which parties gain seats in proportion to the number of votes cast for them.
- **Ethnic Armed Organisations (EAOs):** Armed rebel groups representing various ethnic minorities in Myanmar that have fought for autonomy for decades.

Constitutional & Legal Provisions

- **2008 Constitution:** Drafted by the military, it reserves 25% of all legislative seats for the Tatmadaw, ensuring they can block any constitutional amendments that require more than 75% support.
- **Political Parties Registration Law (2023):** Imposed stringent membership and funding requirements that served as a tool to deregister and dissolve opposition parties like the NLD.
- **Article 417-419 (Emergency Powers):** The constitutional basis used by the military to declare a state of emergency and seize power in 2021, though critics argue the extensions of this state were unconstitutional.

Conclusion

The 2025-26 elections in Myanmar are widely perceived as a "charade" designed to provide a veneer of civilian legitimacy to a military regime. By excluding the NLD and engineering the electoral system, the Tatmadaw seeks to install a USDP-led government while maintaining ultimate control behind the scenes. However, without resolving the underlying ethnic conflicts and the crisis of internal security, these polls are likely to deepen polarization and prolong the civil war rather than offer a path to genuine peace.



UPSC Relevance

- **GS Paper II (International Relations):** India's Neighborhood Policy; the impact of Myanmar's instability on India's Northeastern security and the "Act East" policy.
 - **GS Paper II (Governance):** Comparison of different electoral systems (FPTP vs PR) and the role of the rule of law in democratic transitions.
 - **Mains Focus:** The role of regional organizations like ASEAN in conflict resolution and the geopolitical tug-of-war between China, Russia, and the West over Myanmar.
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