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FOR UPSC CIVIL SERVICE EXAMINATION

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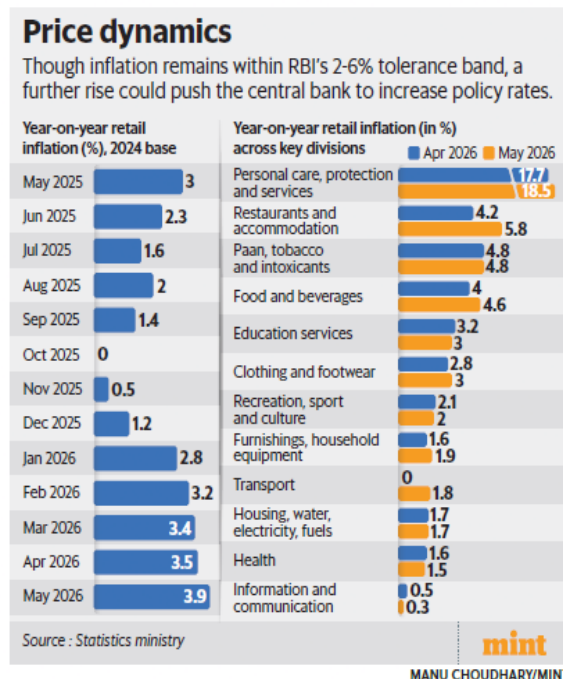


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1. Retail Inflation and CPI Recalibration: Key Dynamics

- Headline Inflation Surge:** India's retail inflation, measured by the Consumer Price Index (CPI), rose to 3.93% in May 2026, driven primarily by surging food prices, though it remains within the Reserve Bank of India's (RBI) 2%-6% tolerance band.
- Base Year Revision:** A new CPI series has debuted using 2024 as the base year (replacing the older 2012 series), recalibrating item weights based on the 2023-24 Household Consumption Expenditure Survey (HCES).
- Structural Weights Shift:** The new series alters how headline inflation trends are interpreted by expanding the weight of housing, increasing the share of core items by roughly 10 percentage points, and reducing the volatile weight of food prices to check structural volatility.
- Monetary Policy Pressures:** Citing twin risks of a below-normal monsoon and elevated global energy prices, the RBI revised its inflation projection for FY27 upward to 5.1% from 4.6%, heightening the probability of future policy rate hikes if upstream cost pass-through persists.
- Key Definitions:** **Headline Inflation** refers to the raw inflation figure reporting total inflation within an economy, including highly volatile commodities like food and energy. **Core Inflation** excludes volatile food and fuel components to measure underlying long-term economic price trends. **CPI** measures the average change over time in prices paid by urban and rural consumers for a market basket of consumer goods and services.
- Constitutional & Legal Framework:** Monetary policy management is governed by the **RBI Act, 1934** (amended in 2016), which provides a statutory basis for the Monetary Policy Committee (MPC) to maintain price stability while keeping growth in mind. Under Section 45ZB of the Act, the central government, in consultation with the RBI, fixes the inflation target once every five years.



Conclusion

The structural shift in India's CPI base year reflects updated consumer spending realities, mitigating food-driven volatility while giving greater weight to services and housing. However, near-term fiscal and monetary challenges persist due to climate risks impacting monsoons and geopolitical tensions in West Asia influencing crude trajectories.

UPSC Relevance

- GS Paper III (Indian Economy):** Issues relating to planning, mobilization of resources, growth, development, and employment. Inflation dynamics, CPI vs. WPI, monetary policy transmission, and the role of the MPC.
- Prelims:** Conceptual questions on Headline vs. Core Inflation, Base Year effects, impacts of policy rate revisions, and statutory provisions of the RBI Act, 1934.



2. Global Landmark: ILO Adopts World's First Gig Economy Treaty

- **Historic Global Framework:** The United Nations' International Labour Organization (ILO) has officially adopted the world's first-ever international legally binding treaty/convention dedicated to safeguarding digital platform workers in the rapidly expanding global gig economy.
- **Universal Coverage:** In a landmark departure from traditional labor frameworks, the adopted convention applies universally to all platform workers—such as food delivery partners and ride-hailing drivers—irrespective of their formal employment classification or status.
- **Core Mandate and Protections:** Driven by the surge in algorithmic management, the treaty aims to extend fundamental labor protections worldwide, addressing critical deficits in occupational safety, fair remuneration, social security access, and collective bargaining rights for hundreds of millions of digital platform workers.
- **Key Definitions: Gig Economy** refers to a labor market characterized by the prevalence of short-term contracts or freelance work as opposed to permanent jobs. **Digital Platform Workers** are individuals who use digital applications or platforms to connect with clients, perform tasks, or provide services. **ILO Conventions** are international treaties that create legally binding obligations for ratifying member nations.
- **Constitutional & Legal Interface (India):** While international conventions require domestic ratification, India has preemptively recognized this transition under the **Code on Social Security, 2020**, which legally defines "gig workers" and "platform workers" and mandates the formulation of social security schemes for them. Furthermore, Article 43 of the Indian Constitution (Directive Principles) urges the State to secure a living wage and decent standard of life for all categories of workers.



Conclusion

The adoption of this ILO treaty marks a paradigm shift in global labor jurisprudence, transitioning from rigid employer-employee binaries to rights-based protections for decentralized workforces. For emerging economies like India, aligning with this framework will be crucial to balancing technological innovation with robust social safety nets for millions of vulnerable digital laborers.

UPSC Relevance

- **GS Paper II (Governance & Social Justice):** Welfare schemes for vulnerable sections of the population; statutory, regulatory, and various quasi-judicial bodies (ILO).
- **GS Paper III (Indian Economy):** Changes in industrial policy, labor reforms, growth, employment patterns, and the socio-economic implications of the rising informalization of formal labor sectors.
- **Prelims:** Conceptual understanding of the Code on Social Security (2020), core conventions of the ILO ratified by India, and basic characteristics defining the gig economy.



3. Public Health: Vaccine-Derived Polio Virus Detected in Ghaziabad

- **Environmental Surveillance Detection:** A Vaccine-Derived Polio Virus (VDPV) strain was detected in a routine sewage sample collected from the Vijay Nagar pumping station in Ghaziabad, triggering an extensive door-to-door containment survey across 12 localities covering nearly 30,000 households.
- **Multi-Agency Response:** The ongoing surveillance and containment drive is being closely monitored by the District Surveillance Unit, the Uttar Pradesh state government, the National Centre for Disease Control (NCDC), and the World Health Organization (WHO) to verify population immunity and check transmission.
- **Mechanism of VDPV:** VDPVs are rare strains mutated from the live, weakened virus contained in the Oral Polio Vaccine (OPV). When excreted by vaccinated individuals, the weakened virus can replicate in areas with poor sanitation and low herd immunity, over time reverting to a form that causes paralysis in under-immunized populations.
- **India's Polio Status:** India was officially certified polio-free by the WHO in 2014 after recording its last wild polio virus case in 2011. To prevent resurgence, India maintains dual active defense lines: Acute Flaccid Paralysis (AFP) clinical surveillance and environmental surveillance (testing sewage samples for fecal presence of the virus).
- **Key Definitions: Vaccine-Derived Polio Virus (VDPV)** is a strain of the weakened poliovirus initially included in OPV that has mutated over time and behaves more like the wild virus. **Environmental Surveillance** is the regular collection and testing of wastewater or sewage samples from strategic points to detect pathogens shed in human feces before clinical cases emerge. **Wild Polio Virus (WPV)** refers to the naturally occurring, non-mutated strains of the virus.
- **Constitutional & Policy Framework:** Public health and sanitation fall under the **State List (List II, Seventh Schedule)** of the Indian Constitution. However, the Union government guides national immunization policies via the **National Health Mission (NHM)** and the **Universal Immunization Programme (UIP)**. Article 47 (Directive Principles) explicitly mandates the State to regard the raising of the level of nutrition, standard of living, and the improvement of public health as among its primary duties.



Conclusion

The detection of a non-virulent VDPV strain highlights the efficiency of India's environmental surveillance infrastructure but serves as a stark reminder of the risks posed by pockets of low immunization coverage. Eradicating polio comprehensively requires transitioning from oral vaccines to fractional inactivated polio vaccines (fIPV) alongside sustained investments in public sanitation and municipal wastewater management.

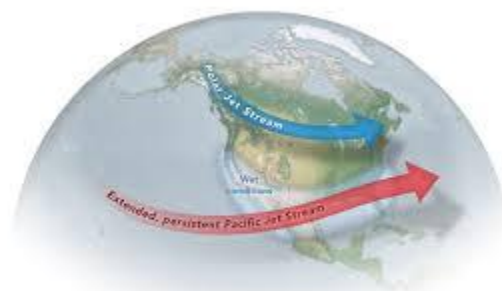
UPSC Relevance

- **GS Paper II (Social Justice & Governance):** Issues relating to the development and management of Social Sector/Services relating to Health; role of statutory health bodies like NCDC and global regulators like WHO.
- **GS Paper III (Science & Technology):** Developments and their applications and effects in everyday life; biotechnology and immunization principles (OPV vs. IPV, herd immunity, mutation mechanisms).



4. Climatology: El Niño Emerges in Pacific, Threatens SW Monsoon

- **IMD Alert on El Niño:** The India Meteorological Department (IMD) confirmed the development of El Niño conditions in the equatorial Pacific Ocean, predicting that it will intensify during the southwest monsoon season and likely cause a 10% deficit in country-wide seasonal rainfall.
- **ENSO Mechanism and Re-baselines:** El Niño Southern Oscillation (ENSO) is a coupled ocean-atmospheric phenomenon. An El Niño phase is declared when sea surface temperatures (SST) in the Niño 3.4 region of the central-eastern equatorial Pacific exceed a threshold of $+0.5^{\circ}\text{C}$ above the long-term average, suppressing the Walker Circulation.
- **Impact on Indian Monsoons:** Climatologically, El Niño creates low-pressure deficits over the western Pacific/Indian Ocean, weakening the moisture-laden trade winds. This shifts rain patterns, leading to below-normal precipitation across most of India (except the northeast and extreme south) and triggering a spike in summer temperatures.
- **Indian Ocean Dipole (IOD) Interface:** While El Niño exerts downward pressure on rainfall, its macro-climatic counterpart, the IOD, is currently projected to remain in a neutral phase for most of 2026. This neutral state eliminates the possibility of a "positive IOD" mitigating the deficit caused by the Pacific warming.
- **Key Definitions:** El Niño refers to the abnormal warming of surface waters in the equatorial Pacific Ocean that disrupts global weather systems. La Niña is the opposite cooling phase of ENSO that typically enhances the Indian monsoon. Walker Circulation is an atmospheric loop of rising and sinking air across the equatorial Pacific driven by temperature differentials between ocean basins.
- **Institutional and Policy Framework:** Weather forecasting and disaster mitigation are managed centrally under the **Disaster Management Act, 2005**, via the National Disaster Management Authority (NDMA). The IMD, operating under the Ministry of Earth Sciences, is the nodal statutory agency for meteorological observations and forecasting. Article 48A of the Directive Principles guides the State to protect and improve the environment, heavily linking macro-climate tracking to public welfare.



Conclusion

The emergence of an El Niño phase poses structural challenges to India's rainfed agrarian economy, demanding proactive agricultural planning. Mitigating the anticipated 10% monsoon deficit requires strategic reservoir management, aggressive promotion of less water-intensive crops, and efficient execution of state-level drought management protocols.

UPSC Relevance

- **GS Paper I (Physical Geography):** Important Geophysical phenomena such as earthquakes, Tsunami, Volcanic activity, cyclone etc., geographical features and their location- changes in critical geographical features and the effects of such changes (ENSO, IOD, Walker Circulation mechanisms).
- **GS Paper III (Agriculture & Environment):** Crop logging patterns, irrigation management, drought mitigation under the Disaster Management Act, and economic impacts of monsoon failures on GDP.



5. Biodiversity: Coral Translocation Plan for Great Nicobar Mega Project

- **Translocation of Threatened Marine Life:** The Zoological Survey of India (ZSI) has identified four specific relocation sites on the western coast of the Great Nicobar Island (GNI) to translocate approximately 16,150 coral colonies and giant clams that will be directly impacted by the construction of the proposed international transshipment port at Galathea Bay.
- **Judicial Scrutiny and Compliance:** The project faced legal challenges before the National Green Tribunal (NGT) regarding potential violations of the Island Coastal Regulation Zone (ICRZ) Plan. The NGT ruled that the ICRZ Notification, 2019 was not violated, but mandated the establishment of dedicated monitoring committees to enforce strict ecological safeguards.
- **Conservation of Endemic Species:** Apart from corals, the project's biodiversity mitigation plan incorporates protective measures overseen by specialized institutions: the Wildlife Institute of India (WII) is monitoring Leatherback Turtle nesting sites (141 nests identified) and the endemic Nicobar Megapode, while the Salim Ali Centre for Ornithology and Natural History (SACON) is surveying endemic tree-cavity-nesting birds.
- **Key Definitions:** **Coral Translocation** refers to the physical relocation of live coral colonies from a threatened developmental site to a suitable recipient habitat to ensure survival. **Endemic Species** are plants or animals that exist only in one specific geographic region and are not found naturally anywhere else. **Island Coastal Regulation Zone (ICRZ)** refers to coastal land classifications governing infrastructural development within India's island territories to preserve marine ecosystems.
- **Statutory and Constitutional Framework:** Because coral colonies and giant clams are designated as **Schedule-I species** under the **Wildlife (Protection) Act, 1972**, ZSI must secure statutory approvals from wildlife authorities prior to any handling. This conservation drive directly intersects with **Article 48A** of the Directive Principles of State Policy, which commands the State to protect and improve the environment, and **Article 51A(g)**, which establishes a fundamental duty for citizens to protect wildlife.



Conclusion

The planned coral translocation highlights the growing friction between high-priority strategic infrastructure development and marine conservation in ecologically sensitive zones. The success of this massive ecological intervention depends entirely on rigorous long-term GPS tagging, strict enforcement of NGT compliance clauses, and scientific monitoring of recipient habitats on Nicobar's west coast.

UPSC Relevance

- **GS Paper III (Environment & Biodiversity):** Conservation, environmental pollution and degradation, environmental impact assessment (EIA). Issues concerning mega development projects in ecologically fragile island ecosystems.
- **GS Paper II (Governance):** Statutory bodies and judicial tribunals like the National Green Tribunal (NGT) and their role in environmental jurisprudence.



6. Governance: Draft Telecommunications Rules for TV and Radio Sector

- **Regulatory Overhaul:** The Ministry of Information and Broadcasting (I&B) has published the draft Telecommunications (TV, Radio and Associated Services) Rules, 2026 under the Telecommunications Act, 2023, consolidating existing guidelines and replacing the archaic regulatory frameworks operating under the Telegraph Act, 1885.
- **Public Interest Mandate:** The draft rules mandate television channels to air at least 30 minutes of content daily between 6 am and 11 pm on themes of national importance and social relevance, including education, agriculture, healthcare, women's welfare, science, and national integration.
- **Stringent Radio Directives:** Private FM radio operators are required to broadcast at least one hour of social relevance programming, ensure that a minimum of 20% of their daily content is locally produced, and remain strictly free-to-air without charging listeners for access.
- **Security and Governance Standards:** To protect national security interests, the appointments of all key managerial personnel in broadcasting entities require mandatory prior security clearance. Furthermore, any ownership switch leading to key management changes must obtain government approval in advance.
- **Key Definitions: Internet Protocol Television (IPTV)** refers to a system where television services are delivered using the internet protocol suite over a packet-switched network such as the internet, instead of being delivered through traditional terrestrial, satellite signal, or cable television formats.
Landing-Page Placement is the practice where a TV channel is forced to appear as the default or first screen whenever a user turns on their set-top box, artificially inflating viewer ratings.
- **Constitutional & Legal Interface:** Broadcasting and telecommunications fall exclusively within the Union List (**List I, Entry 31, Seventh Schedule**) of the Indian Constitution. This policy aligns with the reasonable restrictions clause of **Article 19(2)**, balancing freedom of speech and expression under Article 19(1)(a) with sovereign security, public order, and decency parameters.



Conclusion

The draft Telecommunications Rules, 2026 mark a decisive transition from colonial-era wireless legislation to modern digital governance. While the rules institutionalize corporate social responsibility for media broadcasters via public service programming, the regulatory body must strike an equitable balance to prevent executive overreach and preserve the independence of private media houses.

UPSC Relevance

- **GS Paper II (Governance & Polity):** Statutory, regulatory and various quasi-judicial bodies. Government policies and interventions for development in various sectors and issues arising out of their design and implementation.
- **GS Paper III (Internal Security & Technology):** Cyber security, role of media and social networking sites in internal security challenges, and technological advancements like IPTV.



7. Empowerment: Maharashtra Women Farmers' Legislation and Agrarian Reforms

- **Landmark Agrarian Legislation:** The Maharashtra government will introduce the Maharashtra Women Farmers Empowerment Bill, 2026, during the upcoming Assembly session, making it a pioneering legislative effort to grant women farmers independent legal recognition and break traditional male-centric policy paradigms.
- **Addressing Structural Exclusion:** Despite women accounting for over 81% of the agricultural workforce in Maharashtra, institutional benefits like state credit, subsidies, and crop insurance remain inaccessible to them due to a lack of formal land ownership, which acts as a rigid prerequisite for most state schemes.
- **Expanding the Definition of Farmer:** The draft bill broadens the definition of a farmer to legally recognize women cultivating family or community lands, alongside those engaged in crucial allied sectors such as fisheries, livestock rearing, poultry farming, and non-timber forest produce collection.
- **Integrated Digital Delivery Ecosystem:** The directive includes setting up an exclusive digital infrastructure to streamline direct access for recognized women farmers to institutional credit, subsidized agricultural inputs (seeds, fertilizers), market linkages, cold storage, and comprehensive social security schemes.
- **Key Definitions: Feminization of Agriculture** refers to the structural trend where the proportion of women in the agricultural workforce increases relative to men, driven primarily by the out-migration of rural men to urban areas for non-farm employment. **Institutional Credit** denotes loans provided by regulated financial entities like commercial banks, regional rural banks, and cooperatives, shielding farmers from usurious informal moneylenders.
- **Constitutional & Legal Interface:** Agriculture, including agricultural education, research, and protection against pests, falls strictly within the **State List (List II, Entry 14, Seventh Schedule)** of the Constitution. This progressive legislation operationalizes the mandate of **Article 15(3)**, which empowers the State to make special provisions for women, and satisfies **Article 39(a)** of the Directive Principles, directing state policy toward ensuring that all citizens have the right to an adequate means of livelihood.



Conclusion

The Maharashtra Women Farmers Empowerment Bill, 2026, addresses a critical structural blind spot by decoupling legal farmer identity from land ownership. Translating this progressive legislative intent into tangible economic independence will depend on creating user-friendly bilingual digital portals and ensuring local land administration (revenue officials) actively logs and validates the active participation of women cultivators.

UPSC Relevance

- **GS Paper III (Indian Agriculture):** Issues related to direct and indirect farm subsidies, institutional credit accessibility, land reforms, and the socio-economic impacts of the feminization of agriculture.



- **GS Paper II (Social Justice & Governance):** Welfare schemes for vulnerable sections of the population; mechanisms, laws, institutions, and bodies constituted for the protection and betterment of women.

8. Geopolitics: Strategic Autonomy and Western Double Standards in India's Foreign Policy

- **Countering Moral Ambiguity Claims:** Speaking at the Kultaranta Talks in Helsinki, External Affairs Minister S. Jaishankar fiercely defended India's multi-alignment posture regarding the Russia-Ukraine war, rejecting Western narratives that label New Delhi's position as "morally ambiguous."
- **Critique of European Arms Supplies:** Highlighting historical security contradictions, the minister pointed out that European nations have for decades supplied military equipment to Pakistan—weapons directly deployed against India—whereas India has never undertaken any actions that endanger European security architectures.
- **Energy Security and Crude Oil Realities:** Defending India's procurement of discounted Russian crude post-2022, the minister emphasized that market entry was a necessity dictated by severe global supply disruptions, adding that the US had initially requested Indian purchases to stabilize volatile global energy markets.
- **Exposing Sanctimony and Sanctions Dynamics:** The address strongly criticized Washington's inconsistent, "on-and-off" sanctions regime and tariffs, arguing that the shifting application of economic penalties based on Western self-interest demonstrates a lack of foundational geopolitical principles.
- **Key Definitions: Strategic Autonomy** is a foreign policy framework wherein a nation makes decisions based strictly on its national interests and sovereign choices, without being structurally constrained or dictated to by alliances or external superpowers. **Multi-alignment** refers to a diplomatic strategy of engaging with multiple global power centers concurrently on a case-by-case basis rather than joining a rigid, binary geopolitical bloc.
- **Constitutional & Legal Foundations:** International relations, treaties, and foreign affairs fall exclusively under the **Union List (List I, Entries 10 to 14, Seventh Schedule)** of the Indian Constitution. Furthermore, **Article 51** of the Directive Principles of State Policy commands the State to promote international peace and security, maintain just and honorable relations between nations, and foster respect for international law.

Conclusion

India's foreign policy articulation reflects a confident shift away from defensive diplomacy toward hard-nosed realism. By anchoring its geopolitical actions in energy security and calling out Western defense supply contradictions, India reinforces its status as an independent pole in an increasingly fractured, multipolar global order.

UPSC Relevance

- **GS Paper II (International Relations):** Bilateral, regional and global groupings and agreements involving India and/or affecting India's interests. Effect of policies and politics of developed and developing countries on India's interests.
- **GS Paper III (Security & Economy):** Diversification of defense imports, indigenous defense manufacturing, global supply chain vulnerabilities, and energy security infrastructure.



9. Infrastructure: Final Breakthrough Achieved in Strategic Zojila Tunnel Project

- **Major Construction Milestone:** The strategically vital Zojila Tunnel project achieved its final breakthrough, completing the critical excavation phase for the 13.153-km long high-altitude structure that will link the Kashmir Valley directly to the Ladakh region.
- **Geographic and Technical Scale:** Located at an altitude of approximately 11,578 feet above sea level on the Srinagar-Kargil-Leh National Highway (NH-1), it is set to become the world's longest single-tube, bi-directional road tunnel at such an extreme elevation.
- **Overcoming Seasonal Isolation:** The tunnel cuts through the treacherous Zojila Pass, which traditionally shuts down for three to four months during winter due to heavy snowfall and avalanches, isolating Ladakh. Once operational, it will slash travel times across the pass from 1.5 hours to just 15 minutes.
- **Engineering Innovations:** Executed by Megha Engineering and Infrastructure Limited (MEIL) for the National Highways and Infrastructure Development Corporation Limited (NHIDCL) at an estimated cost of Rs 6,808.69 crore, the project uses the New Austrian Tunnelling Method (NATM) to navigate fragile Himalayan geology.
- **Key Definitions: Breakthrough** in subsurface engineering refers to the exact moment when excavation operations conducted from opposite ends of a tunnel successfully meet. **New Austrian Tunnelling Method (NATM)** is a dynamic drill-and-blast engineering system that utilizes the inherent geological strength of the surrounding rock mass to stabilize the tunnel vault rather than relying solely on heavy structural framing.
- **Constitutional & Legal Framework:** National highways and strategic border infrastructure fall entirely within the domain of the Union List (**List I, Entry 23, Seventh Schedule**) of the Indian Constitution. Furthermore, the construction fits into the security obligations implicit under **Article 355**, which mandates the Union to protect states against external aggression, alongside fulfilling the socioeconomic balance objectives outlined in the Directive Principles of State Policy (**Article 38**).



Conclusion

The successful breakthrough of the Zojila Tunnel represents a watershed moment in Himalayan infrastructure deployment, showcasing India's evolving engineering capabilities in adverse terrains. Moving past the excavation phase toward final internal lining and electro-mechanical installations sets the project on track to permanently end the geographical isolation of the Ladakh frontier.

UPSC Relevance

- **GS Paper III (Infrastructure & Security):** Infrastructure development in border areas (highways, roads, and tunnels); its direct correlation with military logistics, troop mobility along the LAC and LoC, and regional economic integration.
- **GS Paper I (Physical Geography):** Structural and geological vulnerabilities of the young fold mountains (Himalayas); impact of extreme weather, avalanches, and landslides on overland communication lines.



10. Indian Economy: Structural Shifts and Trends in India's Employment Rate

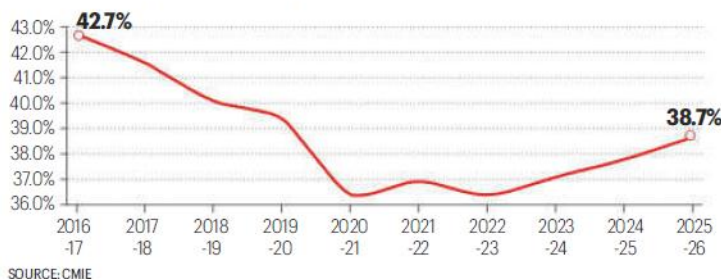
- **Declining Employment Curve:** Data from the Centre for Monitoring Indian Economy (CMIE) reveals that the share of the working-age population (15 years and above) with a job in India fell from 42.7% in 2016-17 to 38.7% at the end of March 2026, highlighting a long-term structural decline despite overall Gross Domestic Product (GDP) growth.
- **Gender Disparities in Labor Markets:** The employment rate for men dropped sharply from 70.5% to 64.8% over the decade, while the female employment rate, which was already low, contracted further from 11.8% to 9.4%, signaling a critical lack of inclusive job creation.
- **Metric Superiority over Unemployment Rate:** The Employment Rate (ER) serves as a more reliable indicator of labor market distress than the Unemployment Rate (UER); a falling UER can often look artificially positive if discouraged workers stop looking for jobs altogether and exit the active labor force.
- **Education and Demographic Crises:** The decline in ER spans across all educational attainment levels, with the sharpest drops paradoxically occurring among youth with primary education, creating widespread youth unrest and challenging India's ability to reap its demographic dividend.

- **Key Definitions: Employment Rate (ER)** is the number of economically active, employed individuals expressed as a percentage of the entire working-age population (aged 15 and above).

Unemployment Rate (UER) is the percentage of people within the active labor force (those working or actively seeking work) who are currently without a job. **Demographic Dividend** refers to the economic growth potential resulting from shifts in a population's age structure, specifically when the working-age population expands faster than the dependent population.

• India's employment curve

The share of working-age people (15 years and above) with a job was 42.7% in 2016-17 and it is 38.7% at the end of March 2026.



- **Constitutional & Policy Safeguards:** Economic planning, labor welfare, and unemployment fall under the Concurrent List (**List III, Entries 20 and 23, Seventh Schedule**) of the Indian Constitution. This trend directly challenges the Directive Principles of State Policy, specifically **Article 39(a)**, which mandates that the State secure an adequate means of livelihood for all citizens, and **Article 41**, which directs the State to secure the right to work within its economic limits.

Conclusion

The divergence between India's headline GDP growth and its falling employment rate confirms a trend of jobless growth. Overcoming this structural mismatch requires moving beyond capital-intensive models toward reviving labor-intensive sectors like manufacturing and textiles, modernizing agricultural supply chains, and aligning skilling initiatives with formal market demands.

UPSC Relevance

- **GS Paper III (Indian Economy):** Issues relating to planning, mobilization of resources, growth, development, and employment. Inclusive growth and issues arising from it; demographic dividend challenges.



- **GS Paper II (Social Justice):** Human resources, development processes, and government interventions in the social sector to tackle joblessness and youth unrest.

11. Capital Markets: SEBI Evaluates Key Corporate Governance and Market Reforms

- **Comprehensive Regulatory Review:** The Securities and Exchange Board of India (SEBI) is undertaking a holistic evaluation of core market frameworks, including the Listing Obligations and Disclosure Requirements (LODR) guidelines, delisting norms, and corporate governance compliance standards.

- **Empowering Independent Directors:** Under the proposed structural overhauls, SEBI plans to build a scalable capability network for Independent Directors (IDs). This initiative shifts their functional focus beyond simple compliance checklists toward actively navigating emerging macro-challenges like Artificial Intelligence, cybersecurity risk parameters, and Environmental, Social, and Governance (ESG) norms.

- **Deepening the Bond Market:** To enhance market liquidity and expand funding access for strategic capital-intensive sectors (such as semiconductors, clean energy, and defence-tech), SEBI is collaborating with the Reserve Bank of India (RBI) to launch derivatives on corporate bond indices alongside an optimized market-making framework.

- **Simplifying Regulatory Entry:** In an effort to improve the ease of doing business and enhance global capital inflows, the regulator is simplifying Know Your Customer (KYC) frameworks and transitioning toward risk-based disclosure norms tailored for foreign portfolio investors (FPIs) and non-resident Indians (NRIs).

- **Key Definitions: Corporate Governance** refers to the systemic framework of rules, relationships, and processes by which corporations are directed, controlled, and held accountable to balance shareholder and stakeholder interests. **Delisting** is the permanent removal of a listed company's securities from a stock exchange, shifting its status from a publicly traded entity to a private enterprise. **Derivatives on Bond Indices** are financial contracts whose value is derived from an underlying basket of fixed-income securities, providing investors with advanced tools to hedge interest rate risks.

- **Statutory & Constitutional Foundations:** Stock exchanges and futures markets fall exclusively under the Union List (**List I, Entry 48, Seventh Schedule**) of the Constitution. SEBI operates as a statutory regulatory body established under the **SEBI Act, 1992**, legally mandated to protect investor interests, regulate securities markets, and foster stable capital formation frameworks across the domestic economy.

•SEBI's proposals



Conclusion

The sweeping structural reviews initiated by SEBI mark a progressive shift from rigid bureaucratic mandates toward dynamic, risk-based market regulation. Decoupling compliance bottlenecks for global investors while strengthening the accountability of independent boards will be critical to sustaining retail investor trust and supporting India's long-term corporate credit requirements.



UPSC Relevance

- **GS Paper III (Indian Economy):** Mobilization of capital resources, investment models, the role of regulatory bodies in protecting minority financial assets, and structural reforms within debt and equity markets.
- **GS Paper II (Governance):** Statutory, regulatory, and various quasi-judicial financial institutions; corporate governance policies and their impact on corporate accountability.

12. Fiscal Policy: Fiscal Deficit Trends and Foreign Exchange Dynamics

- **Fiscal Deficit Target Expansion:** To absorb soaring fuel subsidy burdens driven by geopolitical tensions in West Asia, India is prepared to let its fiscal deficit widen to 4.8% of the Gross Domestic Product (GDP) for the fiscal year 2026-27 (FY27), departing from previous tighter consolidation targets.
- **Contraction in Forex Reserves:** According to the Reserve Bank of India (RBI), India's foreign exchange (forex) reserves dropped by \$711 million to \$681.610 billion for the week ended June 5, 2026, driven primarily by a \$2.704 billion slide in Foreign Currency Assets (FCA).
- **Subsidy Pressures and Fiscal Slippage:** The geopolitical crisis in the Middle East has disrupted international crude supply lines, escalating upstream energy import costs and forcing the Union government to increase fiscal allocations for subsidies to insulate the domestic market from retail fuel inflation.
- **Key Definitions:** **Fiscal Deficit** is the difference between the government's total expenditure and its total non-borrowing receipts (revenue receipts plus non-debt capital receipts), indicating the total borrowing requirements of the state. **Foreign Exchange Reserves** are assets held on reserve by a central bank in foreign currencies, including foreign treasury bills, gold, Special Drawing Rights (SDRs), and reserve tranches in the IMF. **Foreign Currency Assets (FCA)** form the largest component of forex reserves, consisting of investments in multi-currency foreign sovereign bonds and deposits with foreign central banks.
- **Constitutional & Statutory Framework:** The fiscal deficit framework is regulated under the **Fiscal Responsibility and Budget Management (FRBM) Act, 2003**, which targets long-term macroeconomic stability by setting institutional limits on state debt and deficits. Constitutionally, the presentation of the Union Budget is mandated under **Article 112** (Annual Financial Statement), while the absolute authority to manage public borrowing and foreign exchange policies rests with the Union government under the Union List (**List I, Entries 36 and 37, Seventh Schedule**).



Conclusion

Allowing the fiscal deficit to reach 4.8% of GDP demonstrates a strategic choice to prioritize domestic economic stability over rigid fiscal rules amid severe global energy volatility. However, sustained wide deficits coupled with falling forex reserves could exert structural downward pressure on the Indian Rupee, highlighting the need for rapid fuel source diversification and targeted capital spending.



UPSC Relevance

- **GS Paper III (Indian Economy):** Fiscal policy, government budgeting, effects of liberalization on the economy, mobilization of resources, and foreign exchange market management.
 - **GS Paper II (International Relations):** Effect of policies and politics of developed and developing countries (West Asia conflict) on India's economic interests and sovereign energy security.
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