

The Hindu Important News Articles For UPSC CSE

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The recent decision by the Union Cabinet to raise the mandatory coverage wage ceiling under the Employees' Provident Fund Organisation (EPFO) from ₹15,000 to ₹25,000 per month marks a major expansion in India's formal social security net [1.1.2]. For the UPSC Civil Services examination, this news holds strong relevance under **GS Paper II (Social Justice, Welfare Schemes, Vulnerable Sections)** and **GS Paper III (Indian Economy, Employment, Growth, and Formalisation)**.

1. Expansion of Social Security & Labour Welfare (GS-II & GS-III)

- **The News:** The monthly wage ceiling for mandatory EPFO coverage has been increased after 12 years (last revised in 2014 from ₹6,500 to ₹15,000) [1.1.3]. This decision will bring an estimated 51 lakh to 1 crore additional workers in the ₹15,000–₹25,000 salary bracket under statutory protection [1.1.1, 1.1.2].
- **Deep Analysis:**
 - **Comprehensive Coverage:** Workers gaining mandatory EPF coverage automatically gain access to three linked schemes: Provident Fund (EPF), Employees' Pension Scheme (EPS), and Employees' Deposit Linked Insurance Scheme (EDLI) [1.1.3].
 - **Financial Security Net:** It directly improves retirement savings, provides a formal pension framework, and ensures life insurance safety nets for mid-tier wage earners [1.1.2].
 - **Alignment with Wage Trends:** With average private-sector salaries touching ~₹23,000 and statutory minimum wages rising across states, the old ₹15,000 limit was excluding a vast segment of lower-middle-income formal workers [1.1.1].
- **Related Static Dimension:**
 - *Directive Principles of State Policy (DPSP):* Article 41 (Right to work, education, and public assistance in cases of old age) and Article 43 (Living wage for workers).
 - *Labour Codes:* Code on Social Security, 2020, which aims to universalize social security for formal, informal, gig, and platform workers.

2. Impact on Economy, Employers, and Formalisation (GS-III)

EPFO wage ceiling raised from ₹15,000 to ₹25,000 a month

The Hindu Bureau
NEW DELHI

The Union Cabinet on Wednesday approved raising the wage ceiling for mandatory coverage under the Employees' Provident Fund Organisation (EPFO) from ₹15,000 to ₹25,000 a month. Information and Broadcasting Minister Ashwini Vaishnaw said while briefing reporters after a Cabinet meeting.

The new ceiling will be implemented from September 17, coinciding with Vishwakarma Jayanti. Employers' organisations welcomed the announcement and sought the Centre's help to implement it, while trade unions described the increase as "too little and too late".

In a press release, the Union government said the decision is expected to bring more than 51 lakh additional employees within the ambit of mandatory EPFO coverage.

The decision will also expand access to provident fund savings, pension protection under the Employees' Pension Scheme (EPS) and insurance protection under the Employees' Deposit Linked Insurance Scheme (EDLI), a statement read.

The annual government outgo is estimated at about ₹11,339 crore, against the existing annual budgetary support of about ₹10,250 crore. The contributions of employees and employers towards EPS will also go up as per the new ceiling.

Later, speaking to presspersons at his official residence, Union Labour Minister Mansukh Mandaviya said ₹23,000 is the average salary in private establishments, according to a government survey.

"More workers will get benefits of pension, death insurance and better interest for their savings as the EPFO expands its coverage," he said.

Mr. Mandaviya said employers' contribution will go up by ₹600 per employee, while employees' contribution towards the EPS will also rise to about ₹2,082.5 a month – 8.33% of

New changes
EPFO wage ceiling increased to ₹25,000 per month

51 lakh to 1 crore
new subscribers may be added

Employees' share for pension to increase to **₹2,082.5** per month
Employers' share may see a hike of **₹600**

the new ₹25,000 ceiling – from the present amount of ₹1,250. He added that from 51 lakh to up to one crore workers will get the benefit of the decision.

"Too little, too late"

All India Trade Union Congress general secretary Amarjeet Kaur said the decision is too little and too late. "The last time the ceiling was increased was in 2014. Considering the inflation, it should have been at least ₹30,000. The employees may see that their take-home salary will decrease. So the government must ensure that the employers are paying their share in a transparent manner, rather than making it part of the cost of the company and shifting the burden to employees," she said.

National chairman of the Association of Indian Entrepreneurs (AIE) K.E. Raghunathan said the EPFO's software must be upgraded to handle the additional volume of subscribers. "Employers, especially MSMEs, would find it very tough to absorb the additional strain on their outflow, especially when most of them are struggling to make a profit. This should not discourage them from formal employment and instead go for gig working arrangements. The Government of India must absorb this increase for two years in the case of MSMEs," he said.

Indian Staffing Federation executive director Suchita Dutta said the decision is a structural gain for formalisation.

Daily News Analysis

- **The News:** The government's annual outgo for social security will increase to about ₹11,339 crore (up from ₹10,250 crore) [1.1.2]. Employers will see their monthly contribution towards pension and PF rise (e.g., up to ₹600 per employee in the ₹25,000 bracket) [1.1.1].
- **Deep Analysis:**
 - **Formalisation Push:** By bringing more employees under statutory social security, the move accelerates the formalisation of the Indian economy and improves employee retention for businesses [1.1.1, 1.1.4].
 - **MSME Strain:** For Micro, Small, and Medium Enterprises (MSMEs), higher compliance and contribution costs add financial pressure, potentially creating a risk of businesses opting for informal contracts or gig arrangements [1.1.4].
 - **Take-Home Pay Trade-off:** Employees will experience a higher deduction (8.33% EPS + mandatory PF), leading to reduced short-term take-home salary in exchange for long-term financial security [1.1.1, 1.2.2].
- **Related Static Dimension:**
 - *Macroeconomics:* Domestic savings rate (EPF is a major long-term savings instrument), capital formation, and fiscal deficit management.
 - *Industrial Policy:* The financial burden on MSMEs and the legal parameters governing Cost to Company (CTC) structures.

3. Perspective Matrix (Stakeholder Views)

- **Government Stance:** Promotes workforce stability, aligns social security with inflation, and deepens formal employment penetration [1.1.2, 1.1.4].
- **Trade Unions (AITUC):** Termed it "too little, too late," arguing inflation warranted a ceiling of at least ₹30,000, while raising concerns over employers shifting the additional contribution burden onto employees' net CTC [1.1.1, 1.1.4].
- **Industry & Employers (AIE / Staffing Federations):** Welcomed it as a structural gain for formalization, though MSMEs requested temporary government assistance or subsidies to absorb the financial strain [1.1.4].

Conclusion

Expanding the EPFO wage ceiling from ₹15,000 to ₹25,000 bridges a long-pending gap between legal thresholds and realistic economic wages in India [1.1.1]. While the move may present short-term cost adjustments for MSMEs and reduce immediate take-home pay for some workers, its long-term benefits—higher national savings, expanded social safety nets, and accelerated economic formalisation—align squarely with India's broader social justice and economic reform goals [1.1.2, 1.2.2].

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UPSC Prelims Practice Questions

Question: With reference to the Employees' Provident Fund Organisation (EPFO), consider the following statements:

1. EPFO provides social-security benefits through schemes relating to provident fund, pension and insurance.
2. The wage ceiling for mandatory EPFO coverage was last revised in 2014 before the 2026 revision.
3. Every employee earning above the statutory wage ceiling is automatically excluded from EPFO membership.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

Ans:A)

UPSC Mains Practice Questions

Question: "Expansion of contributory social security is an important component of labour formalisation in India." Discuss in the context of the recent enhancement of the EPFO wage ceiling. **(10 Marks, 150 Words)**

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India's rejection of the Pakistan-China Boundary Joint Commission reaffirms New Delhi's stance on territorial integrity and sovereignty [1.1.1, 1.1.2]. By declaring that there is "no boundary" between Pakistan and China, the Ministry of External Affairs (MEA) highlights that Pakistan holds no legal authority (*locus standi*) over occupied territories [1.1.2, 1.1.4]. For the UPSC Civil Services Examination, this development aligns directly with **GS Paper II (International Relations, Bilateral & Regional Groupings, India's Neighborhood)** and **GS Paper III (Border Management & Security Infrastructure)**.

1. Diplomatic & Legal Stand of India (GS-II)

- **The News:** India formally rejected the inaugural meeting of the Pakistan-China Boundary Joint Commission held in Islamabad [1.1.1, 1.1.2]. India reiterated that the entire Union Territories of Jammu & Kashmir and Ladakh remain integral and inalienable parts of India [1.1.1, 1.1.2].
- **Deep Analysis:**
 - **Absence of Locus Standi:** Because Pakistan is in illegal occupation of Pakistan-occupied Kashmir (PoK) and Gilgit-Baltistan, it lacks the legal mandate to enter into boundary demarcation treaties with third parties regarding these lands [1.1.2, 1.2.1].
 - **Invalidity of the 1963 Sino-Pakistan Agreement:** India has consistently maintained that the 1963 provisional agreement—under which Pakistan ceded over 5,180 sq km of the Shaksgam Valley (Trans-Karakoram Tract) to Beijing—is null, void, and non-binding on India [1.1.1, 1.2.1, 1.2.5].
 - **Opposition to CPEC Legitimization:** New Delhi views joint border institutional frameworks as backdoor attempts by Beijing and Islamabad to alter the status quo and legitimize projects like the China-Pakistan Economic Corridor (CPEC) passing through PoK [1.1.1, 1.1.4, 1.2.4].

New Delhi rejects Pak.-China Boundary Joint Commission

Press Trust of India
NEW DELHI

India on Wednesday rejected the Boundary Joint Commission set up by Pakistan and China, saying that the body has no legal basis to decide on arrangements related to Indian territory under illegal occupation.

New Delhi's reaction came following the first meeting of the Pakistan-China Boundary Joint Commission in Islamabad. India has been maintaining that Pakistan's handing over of certain territories such as Shaksgam Valley to China in 1963 is illegal and unacceptable.

It has also opposed the China-Pakistan Economic

Corridor as part of it passes through Pakistan-occupied Kashmir (PoK).

"Our position on this matter is clear and consistent. There is no boundary between Pakistan and China. We reject the so-called Joint Commission, which is without any legal basis," External Affairs Ministry spokesman Randhir Jaiswal said on the Pakistan-China Boundary Joint Commission. The entire Union Territories of Jammu and Kashmir and Ladakh "have been, are and will always remain integral and inalienable parts of India", he said. He said that India has never recognised the so-called 'China-Pakistan Boundary Agreement' of 1963.

- **Related Static Dimension:**

- *Constitutional Basis:* Article 1 of the Indian Constitution (Territory of the Union) and the 1994 Parliamentary Resolution declaring the entire state of Jammu & Kashmir as an integral part of India.
- *International Law:* Principles of territorial sovereignty under the UN Charter and the doctrine of *Nemo dat quod non habet* (one cannot transfer what one does not lawfully possess).

2. Strategic & Geopolitical Implications (GS-II & GS-III)

- **The News:** India called on Pakistan to immediately vacate all illegally occupied territories instead of engaging in diplomatic maneuvers [1.1.1, 1.1.4].
- **Deep Analysis:**
 - **Two-Front Security Challenge:** The China-Pakistan axis in the Trans-Karakoram region presents severe strategic pressure. Chinese infrastructure build-up in the Shaksgam Valley threatens India's positions near the Siachen Glacier and the Karakoram Pass [1.2.2, 1.2.3].
 - **Rejection of Status Quo Alterations:** By issuing a prompt rebuttal, India signals to the global community that any bilateral arrangements between China and Pakistan regarding Indian land will not alter India's sovereign claims or border negotiations [1.1.1, 1.1.4].
- **Related Static Dimension:**
 - *Geography & Border Mapping:* Trans-Karakoram Tract (Shaksgam Valley), Siachen Glacier, Aghil Pass, and the Line of Control (LoC) vs. Line of Actual Control (LAC) dynamics [1.2.1, 1.2.2].
 - *Strategic Doctrines:* India's Northern Border infrastructure pushes (Vibrant Villages Programme, BRO road networks) counteracting the collusive threat from China and Pakistan.

3. Key Stakeholder Positions

- **India:** Asserts absolute sovereignty over J&K and Ladakh, rejects all boundary agreements between Islamabad and Beijing, and demands complete evacuation of occupied areas by Pakistan [1.1.1, 1.1.2].
- **Pakistan & China:** Attempting to institutionalize their shared boundary management to safeguard infrastructure assets (CPEC) and cement strategic control across the Karakoram range [1.2.3, 1.2.4].

Conclusion

India's rejection of the Pakistan-China Boundary Joint Commission serves as a firm diplomatic check against attempt to alter the geopolitical status quo in Northern Kashmir [1.1.1, 1.1.4]. By consistently denying the legal validity of the 1963 Sino-Pak treaty, India preserves its territorial claims under international law while emphasizing that enduring regional stability requires respect for sovereign boundaries [1.1.1, 1.1.4].

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UPSC Prelims Exam Study Questions

Question: With reference to the Shaksgam Valley, consider the following statements:

- 1 It lies in the broader region of the Trans-Karakoram Tract.
2. Pakistan transferred approximately 5,180 sq km of territory to China under the 1963 China-Pakistan Boundary Agreement.
3. India recognises the 1963 agreement as a legally valid settlement of its territorial dispute with China.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 2 only
- C. 1 and 3 only
- D. 1, 2 and 3

Ans: A)

UPSC Mains Exam Study Questions

Question: "Territorial disputes are not merely questions of geography but also questions of sovereignty, legal claims and strategic power." Discuss in the context of India's response to the Pakistan-China Boundary Joint Commission..10 Marks, 150 Words)

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Amid ongoing U.S.-Iran hostilities threatening the Strait of Hormuz, Oman has invited Indian investments into its Sohar Port and Freezone [1.1.1, 1.1.2]. Positioned outside the congested and vulnerable chokepoint, this offer reflects a deliberate strategic move to enhance energy resilience and trade connectivity in West Asia [1.1.1, 1.1.2]. For UPSC Civil Services aspirants, this news links directly to **GS Paper II (International Relations, West Asia Diplomacy)** and **GS Paper III (Energy Security, Global Maritime Trade Routes)** [1.1.2, 1.1.5].

Oman pitches new port that could expand India's access to Gulf energy

Kallol Bhattacharjee

NEW DELHI

With the Strait of Hormuz in a chokehold due to Iran-U.S. hostilities, Oman has pitched investment opportunities to India in a new port that could provide uninterrupted access to energy resources from the Persian Gulf.

Speaking here on Wednesday, a high-level representative of the Sohar Port of Oman welcomed Indian investments into the port and said it would serve as a platform to connect businesses in regional and global markets.

"India represents an important and growing dimension of Sohar's international investment landscape, with established Indian businesses already contributing to our



The Sohar Port is located on the Omani coast on the Gulf of Oman, far from the Strait of Hormuz. FILE PHOTO

industrial ecosystem. There is significant potential to deepen this relationship through investments that complement our industrial clusters, strengthen value chains and create new opportunities for growth," said Raid Al Rubaiey, CEO of Sohar Freezone and Deputy CEO

of Sohar Port. The port is located on the Omani coast on the Gulf of Oman, and ships can access hubs in the Gulf through this port as it sits far from the Strait of Hormuz.

Mr. Rubaiey said that Sohar Port has received investments of over \$30 billion and that it is capable of

handling 72 million tonnes of cargo annually. "Sohar provides an established industrial and logistics platform connecting businesses to regional and global markets," he said.

The remarks came at the end of a two-day promotional event organised by the Embassy of Oman, during which the Ambassador of Oman, Issa Saleh Al Shibani, introduced the port and the Freezone to Indian businesses, manufacturers and exporters to increase Indian participation in the port.

Earlier, Oman had offered Duqm and Salalah ports to India, but the Sohar Port has the advantage of being located in the northeast of Oman, close to vital energy pipelines of the United Arab Emirates and eastern Saudi Arabia.

1. Strategic Significance & Energy Security (GS-II & GS-III)

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Daily News Analysis

- **The News:** Raid Al Rubaiey, CEO of Sohar Freezone, pitched investment opportunities in New Delhi to integrate Indian businesses into Sohar Port's \$30 billion industrial ecosystem (72 million tonnes annual capacity) [1.1.1].
- **Deep Analysis:**
 - **Bypassing the Chokepoint:** Over 20% of global petroleum and a vast share of India's crude imports transit through the narrow Strait of Hormuz [1.1.5]. Sohar Port, situated in the Gulf of Oman, allows Indian tankers to bypass potential blockades or military escalations inside the Persian Gulf [1.1.1, 1.1.2].
 - **Proximity to Pipeline Networks:** Unlike southern Omani ports like Duqm or Salalah, Sohar lies in the northeast, offering direct access to overland energy pipeline corridors running from the United Arab Emirates and eastern Saudi Arabia [1.1.1, 1.1.2].
 - **Mitigating Import Volatility:** Securing alternative maritime hubs reduces freight insurance spikes and supply chain shocks caused by regional conflicts [1.1.5].
- **Related Static Dimension:**
 - *Maritime Geography:* Strategic global chokepoints (Strait of Hormuz, Bab-el-Mandeb, Suez Canal, Strait of Malacca) [1.1.5].
 - *Energy Security:* Strategic Petroleum Reserves (SPR) framework and India's overall crude import dependency (~85%).

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2. Bilateral Synergy & Geopolitical Implication (GS-II)

- **The News:** The promotional push was hosted by Oman's Ambassador Issa Saleh Al-Shibani, urging Indian manufacturers and exporters to leverage Sohar as a gateway to regional and global markets [1.1.1].
- **Deep Analysis:**
 - **Anchor of 'Think West' Policy:** Oman serves as a vital strategic pillar for New Delhi in the Gulf Cooperation Council (GCC) [1.2.1, 1.2.2]. Sohar adds a strong commercial pillar to India's military logistics rights already secured at the Port of Duqm [1.2.1, 1.2.2].
 - **Countering Regional Encirclement:** Strengthening maritime and port assets across the Arabian Sea helps balance growing foreign infrastructure investments in the Indian Ocean Region (IOR) [1.2.1, 1.2.2].
 - **Value Chain Integration:** India's involvement in Sohar Freezone opens doors for industrial exports, petrochemical investments, and logistics hubs under the broader India-Oman economic umbrella [1.1.1, 1.2.3].
- **Related Static Dimension:**

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- *Diplomatic Frameworks:* India-Oman Strategic Partnership (2008), Joint Military Cooperation Committee (JMCC) [1.2.1, 1.2.2], and the India-Oman Comprehensive Economic Partnership Agreement (CEPA) [1.2.3].
- *Maritime Doctrines:* Security and Growth for All in the Region (SAGAR) and the "Necklace of Diamonds" strategy [1.2.1].

3. Perspective Matrix (Stakeholder Views)

- **Oman's Objective:** Diversifying its non-oil economy under "Oman Vision 2040" by attracting foreign capital into freezones and positioning itself as an indispensable logistics bridge [1.2.5].
- **India's Objective:** Securing uninterrupted hydrocarbon flows, safeguarding maritime trade corridors, and bolstering presence in the Western Indian Ocean [1.1.1, 1.2.1].
- **Industry & Exporters:** Seeking lower logistical risks, reduced shipping costs, and duty-free access to GCC markets via Omani industrial clusters [1.1.1, 1.2.3].

Conclusion

Oman's Sohar Port pitch offers India a strategic workaround to the vulnerabilities of the Strait of Hormuz [1.1.1, 1.1.5]. By combining naval access at Duqm with deep commercial investment at Sohar, India strengthens both its maritime security footprint and long-term energy security across the Arabian Sea [1.1.1, 1.2.1].

UPSC Prelims Practice Questions

Question: With reference to the Strait of Hormuz, consider the following statements:

1. It connects the Persian Gulf with the Gulf of Oman.
2. It lies between Oman and Iran.
3. It is an important route for the transportation of crude oil and LNG.
4. India is among the major Asian destinations for hydrocarbons transported through the Strait.

Which of the statements given above are correct?

- A. 1 and 2 only
- B. 1, 2 and 3 only
- C. 2, 3 and 4 only
- D. 1, 2, 3 and 4

Ans: D)

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UPSC Mains Practice Questions

Question: The emergence of increasingly capable Artificial Intelligence systems has created a new category of dual-use technological risks. Discuss the challenges involved in regulating such systems without restricting legitimate innovation. (10 Marks, 150 Words)

Page 09:GS III : Indian Economy / Preliminary Examination

In his analysis titled *"What India's growth really means,"* Prof. Gourav Vallabh examines India's 7.8% real GDP growth in the first quarter of FY27 (April–June 2026). He highlights that while headline expansion outpaces major global peers despite geopolitical headwinds, long-term economic transformation requires converting public capital expenditure into private investment, job quantity into quality, and statistical milestones into broad-based prosperity. This article aligns directly with **GS Paper III (Indian Economy, Growth, Development, Employment, Investment Models, and Industrial Policy)**.

1. Macroeconomic Growth Drivers & Sectoral Performance (GS-III)

• **The Article's Core Analysis:**

- **Broad-based Production Growth:** Real GDP expanded to ₹81.36 lakh crore (7.8%) and Real GVA grew by 8.2% to ₹73.82 lakh crore. Secondary sector expansion was propelled by Manufacturing (9.2%), Utilities (8.9%), and Construction (7.7%). Services led overall growth at 10%, driven by Finance, Real Estate, and IT (12.1%). Agriculture registered 3.6% growth, while Mining contracted by 2.4%.
- **Demand-Side Trajectory:** Robust

India's 7.8% real GDP growth in April to June 2026 is an extension of a strong economic journey – real GDP grew 7.2% in 2023-24, 7.1% in 2024-25, and 7.7% in 2025-26. The latest rate exceeds the RBI's 7% forecast despite the West Asian conflict, high energy prices, and uncertain trade. Its real significance, however, lies in the breadth of production and demand.

Real GDP, which is the value of goods and services after adjusting for inflation, rose to ₹81.36 lakh crore, while real GVA, the value added by farms, factories and services before adjusting for product taxes and subsidies, grew by 8.2% to ₹73.82 lakh crore. Manufacturing rose by 9.2%, utilities 8.9% and construction 7.7%, lifting the secondary sector by 8.6%. Services grew by 10%, led by finance, real estate, IT and professional services at 12.1%. Agriculture grew by 3.6%, although mining contracted by 2.4%. This is broad-based growth with identifiable weak spots.

This strength is reinforced by demand. Gross fixed capital formation grew by 11.9%, private consumption by 7.1% and real exports 12%. Using the same gross fixed capital formation measure for 2023-24, investments by private corporations were 10.3% of GDP. While the general government invested 4.2%, total public sector investment was 7.8% when adding in investments by public corporations. Moreover, when adding in household investments, mainly housing and unincorporated businesses, total non-public investment was 24.1% of GDP. That is, while public capital



Gourav Vallabh

Professor of Finance, XLRI and Part Time Member, Economic Advisory Council to the Prime Minister. Views are personal

expenditure has built the platform, the next acceleration requires more private investment.

Fast growing economy

The base year change is simple. A base year removes inflation and reflects the economy's structure. Updating it from 2011-12 to 2022-23 replaces an outdated market basket with today's products, services and prices. Some estimates may rise and others fall, but changing the ruler does not shrink the economy. On comparable year-on-year data, India's 7.8% exceeded Malaysia's 6%, Singapore's 5.9%, Indonesia's 5.29%, and China's 4.3%.

India is therefore among the fastest growing major economies. Its expanding market supports global demand for energy, technology, machinery and services, while offering a trusted location for diversified supply chains. This advances India's path to becoming the world's third largest economy in nominal terms. Since rankings also reflect prices and exchange rates, the milestone will endure only if real growth leads to higher productivity, stronger firms, and better household incomes. Employment is the decisive test. India added 17.19 crore jobs between 2014-15 and 2023-24, according to RBI KLEMS-based data. The next employment revolution must improve job quality through productivity, wages, formalisation, social security and skilling. While women's labour force participation reached 41.7% in 2023-24, safe transport, affordable childcare, flexible work, credit and market access are essential to bring many more women into

productive employment.

Manufacturing must move from assembly to design, components, machinery, electronics and clean technology, while services must spread beyond metros into tourism, health, education, logistics, finance and Indian language digital businesses. AI preparedness must move from adoption to original capability through domestic compute, Indian language data, research talent, and trusted applications. India must also make proper use of Free Trade Agreements (FTAs). An FTA utilisation mission should guide firms on rules of tariffs and markets. MSMEs need hand-holding on non-tariff barriers through shared testing, affordable certification, standards, customs support and buyer discovery. Moreover, external ambition requires domestic resilience. India should counter energy risks through diversified suppliers, long term contracts, strategic reserves, renewables, domestic exploration and efficiency. Timely infrastructure, predictable regulation, easier credit, and stable taxation can crowd in private investment.

The 7.8% quarter warrants confidence, not complacency. India must convert public capital expenditure into private investment, job numbers into quality employment, and FTAs into opportunities for MSMEs. If energy and macroeconomic stability accompany inclusion, productivity, and transparent measurement, becoming the third largest economy will be more than a statistical milestone. It will become a foundation for broad-based prosperity.

India should counter energy risks through diversified suppliers, long term contracts, strategic reserves, renewables, domestic exploration and efficiency

Daily News Analysis

demand is reflected in Gross Fixed Capital Formation (11.9% growth), Private Consumption (7.1%), and Real Exports (12%).

- **Investment Composition:** Public sector investment stood at 7.8% of GDP (General Government at 4.2% + Public Corporations), while total non-public investment (Private Corporations at 10.3% + Households/Unincorporated businesses) reached 24.1% of GDP. While public capex created the initial momentum, future acceleration depends heavily on private corporate investment.
- **Related Static Dimension:**
 - *GDP vs. GVA Mechanics:* Concepts of Real vs. Nominal GDP, GVA at basic prices, and the role of Net Indirect Taxes (Taxes minus Subsidies).
 - *Capital Formation & Crowding-In Effect:* How public capital expenditure (infrastructure creation) stimulates private sector capital expenditure (Capex cycle).

2. Base Year Revision & Global Benchmarking (GS-III)

- **The Article's Core Analysis:**
 - **Updating the Economic Ruler:** Updating the base year from 2011–12 to 2022–23 removes inflation distortions and recalibrates the national accounting basket to reflect modern products, services, and structural shifts without artificially altering the economy's real size.
 - **Global Relativities:** India's 7.8% growth outpaced major regional and global economies, including Malaysia (6%), Singapore (5.9%), Indonesia (5.29%), and China (4.3%).
 - **Path to Top-3 Global Economies:** Nominal global rankings reflect prices and exchange rates; sustained top-tier status requires real gains in productivity, enterprise strength, and household income.
- **Related Static Dimension:**
 - *National Income Accounting:* Statistical methodology of National Accounts Statistics (NAS), Consumer Price Index (CPI) basket revision, and the role of the Ministry of Statistics and Programme Implementation (MoSPI).

3. Strategic Imperatives for Sustained Prosperity (GS-III)

- **The Article's Core Analysis:**
 - **Quality of Employment:** Beyond adding 17.19 crore jobs (2014–15 to 2023–24 per RBI KLEMS data), focus must shift to formalisation, social security, higher wages, and skilling.
 - **Female Labour Force Participation (FLFP):** To build on the 41.7% FLFP rate (2023–24), structural enablers like safe transport, affordable childcare, flexible working conditions, and credit access are critical.

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- **Industrial & Technological Upgradation:** Manufacturing must transition from basic assembly to high-value design, components, clean tech, and electronics. Sovereign AI capabilities require domestic compute infrastructure, local language datasets, and original research talent.
- **Trade Policy & MSME Support:** Launching an "FTA Utilisation Mission" to guide MSMEs through non-tariff barriers, standards, affordable certification, and buyer discovery.
- **External Risk Cushioning:** Building energy resilience against Middle East conflicts via supply diversification, strategic petroleum reserves (SPRs), and renewables.
- **Related Static Dimension:**
 - *Labour Economics:* RBI KLEMS Database (Capital, Labour, Energy, Materials, Services), Periodic Labour Force Survey (PLFS) metrics, and female workforce participation bottlenecks.
 - *Trade & MSME Schemes:* Rules of Origin under FTAs, Non-Tariff Measures (NTMs), and schemes like Zero Defect Zero Effect (ZED).

Conclusion

Prof. Gourav Vallabh emphasizes that a headline Q1 growth rate of 7.8% provides confidence rather than a reason for complacency. For India to convert this statistical momentum into long-term economic strength, policy must focus on crowding in private investment, upgrading manufacturing capabilities, enhancing FTA utilization for MSMEs, and elevating job quality alongside female workforce inclusion.

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UPSC Mains Exam Study Questions

Question: India's high headline GDP growth needs to be assessed alongside the composition and quality of growth. Discuss with reference to investment, employment and productivity. (10 Marks, 150 Words)

The op-ed "*What lies beyond India's E20 push*" by Rohit Azad and Shouvik Chakraborty critically evaluates the economic, environmental, and trade trade-offs of India's accelerated E20 (20% ethanol blended petrol) program. For UPSC Civil Services aspirants, this analysis is relevant under **GS Paper III (Energy Security, Agriculture & Food Security, Sustainable Development, and Environmental Economics)**.

1. Consumer Cost & Mileage Trade-off (GS-III)

• The Article's Core Argument:

○ **Calorific Loss & Mileage Drop:**

Because ethanol possesses a lower energy density than pure petrol, higher blending reduces fuel efficiency. Citing official ARAI-SIAM-IOCL findings presented in Parliament, the authors note a 2% to 6% mileage drop in vehicles.

○ **Financial Impact on Households:**

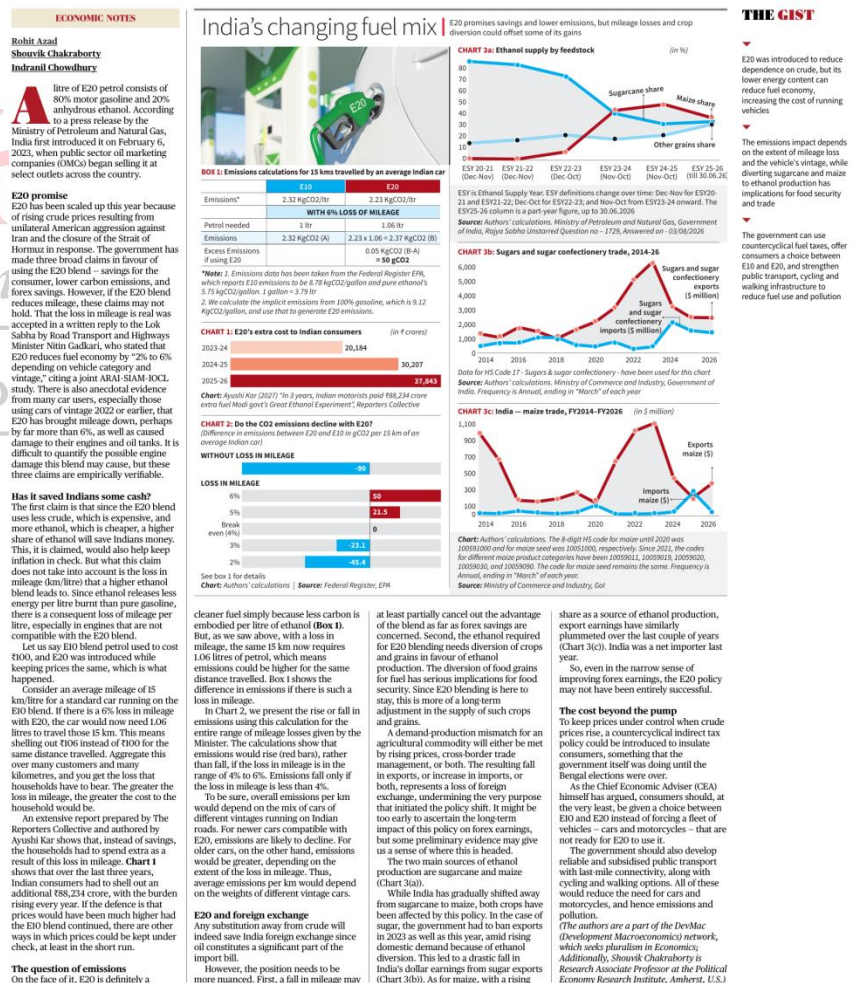
Since E20 was rolled out without a price reduction at the pump, lower mileage forced consumers to buy more fuel for the same distance covered. The authors cite a report estimating an additional out-of-pocket burden of ₹88,234 crore on Indian households over three years.

○ **Incompatibility Concerns:** Older vehicles (especially pre-2023 or pre-E20 compliance) suffer higher mileage losses and potential mechanical degradation in fuel lines and engines.

• **Related Static Dimension:**

What lies beyond India's E20 push

The E20 blends promised savings were offset by lower mileage, with consumers spending an estimated ₹88,234 cr extra over the last three years, its benefits for emissions and forex savings are uncertain, as higher fuel consumption can raise emissions while diverting crops to ethanol can affect food security and exports



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- *Thermodynamics of Fuels:* Lower calorific value of bio-ethanol compared to gasoline (\$26.8 \text{ MJ/kg}\$ vs. \$44 \text{ MJ/kg}\$).
- *Fiscal & Consumer Policy:* Countercyclical fuel taxation (adjusting excise duties to cushion consumers) vs. maintaining static retail fuel prices during crude spikes.

2. Environmental & Carbon Emission Dynamics (GS-III)

- **The Article's Core Argument:**

- **Net Emissions Paradox:** While ethanol inherently emits less carbon per litre burnt compared to petrol, a 4% to 6% drop in fuel economy forces engines to consume more volume per kilometer.
- **Vintage-Dependent Results:** For E20-optimised newer engines, overall emissions decrease. However, for the large legacy fleet of non-compliant cars on Indian roads, increased fuel consumption can offset clean-burning gains and result in higher net emissions per kilometer.

- **Related Static Dimension:**

- *Climate Commitments:* India's Nationally Determined Contributions (NDCs) under the Paris Agreement to reduce emissions intensity of GDP by 45% by 2030.
- *Vehicle Standards:* Bharat Stage VI (BS-VI Phase 2) emission standards and material compatibility guidelines for flex-fuel or E20 engines.

3. Agriculture, Food Security & Forex Trade-offs (GS-III)

- **The Article's Core Argument:**

- **Forex Leakage via Agricultural Disruption:** While blending reduces crude oil import volumes, it requires diverting massive agricultural feedstocks (sugarcane and maize) toward ethanol distilleries.
- **Impact on Exports and Food Security:** Feedstock diversion led to sugar export bans and turned India into a net importer of maize, reducing foreign exchange earnings from agricultural exports and creating potential food inflation risks.

- **Related Static Dimension:**

- *Policy Framework:* National Policy on Biofuels (2018) and the NITI Aayog Roadmap for Ethanol Blending (2020–25).
- *Agricultural Economics:* Water-footprint of thirsty crops (sugarcane) vs. 2G/3G ethanol technologies (derived from crop residue like paddy straw) to avoid food-versus-fuel conflicts.

4. Policy Recommendations Highlighted

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- **Consumer Choice:** Offering parallel retail availability of E10 alongside E20 so owners of legacy vehicles are not forced to use incompatible blends.
- **Tax Cushioning:** Using flexible excise duty adjustments during crude oil shocks rather than relying solely on ethanol blending to stabilize retail prices.
- **Public Transit Focus:** Investing heavily in subsidized, last-mile urban mass transit, walking, and cycling infrastructure to reduce overall private vehicle usage.

Conclusion

While India's E20 push serves strategic goals like boosting domestic biofuel infrastructure and cutting crude import bills, the op-ed emphasizes the need for a holistic evaluation. Balancing energy policy with consumer mileage penalties, food-security safeguards, and agricultural trade earnings is essential to ensure that the clean energy transition remains socially equitable and economically viable.

UPSC Mains Exam Study Questions

Question: "India's E20 programme represents a trade-off between energy security, consumer welfare and agricultural priorities." Examine. (10 Marks, 150 Words)

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GS Paper III: International Relations

UPSC Mains Exam Practice Questions: The right to protest is an important component of a constitutional democracy, but it is not an unrestricted right. Discuss the constitutional balance between peaceful assembly, freedom of expression and public order. **15 Marks, 250 Words)**

Context

The editorial "*Currency conundrum*" analyzes the incremental progress of local currency settlement mechanisms within the BRICS grouping following the New Delhi Declaration. It outlines the structural challenges, strategic dilemma, geopolitical risks, and currency dynamics India faces in balancing de-dollarization pushes against its core national interests. For UPSC aspirants, this editorial maps directly to **GS Paper II (International Relations, Groupings & Agreements involving India)** and **GS Paper III (Indian Economy, Foreign Trade, Exchange Rate Policy, and External Sector)**.

1. Limitations & Practical Hurdles in Rupee Trade (GS-III)

• **The Core Analysis:**

- **Incremental Progress:** The BRICS New Delhi Declaration lacks concrete operational proposals, noting that local currency settlement must respect "national priorities" and avoid a "one-size-fits-all" model.
- **Low Rupee Usage:** India's local currency trade within BRICS is largely limited to Russia and the UAE, with overall trade volumes remaining small.
- **Accumulation & Vostro Bottlenecks:** A major issue has been the "Rupee Accumulation Problem"—Russia accumulated excess INR balances from petroleum exports to India with limited options to

Currency conundrum

Boosting local currency trade in BRICS is not a simple choice for India

The BRICS New Delhi Declaration shows that progress in enhancing local currency trade has been incremental. The paragraph pertaining to local currency trade acknowledges the efforts of various task forces and committees but falls short of offering any concrete proposals. Recently, the Commerce Ministry indicated that India's rupee trade with its BRICS partners was limited, with only the UAE and Russia engaged in it. Even those volumes are relatively small. Until recently, Russia had struggled to dispose of the rupees it was accumulating from its exports to India. Some avenues have now opened, with Russia being forced to import petroleum products from India due to Ukraine's attacks. But that is a trickle. Another option is to treat any BRICS currency as 'local'. India has already been using the UAE Dirham to pay for Russian oil. However, the latest Declaration's mention of promoting BRICS local currency trade "while respecting national priorities and acknowledging that there is no one-size-fits-all approach" is telling. Clearly, there are some intra-BRICS issues that need to be addressed. The deliberations are not public, but it would not be surprising if it was India that had emphasised national priorities and raised problems with a "one-size-fits-all" approach. Local currency trade involves several strategic considerations for India.

On the one hand, India would prefer to continue being paid for its exports in dollars. A depreciating rupee ensures that every dollar paid to India results in a higher amount of rupees. As a country looking to boost exports, India would want to retain this advantage. On the other hand, India is also a major importer and would like to pay in relatively cheaper local currencies. It will eventually have to choose. Then there is the fact that China accounts for about two-thirds of all BRICS exports. BRICS local currency trade will largely be trade in the yuan. Relations with China might be thawing now, but India would still be loath to conduct its business in the yuan. It is also important to distinguish between local currency trade and a BRICS currency. While India has so far been cautiously supportive of the former, it has been vocal in opposing a BRICS currency, largely because of China's likely dominance of such a currency. Then there is U.S. President Donald Trump's threat of 100% tariffs on countries adopting a BRICS currency. India has displayed a pragmatic approach to dealing with Mr. Trump, and it will not court such tariff threats lightly. Countries such as Iran and Russia have pressing reasons to move away from the dollar. So far, India does not have a convincing enough one, and the New Delhi Declaration reflects that.

Daily News Analysis

spend them domestically, leading India to occasionally settle crude purchases in third-party local currencies like the UAE Dirham.

- **Related Static Dimension:**

- *Mechanism of Vostro/Nostro Accounts:* Special Rupee Vostro Accounts (SRVA) established by the RBI to facilitate international trade settlement in Indian Rupees (INR).
- *Capital Account Convertibility:* Partial vs. Full Capital Account Convertibility constraints that limit the global liquidity and acceptability of the Rupee.

2. Strategic Dilemma & Trade Economics for India (GS-III)

- **The Core Analysis:**

- **Export Realizations vs. Import Costs:** India benefits from receiving export payments in US Dollars, as a depreciating rupee yields higher net domestic revenue. Conversely, as a major net importer (especially of crude oil), paying in local or cheaper currencies reduces the import bill.
- **Yuan Dominance Risk:** China accounts for nearly two-thirds of total BRICS exports. Any blanket shift toward "BRICS local currency trade" risks turning into de facto trade in the Chinese Yuan (RMB), which New Delhi is reluctant to promote given strategic rivalries.

- **Related Static Dimension:**

- *Trade Deficit & Balance of Payments (BoP):* India's persistent structural trade deficit with China (~\$85+ billion) limits bilateral currency swap efficacy.
- *Exchange Rate Pass-Through:* The economic transmission of currency depreciation on domestic inflation and export competitiveness.

3. Geopolitical Pressure & Distinction of Concepts (GS-II)

- **The Core Analysis:**

- **Local Currency Trade vs. Common BRICS Currency:** India cautiously supports *bilateral local currency trade arrangements* (e.g., INR-Dirham, INR-Rouble). However, India firmly opposes a unified *BRICS Currency*, fearing it would be dominated by Beijing.
- **Secondary Sanctions & Tariff Threats:** Sanctioned economies like Russia and Iran have urgent imperatives to de-dollarize. However, India faces severe tariff threats from the U.S. (e.g., proposed 100% tariffs on countries adopting alternative currency frameworks), making a complete shift away from the US Dollar economically hazardous.

- **Related Static Dimension:**

- *Geopolitics of Sanctions:* Secondary sanctions, SWIFT messaging system vulnerabilities, and weaponization of the US Dollar (\$).

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- *Foreign Policy Realism:* Strategic Autonomy balancing multi-alignment (BRICS, SCO) with strategic partnerships (Quad, Western trade relations).

Conclusion

The editorial highlights that while de-dollarization is an attractive narrative for heavily sanctioned nations, India's approach to BRICS local currency trade remains pragmatic and calibrated. India's priority lies in safeguarding its export revenues, avoiding Chinese monetary hegemony, preventing Western tariff backlash, and protecting national fiscal interests.