APPSC GROUP 1

ECONOMY

Published visual collection

Updated through Day 32

45 topics | 408 teaching panels

Day-wise topic index with clickable links and PDF bookmarks.

Approved teaching artwork is preserved without redesign.

One current index replaces the earlier stacked historical indexes.

No lesson notes or practice questions are included.

Updated 14 November 2026

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National income concepts

GDP · GNP · NDP · NNP · GVA

READ "GDP" WORD BY WORD

GROSS Wear and tear of capital is not yet deducted.

DOMESTIC Production inside the territory, whoever owns it.

PRODUCT Final goods and services produced in a year.

COUNT THE FINAL GOOD ONCE



WHEAT FLOUR BREAD

Wheat and flour used to make bread are intermediate inputs. Their value is already inside the bread.

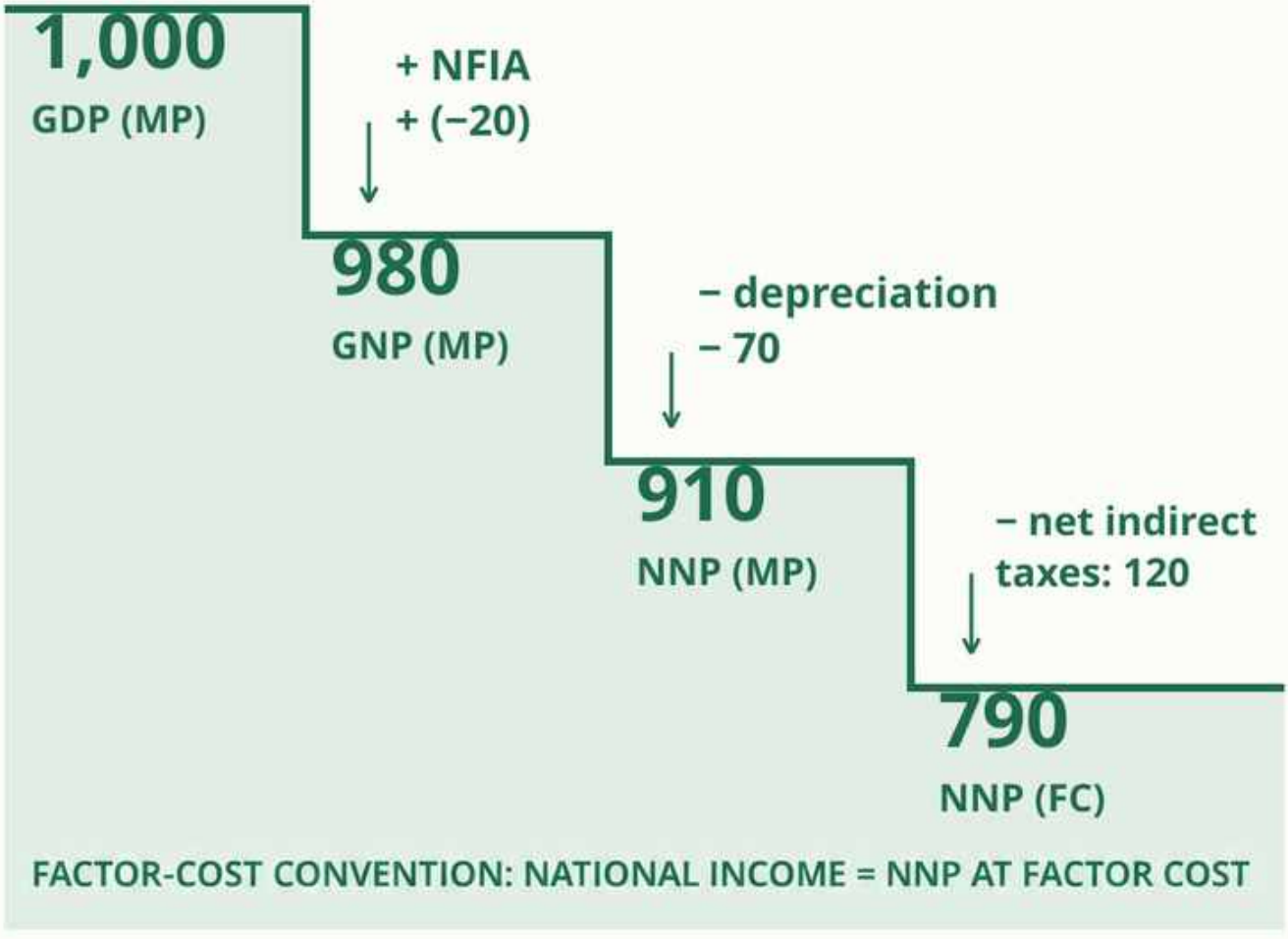
Market prices: what buyers pay, with net product taxes.

References: Source Index

Three adjustments to income

Illustrative worked example · ₹ crore

National: normal residents, at home and abroad.



NFIA = received 10 − paid 30 = −20

Cross-check: NDP (MP) = 1,000 − 70 = 930

NDP (FC) = 930 − 120 = 810; 810 − 20 = 790

MP: market prices; FC: factor cost

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2/5 · ENGLISH

Day 1 · Topic 5 · Economy C-2 1,000 TOPICS IN 100 DAYS

Three prices. Two tax steps.

Illustrative worked example · ₹ crore

GVA = output − intermediate consumption

VALUE COMPONENTS

GVA at factor cost



880

+ net production taxes: 30 − 10 = 20

GVA at basic prices



900

+ net product taxes: 150 − 50 = 100

GDP at market prices



1,000

PRODUCTION TAXES

Related to production, independent of volume. Land revenue; stamp fees.

PRODUCT TAXES

Per unit of product. GST, excise and import duties.

Net indirect taxes = 20 + 100 = 120

Basic prices include production taxes; exclude product taxes.

Net = taxes − subsidies

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As on 8 October 2026

What India reports

Income measures use different valuation conventions

30 JANUARY 2015: THE VALUATION SWITCH

SECTORS ⟶ **GVA at basic prices**

HEADLINE ⟶ **GDP at market prices**

The official word "GDP" means GDP at market prices. Headline growth uses constant prices.

KEEP THESE TWO CONVENTIONS SEPARATE

Factor-cost convention

National Income = NNP (FC)

Official SNA labels

GNI = GDP + net primary income from abroad

NNI = GNI − consumption of fixed capital

Official NNI is at market prices. "Per Capita Income" in NSO press notes is per capita NNI.

CURRENT BASE YEAR: 2022–23

Released 27 Feb 2026; retained 31 Aug 2026.
Compiler: NSO, MoSPI · NSO formed May 2019

Sources: MoSPI, 30 January 2015; PIB 2233518 and 2305896, 2026

Three exam traps

Keep the boundary, tax layer and signs correct

1 DOMESTIC = PLACE

National = normal residents. GNP = GDP + NFIA. Negative NFIA can make GNP smaller than GDP.

2 BASIC PRICES: CHECK THE TAX LAYER

Net production taxes are already included. Add net product taxes to reach GDP at market prices.

3 NATIONAL INCOME: CHECK ALL SIGNS

GDP (MP) − depreciation + NFIA − net indirect taxes = NNP (FC). Subtracting a negative NFIA is a sign error.

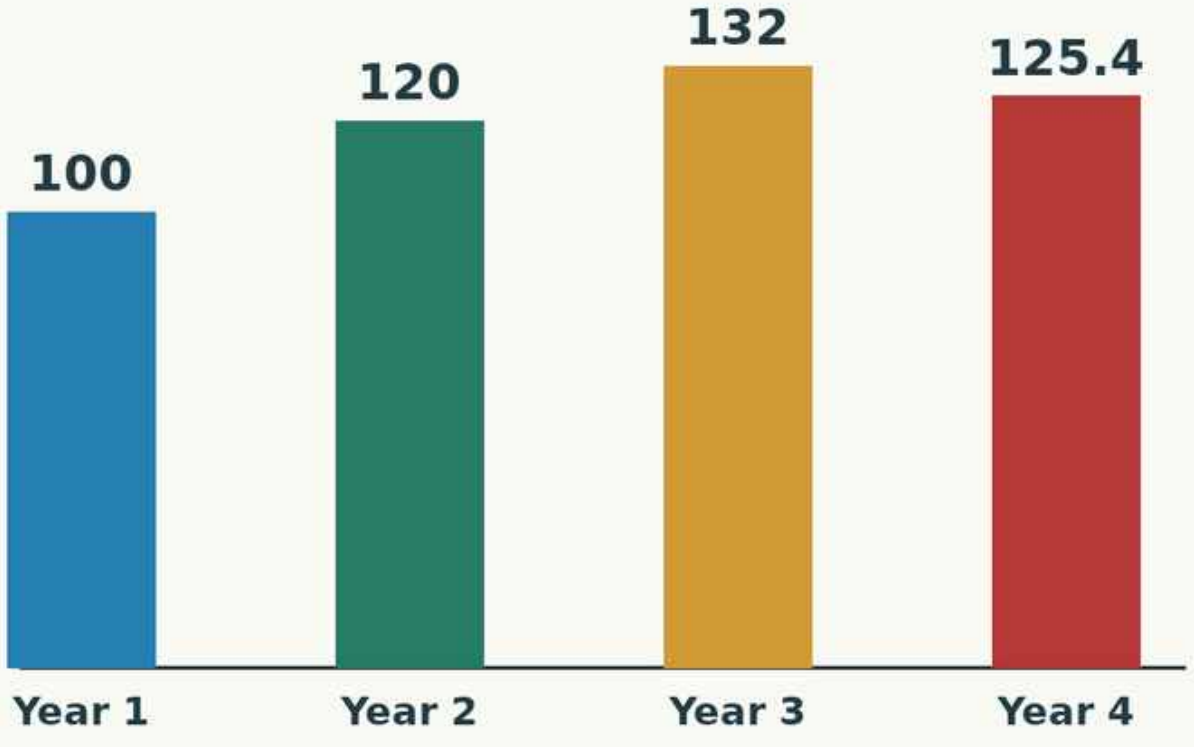
Practise with this topic's MCQs

References: Source Index

Day 2 · Topic 13 · Economy C-4

Prices can rise more slowly

Disinflation describes the rate, not falling prices



+20%	+10%	−5%
Inflation	Disinflation	Deflation

Illustrative figures. Year 3 prices still rise even though inflation slows

Sources: RBI; Federal Reserve Bank of St Louis

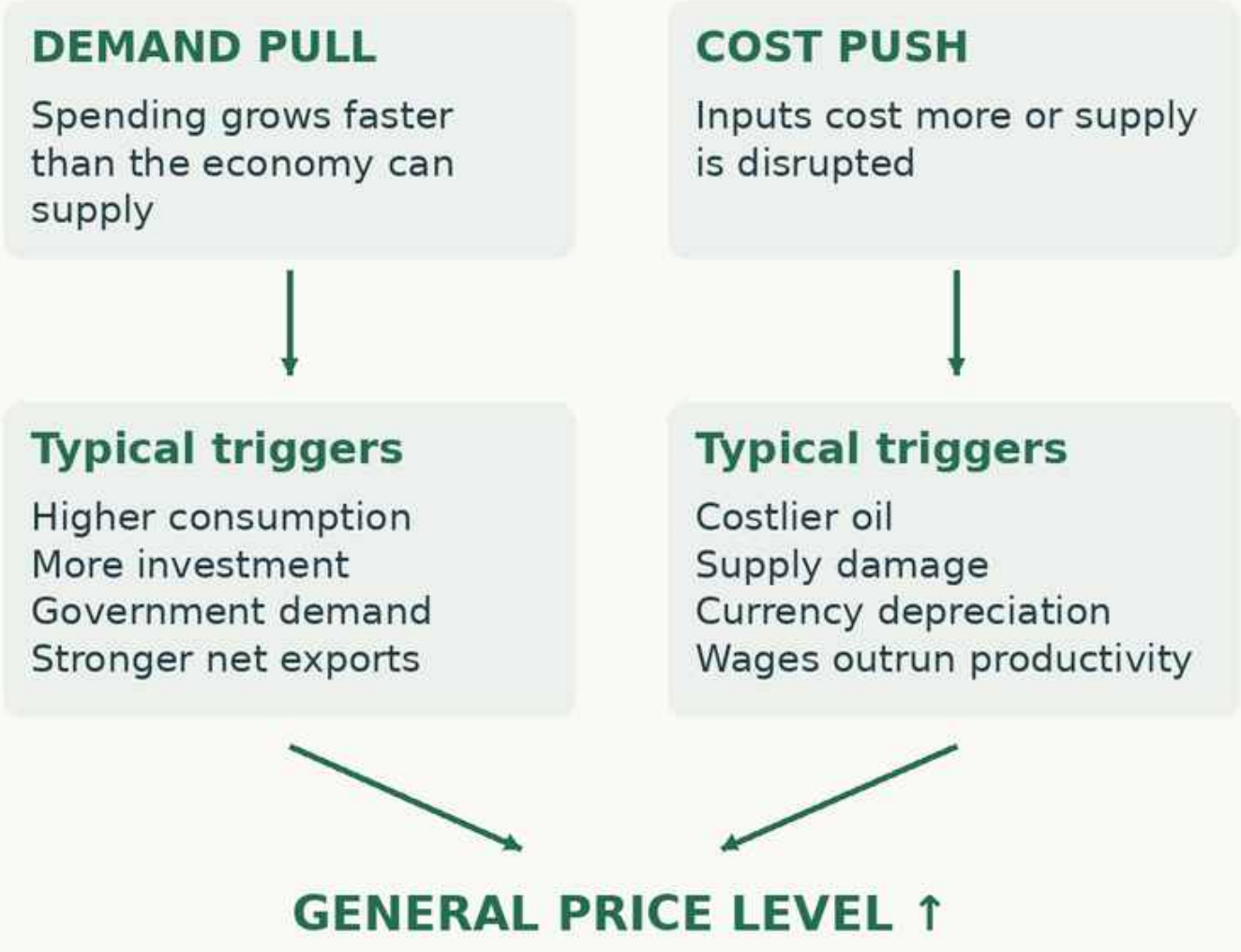
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Two routes to rising prices

Demand-pull and cost-push can occur together



Expectations can reinforce wage and price increases

Sources: Reserve Bank of Australia; IMF

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Day 2 · Topic 13 · Economy C-4 AS ON 9 OCT 2026

CPI and WPI measure different baskets

The RBI uses CPI inflation; it compiles neither index

Feature	CPI	WPI
Prices	Retail	Wholesale / first sale
Coverage	Goods + services	Goods only
Compiler	NSO, MoSPI	OEA, DPIIT
Current base	2024 = 100	2022–23 = 100
Largest share	Food and beverages	Manufactured products

A separate family

CPI-IW, CPI-AL and CPI-RL are compiled by the Labour Bureau

Sources: MoSPI February 2026 release; OEA June 2026 release

Day 2 · Topic 13 · Economy C-4 AS ON 9 OCT 2026

New bases change the weights

Same COICOP 2018 structure; Combined-sector CPI

CPI: FOOD AND BEVERAGES



WPI: 2022–23 SERIES



Primary articles	Fuel and power	Manufactured
22.76%	14.11%	63.13%

CPI weights are mapped to the same classification. WPI weights rounded to 2 decimals

Sources: MoSPI CPI technical note; OEA new-series release

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Day 2 · Topic 13 · Economy C-4

Use last year as the denominator

A year-on-year rate is not the rise since the base year

Index last September = 150

Index this September = 162

Change = 162 − 150 = 12 points

Inflation = (12 ÷ 150) × 100

8.0% year-on-year

> **Trap: 12 points is not 12%**
> The old index is 150. Dividing by 100 would give the wrong rate

Illustrative question data for calculating year-on-year inflation.

Source: MoSPI inflation formula

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Day 2 · Topic 14 · AP Economy C-5 AP

One Act, several sharing rules

Population ratio is not the answer to every allocation

Asset or liability	Basis
Cash and public debt	Population ratio
Land and operational units	Location
Inter-State commercial / industrial headquarters assets and liabilities	Population ratio
Calamity Relief Fund securities	Area ratio
Central-station power	Past 5 years' energy consumption

2011 POPULATION · AP : TS = 58.32 : 41.68

Sources: AP Reorganisation Act 2014, ss. 2, 48–54; Schedule XII

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Find the section before the promise

A compact route through the economic provisions

1. **Section 46 → revenues**
   Finance Commission award and development support

2. **Section 90 → Polavaram**
   National project; Union responsibility under the Act

3. **Section 92 → Schedule XII**
   Coal, oil and gas, and power

4. **Section 93 → Schedule XIII**
   Institutions and infrastructure measures

5. **Section 94 → fiscal measures**
   Industrial incentives, backward areas and capital support

Sources: MHA Gazette copy of Act 6 of 2014

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Water management has three levels

Know the chair, the Boards and the priorities

APEX COUNCIL

Union Water Resources Minister + the 2 Chief Ministers

GODAVARI BOARD

Headquarters specified in Telangana

KRISHNA BOARD

Headquarters specified in Andhra Pradesh

WHEN DEMANDS CONFLICT

Drinking water → **Irrigation** → **Power**

Priority runs from left to right

These are statutory headquarters provisions, not an office-location update

Sources: AP Reorganisation Act, ss. 84–85; Schedule XI

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Day 2 · Topic 14 · AP Economy C-5 AP

Read the obligation word

Schedule XIII mixes establishment with feasibility study

Establishment duties	Examination duties
AIIMS-type institution Tribal Universities National Institute of Disaster Management	Steel plants Refinery and petrochemical complex
NTPC 4,000 MW facility in Telangana	Railway zone Rail Coach Factory
“Shall take steps to establish” IIT, NIT, IIM and other named institutions	Airport upgrades Industrial corridor Metro Rail feasibility

An Act is not a progress report

A statutory promise does not by itself prove that the project has been completed

Sources: AP Reorganisation Act, Schedule XIII, pp. 70–71

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Day 2 · Topic 14 · AP Economy C-5 AP AS ON 9 OCT 2026

The date changes the answer

Keep the original rule and later amendment separate

1 Mar 2014 — **Presidential assent**
Andhra Pradesh Reorganisation Act, Act 6 of 2014

2 Jun 2014 — **Appointed day**
Telangana and successor Andhra Pradesh

2 Jun 2024 — **Ten-year common-capital period ends**
Hyderabad is the capital of Telangana

6 Apr 2026 — **Amendment names Amaravati**
Act 7 of 2026; deemed effective from 2 June 2024

Special Category Status is not written into the Act

Sources: Act 6 of 2014; Amendment Act 7 of 2026; India Code

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Functions before aggregates

Money does four jobs



PAY
medium of exchange

PRICE
unit of account

SAVE + SETTLE LATER

- Store of value: purchasing power can be carried forward
- Standard of deferred payment: future obligations are stated in money
- Money overcomes barter's double coincidence of wants

References: Source Index

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Traditional Indian monetary aggregates

Build M1 to M4 carefully

M1	Currency with the public + demand deposits with banks + other deposits with RBI
M2	M1 + savings deposits with post office savings banks
M3	M1 + time deposits with the banking system
M4	M3 + all post office deposits, excluding National Savings Certificates

M1 = narrow money • M3 = broad money

NOT A SINGLE ADDITIVE LADDER

M2 and M3 add different things to M1. Never write M3 = M2 + bank time deposits.

References: Source Index

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M0 and the money multiplier

Reserve money is the base

M0 = currency in circulation
+ bankers' deposits with RBI
+ other deposits with RBI

Term	What is included
Currency in circulation	Currency with the public + cash held by banks
Currency with the public	Excludes banks' cash holdings
Money multiplier	Money supply ÷ reserve money; specify the aggregate

A monetary aggregate is a stock measured at a point in time

References: Source Index

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An illustrative classroom model

A multiplier needs assumptions

$$m = (1 + c) / (c + r)$$

1. Let c = currency–deposit ratio = 0.20
2. Let r = reserves–deposit ratio = 0.10
3. m = 1.20 / 0.30 = 4
4. If reserve money = ₹100, model money supply = ₹400

SPECIAL CASE

The simple 1/r multiplier assumes no currency leakage and the relevant simplified reserve conditions. It is not an unconditional forecast.

Illustration only • not a current RBI estimate

Illustrative worked model.

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Definitions determine the answer

Three exam traps

01 M3 is not M2 plus time deposits

Traditional M3 starts with M1. Post office savings belong in M2.

02 M0 and M1 count bank cash differently

M0 uses currency in circulation; M1 uses currency with the public.

03 A higher reserve ratio lowers the model multiplier

Currency leakage also lowers expansion. Real bank lending is not mechanically fixed by 1/r.

Keep a date and a unit beside every real monetary statistic

References: Source Index

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DAY 4 · TOPIC 34 · IAS WITH DR RAVI

Two different ways to classify banks

Scheduled does not mean government-owned

SCHEDULE STATUS

Is the bank included in the Second Schedule to the RBI Act, 1934?

OWNERSHIP / INSTITUTION

Public sector, private sector, foreign, cooperative and other institutional groups.

These are different questions. A private or cooperative bank can also be scheduled.

Source: RBI Act, 1934, Second Schedule; RBI banking structure

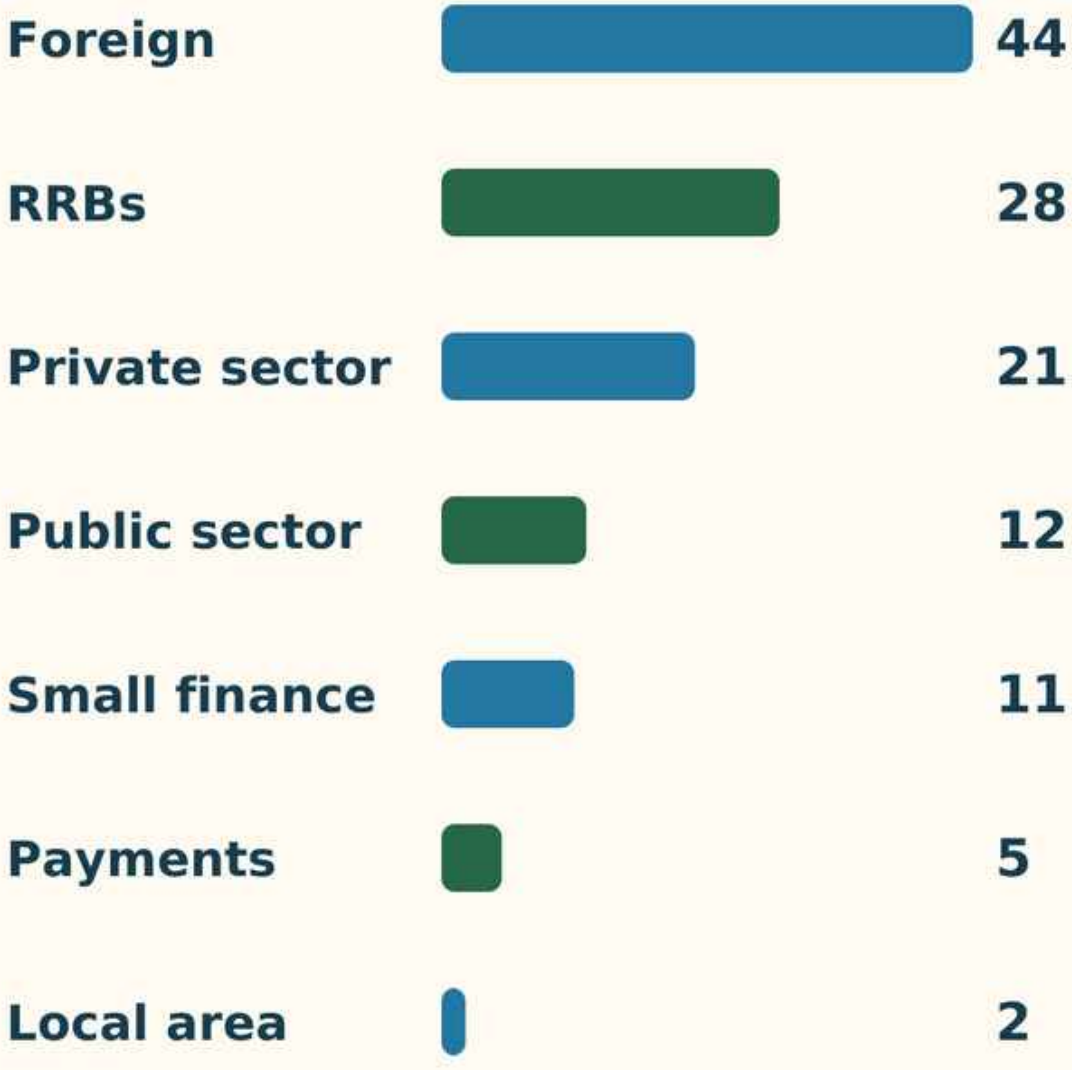
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DAY 4

DAY 4 · TOPIC 34 · IAS WITH DR RAVI

Seven commercial-bank groups

Snapshot: 9 October 2026 · total 123

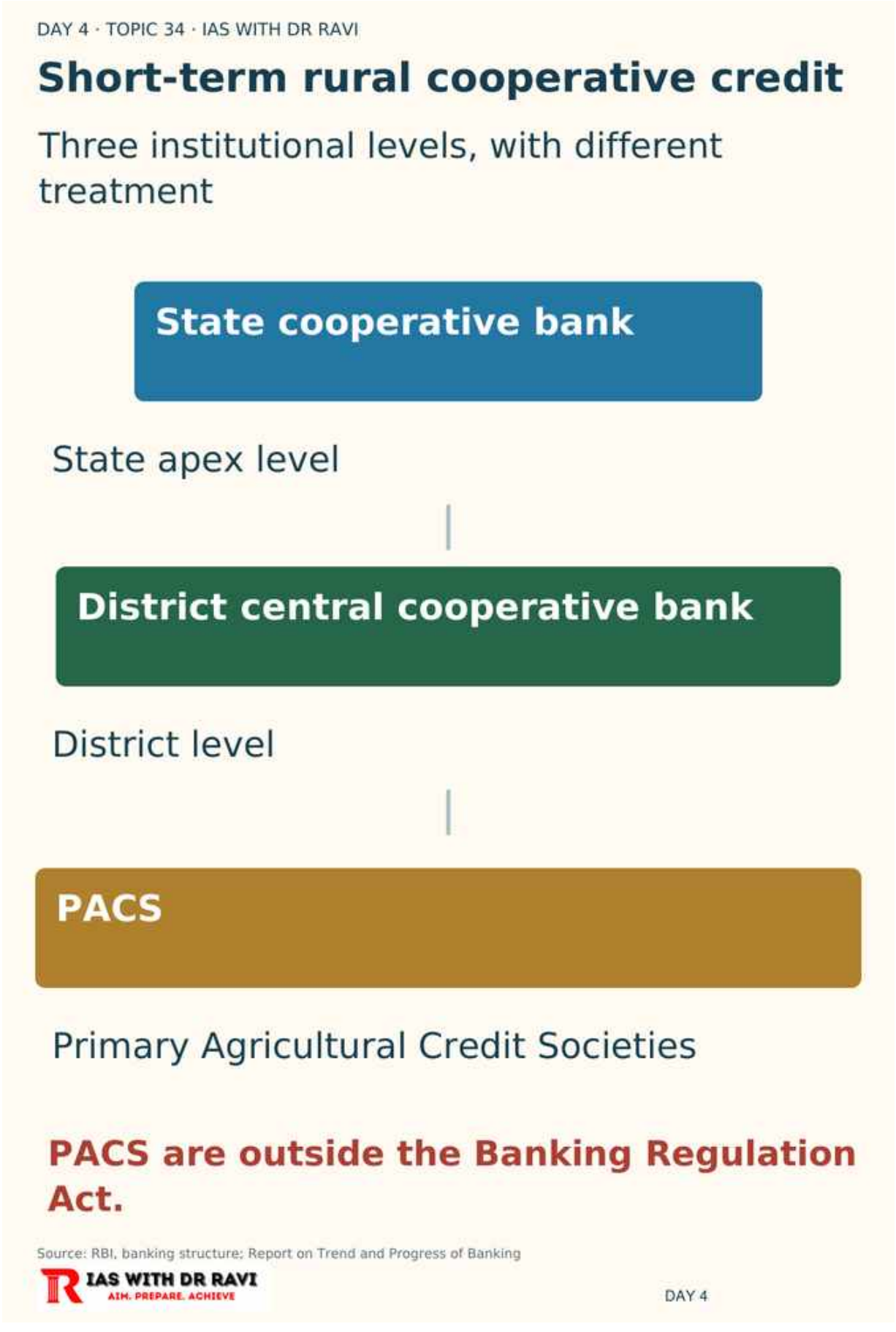


RRB = Regional Rural Bank. Counts are date-specific.

Source: RBI, "Banks in India" list, accessed 9 October 2026

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DAY 4


DAY 4 · TOPIC 34 · IAS WITH DR RAVI
Short-term rural cooperative credit
Three institutional levels, with different treatment
State cooperative bank
State apex level
District central cooperative bank
District level
PACS
Primary Agricultural Credit Societies
PACS are outside the Banking Regulation Act.
Source: RBI, banking structure; Report on Trend and Progress of Banking
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DAY 4

DAY 4 · TOPIC 34 · IAS WITH DR RAVI

Regulation and supervision differ

Read the institution before naming the supervisor

Urban cooperative banks

RBI regulates and supervises.

State cooperative banks and District Central Cooperative Banks

RBI → regulation

NABARD → supervision

NABARD is an all-India financial institution; it is not a commercial bank.

Source: RBI, Report on Trend and Progress of Banking in India

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DAY 4 · TOPIC 34 · IAS WITH DR RAVI

Place the bank on the right branch

Examples from RBI's official list

SBI

→ Public sector bank

IDBI Bank

→ Private sector bank

India Post Payments Bank

→ Payments bank

Andhra Pradesh Grameena Bank

→ Regional Rural Bank

Source: RBI, "Banks in India" list, accessed 9 October 2026

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DAY 4


DAY 4 · TOPIC 35 · IAS WITH DR RAVI
NITI Aayog: an executive body
Created by Cabinet resolution, not by an Act
15 March 1950
Planning Commission established by Cabinet resolution.
1 January 2015
NITI Aayog replaces the Planning Commission through a new Cabinet resolution.
Neither body was constitutional or statutory.
Source: Cabinet Secretariat resolutions, 1950 and 1 January 2015
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DAY 4

DAY 4 · TOPIC 35 · IAS WITH DR RAVI

The Prime Minister chairs NITI

Governing Council and Regional Councils differ



Governing Council

Centre, States and Union Territories in one forum.

Regional Councils

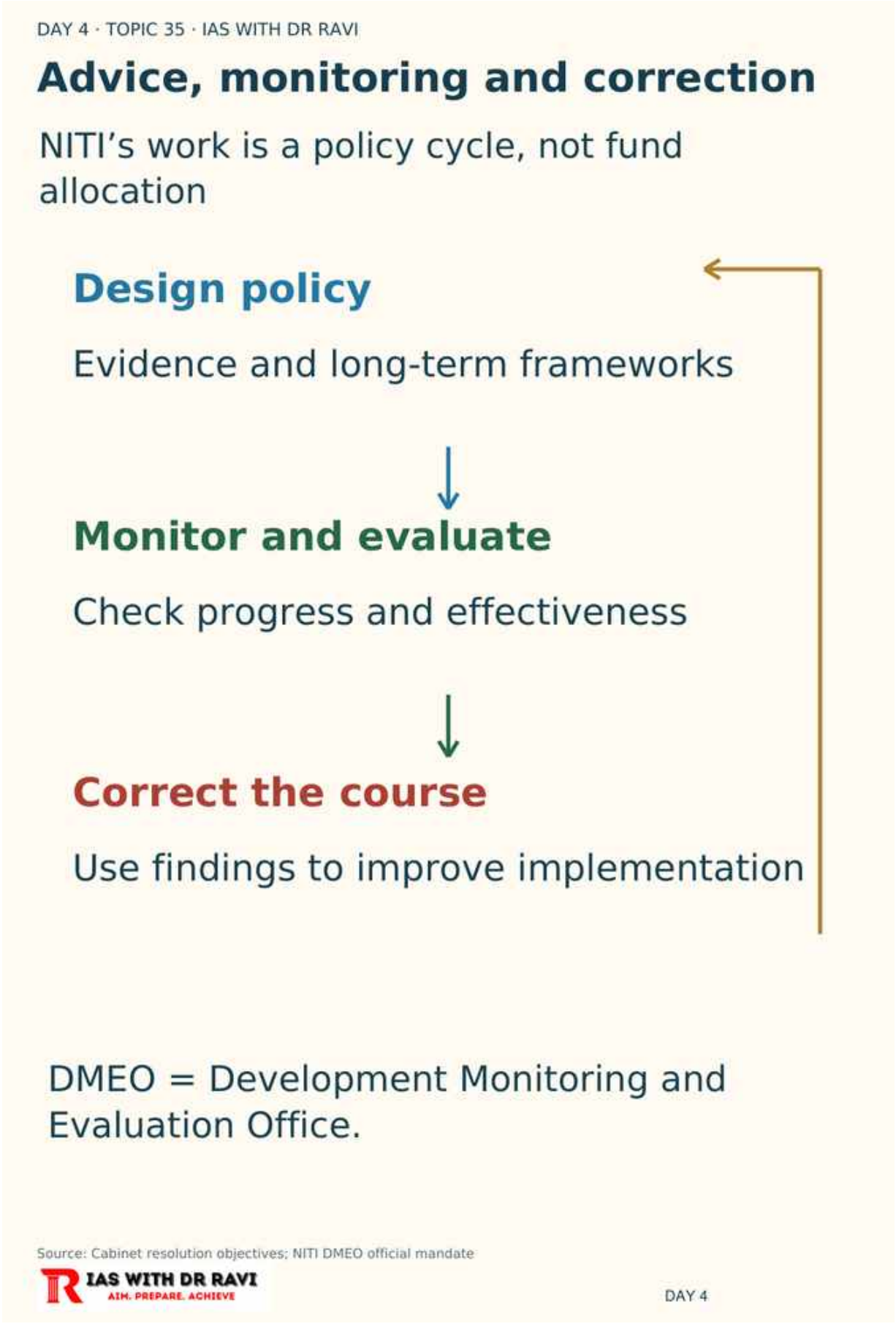
Concerned region's States and UTs; specified tenure.

The Vice-Chairperson is not the Chairperson. The CEO is a separate office.

Source: Cabinet resolution, 1 January 2015; NITI Governing Council Secretariat

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DAY 4


DAY 4 · TOPIC 35 · IAS WITH DR RAVI
Advice, monitoring and correction
NITI’s work is a policy cycle, not fund allocation
Design policy
Evidence and long-term frameworks
Monitor and evaluate
Check progress and effectiveness
Correct the course
Use findings to improve implementation
DMEO = Development Monitoring and Evaluation Office.
Source: Cabinet resolution objectives; NITI DMEO official mandate
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DAY 4 · TOPIC 35 · IAS WITH DR RAVI

Two hubs, two different roles

Keep the Centre–State and knowledge functions apart

Team India Hub

Coordinates engagement with States and supports cooperative federalism.

Knowledge and Innovation Hub

Resource centre, policy advice and partnerships with research and educational institutions.

Source: NITI Aayog Annual Report 2017–18 · institutional hub roles

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DAY 4 · TOPIC 35 · IAS WITH DR RAVI
The three Cs of aspirational programmes
Improve outcomes through coordination and comparison
Convergence
Bring Central and State schemes together.
Collaboration
Governments and district administrations work together.
Competition
Compare performance and encourage improvement.
Source: NITI Aayog, Aspirational Districts Programme · three pillars
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DAY 4

DAY 5 · TOPIC 43 · 01

One central bank, several distinct jobs

Monetary policy	Price stability, while keeping growth in mind
Banker to banks	Reserves, payments and liquidity support
Government banker	Banking and debt-management functions
Currency	RBI banknotes; Government ₹1 notes and coins
Regulation	Supervises the financial system
Foreign exchange	Manages foreign exchange and reserves

Established 1 April 1935.
Nationalised in 1949.

RBI, About Us; RBI Act; Indian Currency FAQ

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DAY 5 · TOPIC 43 · 02

The policy corridor on 7 October 2026

MSF / Bank Rate	5.75%

25 basis points

Policy repo	5.50%

25 basis points

SDF	5.25%

SDF is the current floor; MSF the ceiling.
1 basis point = 0.01 percentage point.

Fixed reverse repo: **3.35%**
It is not the current corridor floor.

RBI MPC Resolution, 7 October 2026; RBI Current Rates

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DAY 5 · TOPIC 43 · 03

CRR and SLR: both reserves, different form

CRR · 3%

Cash balance with RBI, linked to net demand and time liabilities.

Higher CRR
Less lendable liquidity, other things equal.

SLR · 18%

Specified liquid assets maintained by banks: cash, gold or approved securities.

It is not simply cash deposited with RBI.

9 October announcement:

Daily CRR minimum rises from 90% to 99% of required CRR from 16 October 2026. The CRR ratio remains 3%.

RBI Current Rates; CRR circular dated 9 October 2026

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DAY 5 · TOPIC 43 · 04

Open-market operations: follow the money

RBI buys securities

BUY

RBI pays banks / sellers

↓

Banking-system reserves rise

↓

Liquidity is injected

RBI sells securities

SELL

Buyers pay RBI

↓

Banking-system reserves fall

↓

Liquidity is absorbed

A purchase is an easing move;
a sale is a tightening move, other things equal.

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DAY 5 · TOPIC 43 · 05

Selective tools act on particular kinds of credit

Margin	Raise borrower's own contribution → smaller loan against given collateral
Credit rationing	Limit credit for selected uses or borrowers
Moral suasion	Persuasion and advice to influence bank lending
Direct action	Regulatory action against non-compliant banks

Quantitative tools influence overall liquidity.
Qualitative tools influence its allocation.

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DAY 5 · TOPIC 43 · 06

Keep these RBI distinctions clear

Inflation target	4% CPI; tolerance 2–6% 1 April 2026–31 March 2031
Last resort	Temporary liquidity for a solvent bank; no unconditional rescue promise
₹2 / ₹5 notes	No longer printed; existing notes remain legal tender
Bank Rate	5.75% base; reserve-shortfall penalties can be 8.75% or 10.75%

Rates, office holders and circulars are date-sensitive. Snapshot: 9 October 2026.

RBI; Gazette S.O.1580(E), 25 March 2026; RBI 7 October Bank Rate circular

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55 • 1/8

Many workers, a smaller output share



Agriculture includes livestock, forestry and fishing



43.0% of workers

Calendar 2025 • PLFS usual status



19.4% of GVA

2024–25 • current prices



17.9% of GVA

2025–26 • current prices



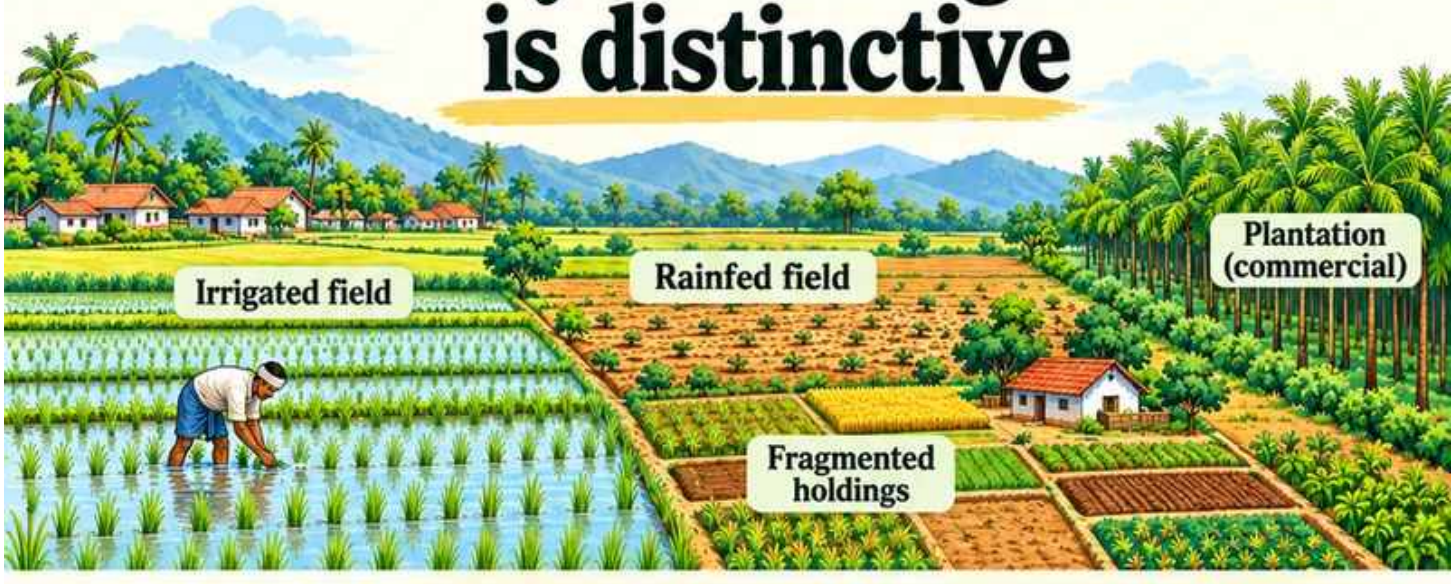
GVA snapshot: 27 February 2026 release

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DAY 6 | TOPIC 55 | 1/8

55 • 2/8

Why Indian agriculture is distinctive





Small, fragmented holdings; monsoon dependence



Gross irrigation coverage: 55.8% of cropped area, 2022–23



Low productivity, debt and seasonal underemployment



Primitive and intensive subsistence farming coexist with commercial farming; plantations are commercial

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DAY 6 | TOPIC 55 | 2/8

55 • 3/8

Kharif follows the monsoon





Season: June–September



Sow with monsoon onset; harvest September–October

	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Kharif season	←	←	←	←			
Sow / Harvest	Sow with monsoon onset →				Harvest September–October		



Rice, maize, jowar, bajra; tur, moong, urad

Cotton, jute, groundnut and soybean



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DAY 6 | TOPIC 55 | 3/8

55 • 4/8

Rabi, zaid and regional differences





Rabi: sow October–December; harvest April–June

Wheat, barley, peas, gram and mustard



Zaid: short summer season;

vegetables, fruit and fodder



Southern rice spans seasons;

Aus, Aman and Boro are three paddy crops in Assam, West Bengal and Odisha



Sugarcane spans nearly a year

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55 • 5/8

One field, several crop counts





Net sown area:
count each field once



Gross cropped area:
count every sowing



Cropping intensity = GCA ÷ NSA × 100



Illustration:
(500 + 300 + 100) ÷ 500 × 100 = 180%

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55 • 6/8

Five holding-size classes



Marginal	0 – 1	below 1 hectare
Small	1 – 2	1 to below 2 hectares
Semi-medium	2 – 4	2 to below 4 hectares
Medium	4 – 10	4 to below 10 hectares
Large	10 →	10 or more hectares



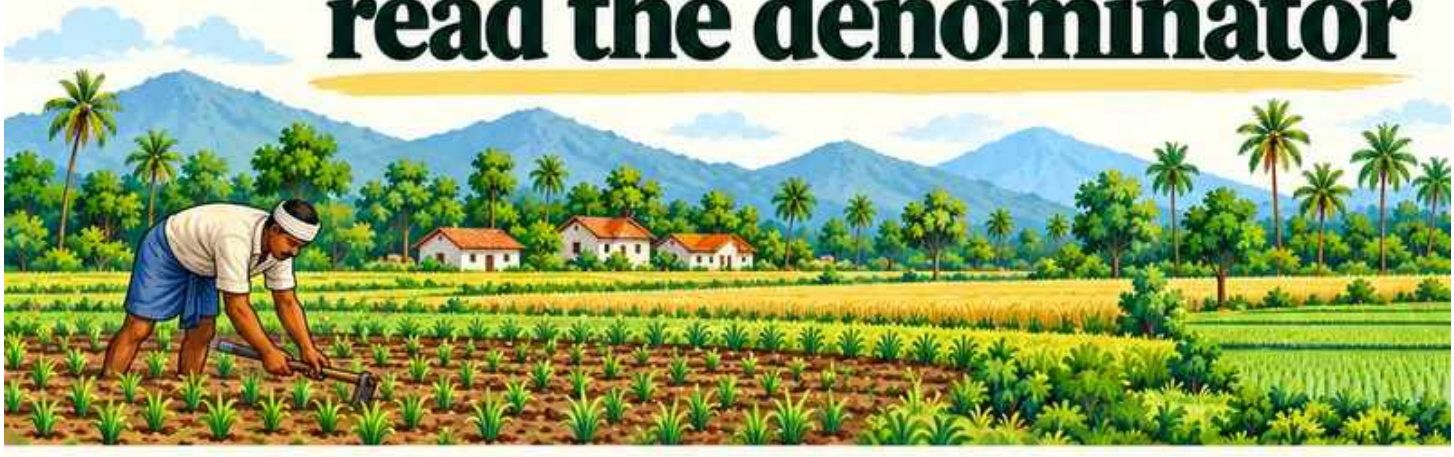
Operational holding means one agricultural management unit, regardless of ownership

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2015–16 Census: read the denominator





146.45 million operational holdings



Small + marginal: **86.08%** of holdings by number

Average holding:



2.28 ha in 1970–71



1.08 ha in 2015–16



Count holdings and operated land separately:

number share is not area share

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55 • 8/8

The eleventh Census and exam checks



Phase I



Complete enumeration

Holdings/area

Phase II



20% village sample

Cropping/irrigation

Phase III



7% village sample

Inputs

2021–22 is the reference year; collection began in 2022

21 July 2026: field work and data collection complete

2015–16

Do not relabel 2015–16 statistics as 2021–22 results

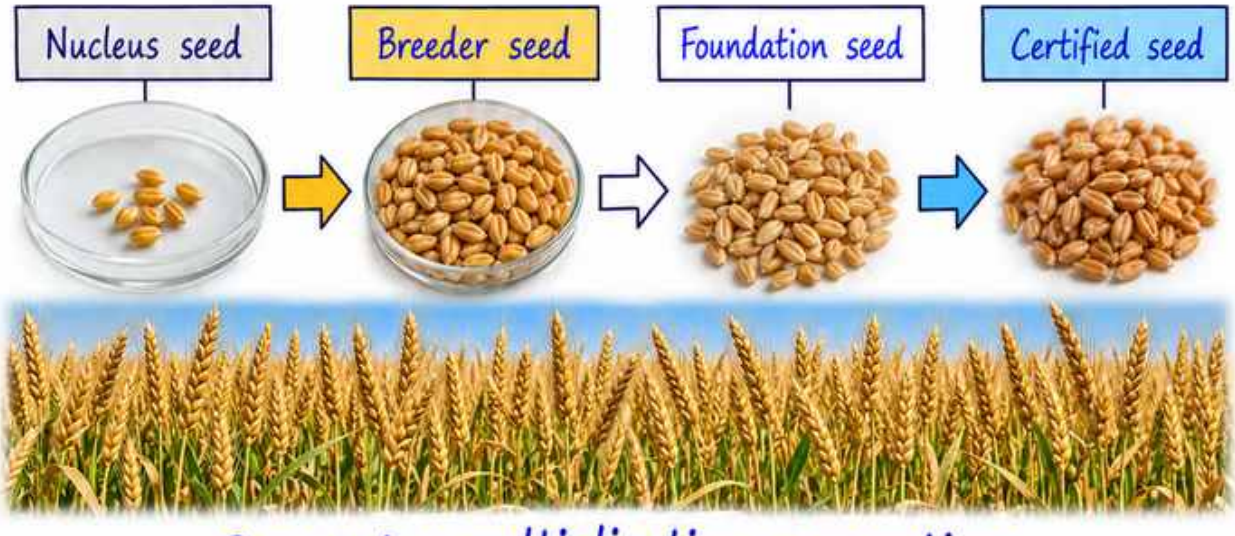
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DAY 7 TOPIC 63 1/7

Quality starts with the seed

- The basic multiplication chain runs from nucleus to breeder, foundation and certified seed.
- Genetic identity and purity must be maintained.
- Certification is voluntary under the existing framework; prescribed labelling is compulsory for notified seed sold in the market.
- Truthfully labelled seed remains the producer's responsibility.



Successive multiplication generations

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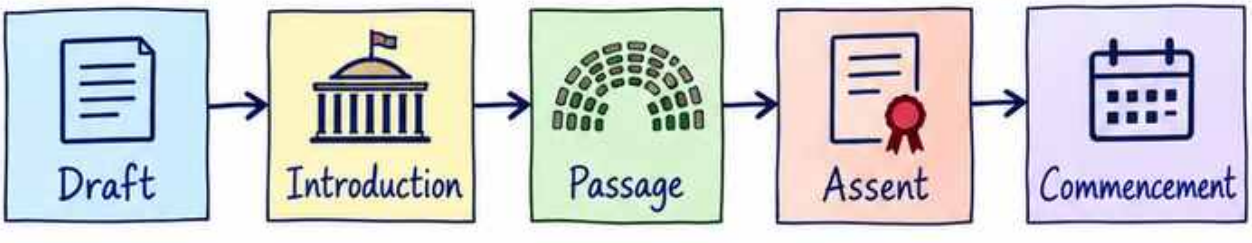
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DAY 7 TOPIC 63 2/7

A draft is not an Act

- The Draft Seeds Bill, 2025 proposes a new quality-regulation framework, including registration and traceability.
- As of March 2026, the Bill remained at the pre-legislative consultation stage.
- Track the stages separately: draft, introduction, passage, assent and commencement.
- Announcing a Bill does not change the law in force.





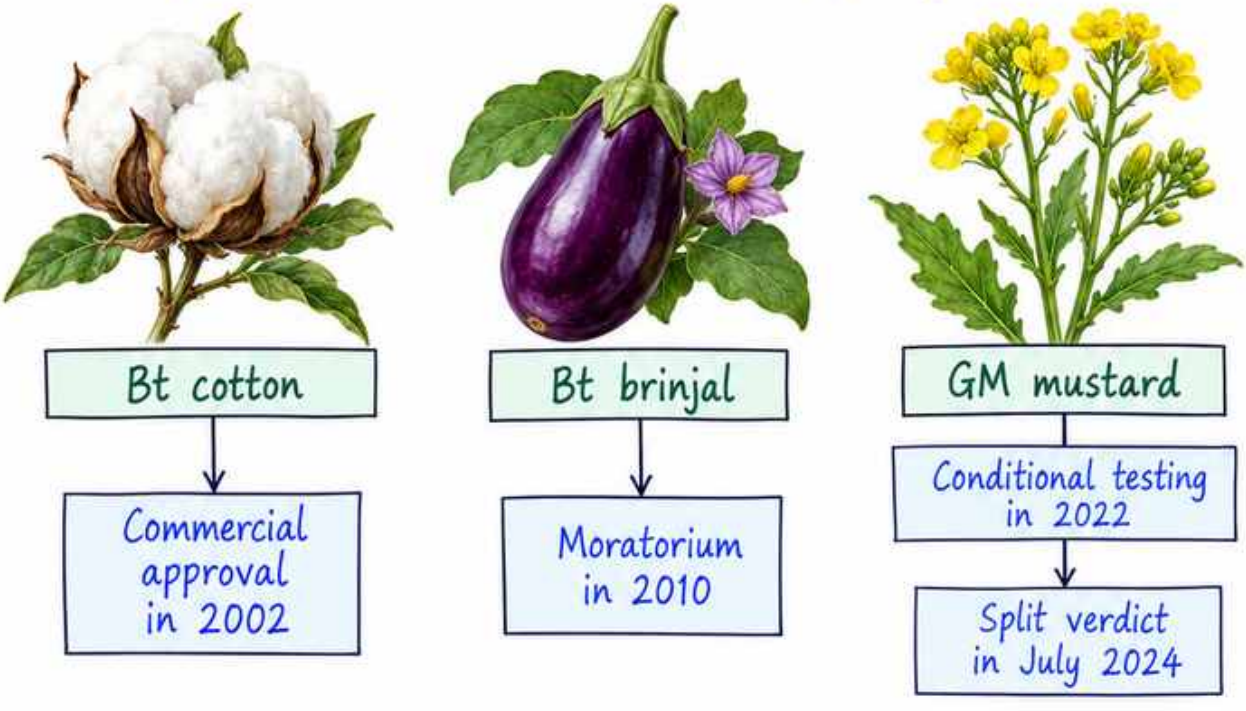
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DAY 7 | TOPIC 63 | 3/7

GM crops: approval has stages

- Bt cotton received commercial approval in 2002.
- Bt brinjal faced a moratorium in 2010.
- GM mustard's 2022 conditional environmental-release permission concerned seed production and testing.
- The Supreme Court split on its validity in July 2024.
- A split verdict is not a final majority resolution.



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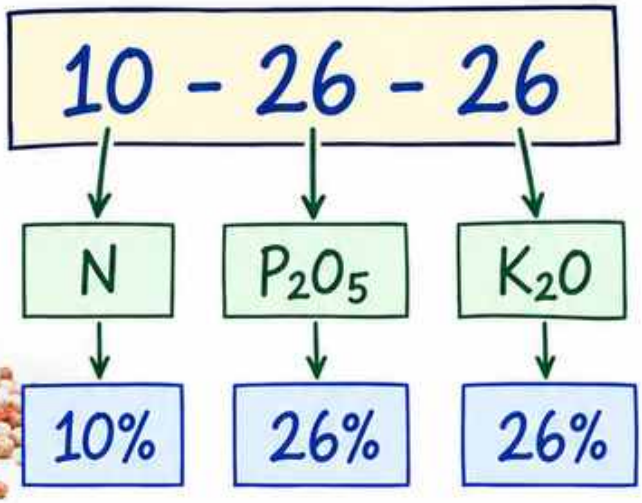
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DAY 7 TOPIC 63 4/7

Read a fertiliser grade

- Fertiliser grades report N, P_2O_5 and K_2O percentages, in that order.
- A fourth figure may show sulphur.
- A compound fertiliser supplies more than one nutrient.
- Match the product to soil and crop requirements; a larger bag or a higher number is not automatically better nutrition.





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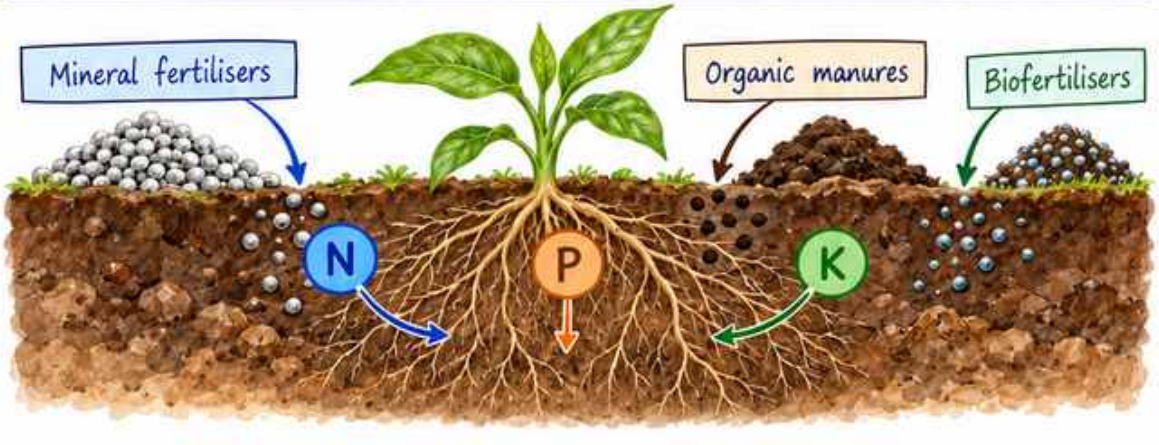
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Balance matters more than volume

- India's N:P:K fertiliser-use ratio was about 10.9:4.1:1 in 2023-24.
- Broad benchmark: 4:2:1; actual needs vary by crop and soil.
- Excess nitrogen and price distortions contribute to imbalance.
- Integrated nutrient management combines appropriate mineral fertilisers, organic manures and biofertilisers.

N : P : K ratio	N	P	K
Fertiliser use, 2023-24	10.9	4.1	1
Broad agronomic benchmark	4	2	1



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DAY 7 · TOPIC 63 · 6/7

Two different subsidy routes

1. Urea has a government-notified maximum retail price. The base price is Rs 242 per 45 kg bag, excluding neem-coating charges and taxes.
2. Nutrient Based Subsidy covers phosphatic and potassic fertilisers, not urea.
3. Under NBS, companies set retail prices while the Government monitors them.

Urea
↓
Notified MRP
↓



Excludes coating charges and taxes.

P&K fertilisers
↓
Nutrient Based Subsidy
↓
Company-set MRP



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Access machines without owning them

- Small farms may not afford their own machinery.
- Custom Hiring Centres offer equipment for rent.
- SMAM supports mechanisation through equipment assistance, training and demonstrations.
- Namo Drone Didi supports selected women's self-help groups to provide drone services, with approved assistance subject to scheme conditions.



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DAY 7

TOPIC 64 1/7

Who pays, who bears?

1. Direct taxes: Direct taxes are charged mainly on income and profits.
2. Indirect taxes: Indirect taxes are charged on goods, services and transactions.
3. Impact and incidence: Impact means where a tax first falls; incidence means where its burden finally rests.
4. In indirect taxation: In indirect taxation, the seller may pass the burden to the buyer through prices.







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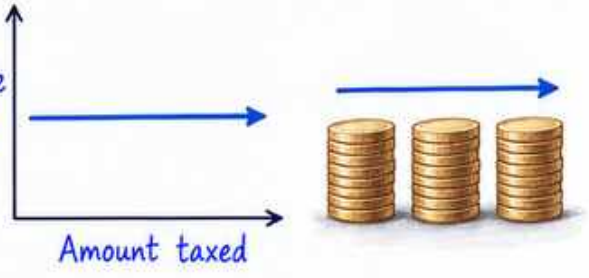
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Three ways tax rates behave

1. **Progressive taxation**: means the effective rate rises with the amount taxed.



2. **A proportional tax**: keeps the effective rate constant.



3. **A regressive burden**: takes a larger share of lower incomes.



These classifications concern the tax burden, not whether the Union or a State collects the tax.

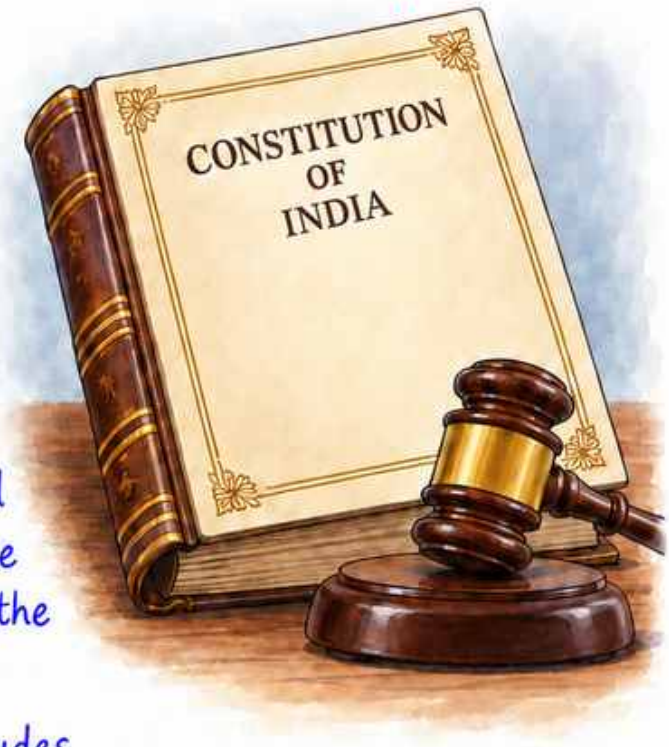
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The Constitution allocates powers

1. Article 265 requires authority of law for taxation.
2. The Seventh Schedule allocates tax subjects; Article 246A separately provides GST powers.
3. Article 271 surcharges and Parliament's specific-purpose cesses are excluded from the divisible pool.
4. Article 271 expressly excludes GST from its surcharge power.



Law → Tax authority

Shareable Union taxes → Divisible pool

Specific-purpose cess / Article 271 surcharge → Outside divisible pool

Article 271 surcharge: GST excluded

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DAY 7 | TOPIC 64 | 4/7

GST follows the destination

- Intra-State supplies generally attract CGST plus SGST, or CGST plus UTGST where applicable.
- Inter-State supplies and imports attract IGST under the relevant law.
- Eligible input tax credit reduces cascading.
- GST did not absorb every indirect tax: customs, specified petroleum taxes and State liquor taxes remain important.

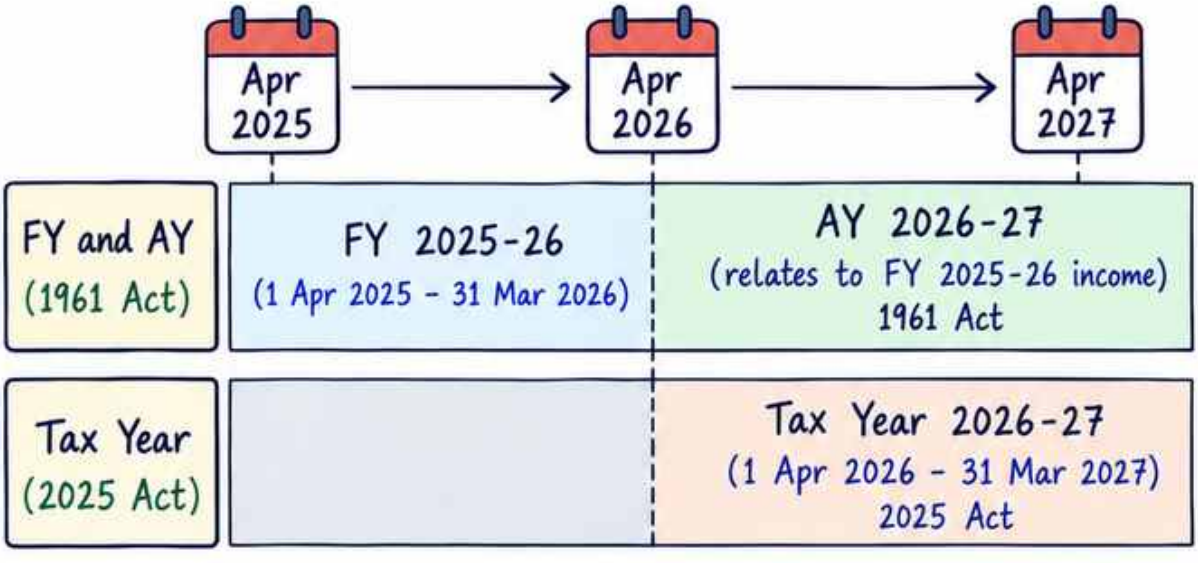


Intra-State supplies	Inter-State supplies
CGST + SGST or CGST + UTGST	IGST

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Two years with the same number

- The Income-tax Act, 2025 commenced on 1 April 2026.
- Tax Year 2026-27 covers income earned from April 2026 to March 2027.
- AY 2026-27 instead relates to FY 2025-26 income under the saved 1961 Act.
- Earlier-year returns and proceedings continue under that older law.



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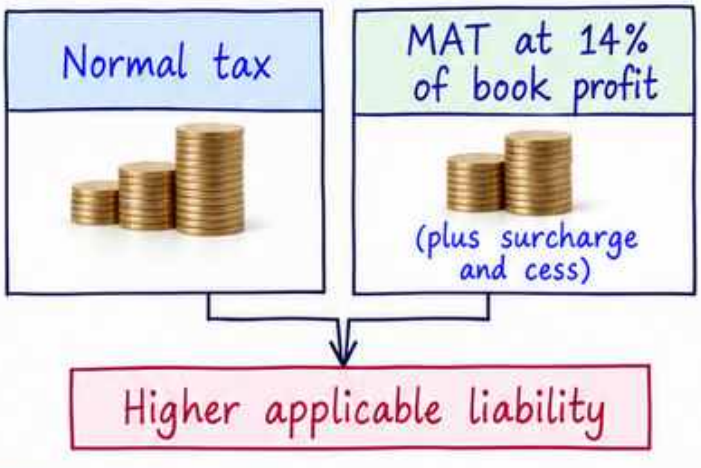
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DAY 7	TOPIC 64	6/7

MAT: read the current rule

- From 1 April 2026, applicable companies compare normal tax with MAT at 14% of book profit, plus surcharge and cess.
- No fresh MAT credit accrues under the new Act.
- Older credits have specified transition rules.
- MAT has statutory exclusions; an eligible IFSC company has a special rate.





New credits: none.

Earlier credits: transition rules.

DAY 7 · TOPIC 64 · 7/7

Read Budget figures carefully

1. Budget Estimates are plans; Revised Estimates update the current year.
2. Gross tax revenue differs from the Union's net tax receipts after the relevant transfers.
3. The Union Budget's GST figure represents Union receipts, not all-India collections.
4. Always attach a year, unit and estimate category to a tax number.



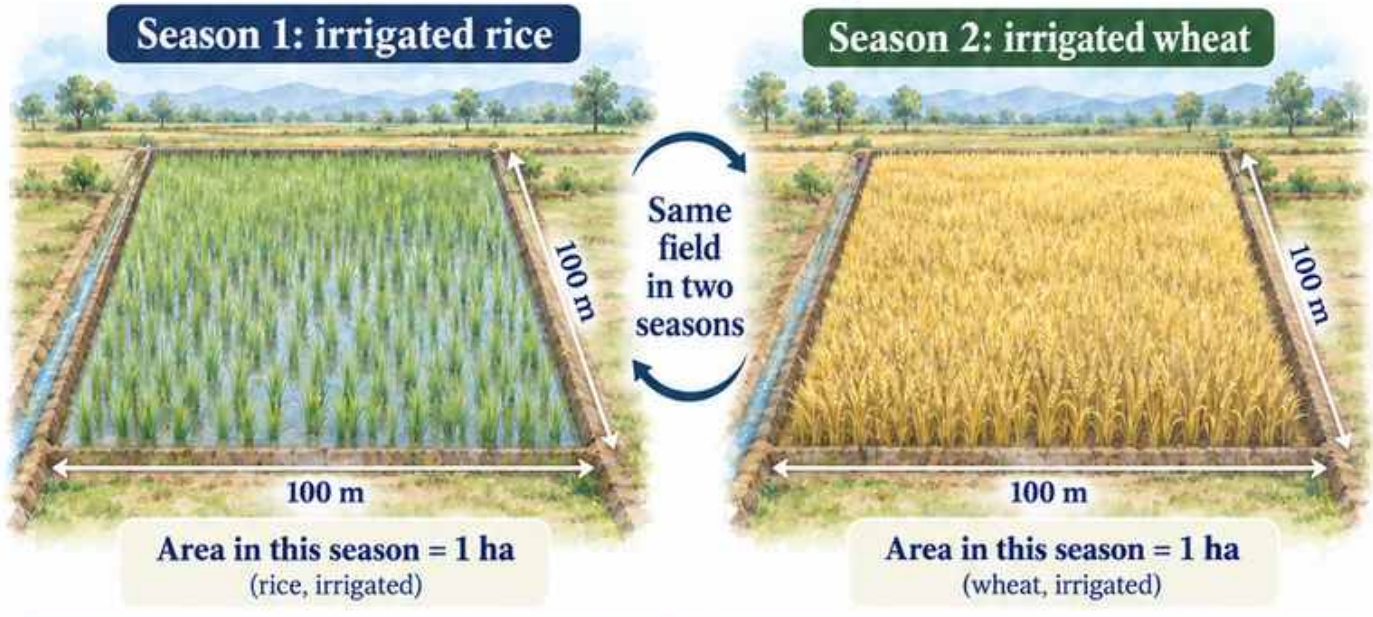
Gross tax revenue	−	Relevant transfers	=	Net tax receipts

Year	Rs crore	BE or RE

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One field, two ways to count



Net irrigated area (NIA) = 1 ha

Count land **once** for NIA
(total area irrigated at least once in a year).

Gross irrigated area (GIA) = 2 ha

Count **each** irrigated crop season for GIA
(sum of area under all irrigated crops in a year).

Irrigation intensity = GIA ÷ NIA × 100

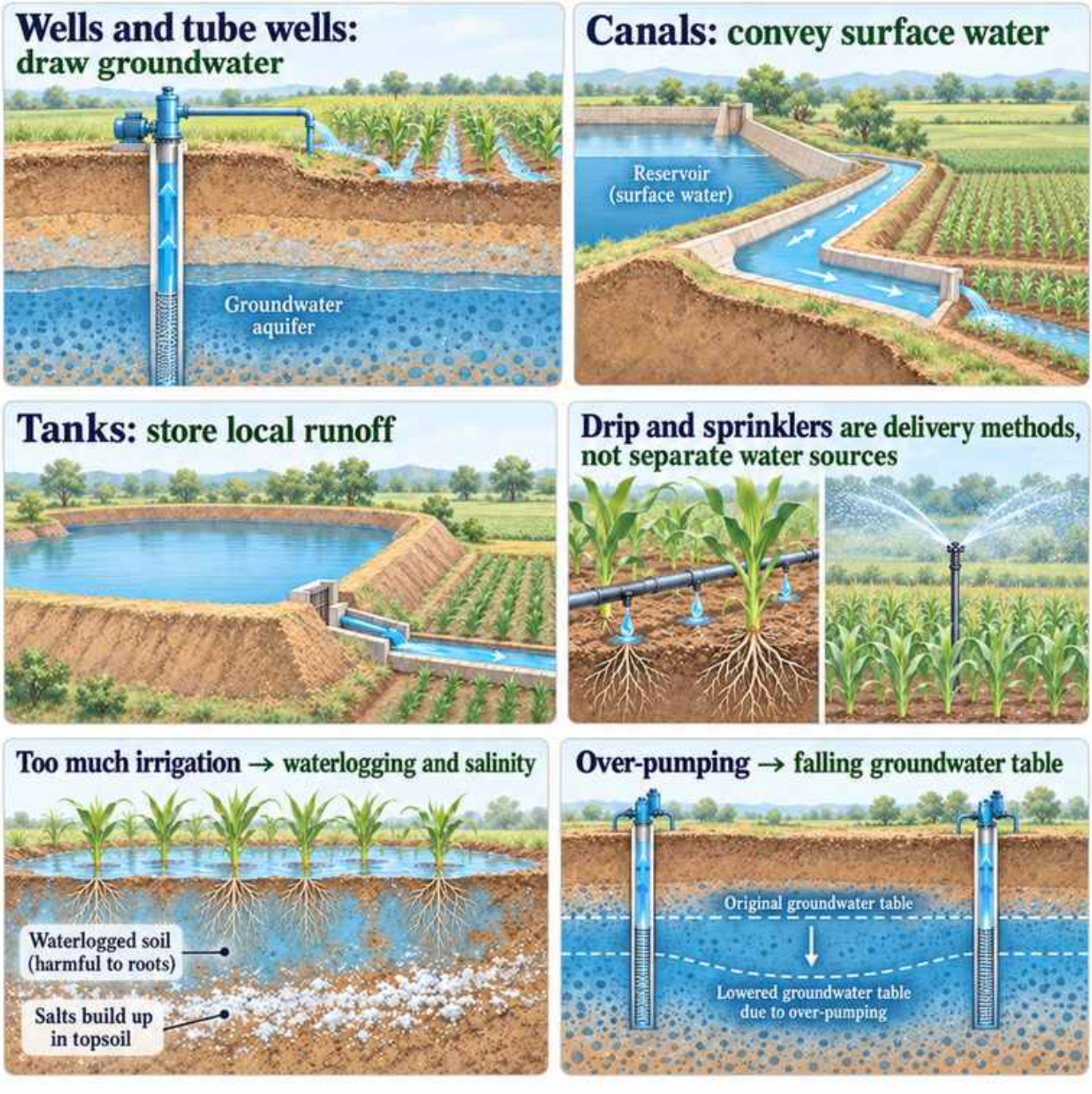
2 ÷ 1 × 100 = 200%



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DAY 8 | TOPIC 74 | 01

Four ways to bring water to crops



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DAY 8 | TOPIC 74 | 02

Drip or sprinkler?

DRIP

Small discharges near plant roots



SPRINKLER

Sprays water over the crop and soil



Per Drop More Crop
supports drip and sprinkler systems

Since 2022–23:
under RKVY

Assistance rates

Small & marginal farmers: 55%

Other farmers: 45%

Source: Economic Survey 2025–26; PIB, 29 August 2026

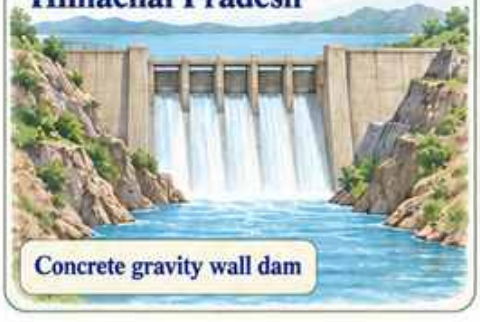
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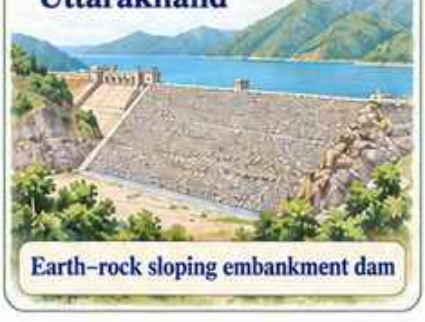
Match the project to the river



Bhakra:
Himachal Pradesh



Tehri:
Uttarakhand





Polavaram: national project; under construction



Indira Gandhi Canal begins at Harike, Punjab; irrigates Rajasthan

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Irrigation schemes: read the timeline

1974–75

Command Area Development: use created irrigation potential



1996–97

AIBP: speed up unfinished major and medium projects



2015–16

PMKSY: irrigation and water-use framework



2019

Atal Bhujal Yojana: community groundwater management



2022–23

Per Drop More Crop moves to RKVY





LTIF: major and medium priority projects; initial corpus about **₹20,000 crore**



MIF: micro-irrigation; initial **₹5,000 crore** plus **₹5,000 crore** augmentation approved in 2024

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DAY 8 | TOPIC 74 | 05

Size classes use culturable command area



1,000 ha

MINOR

2,000 ha or less



5,000 ha

MEDIUM

above 2,000 and up to 10,000 ha



15,000 ha

MAJOR

above 10,000 ha

Classify using culturable command area (CCA)

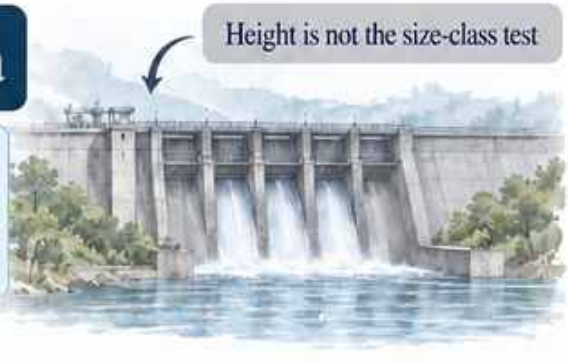
1,000 ha → minor

5,000 ha → medium

15,000 ha → major

CCA = culturable command area

Classify by cultivable area served, not dam height, cost or storage.



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MSP: recommendation to procurement

1. CACP recommends



CACP recommends MSP for 22 mandated crops.

2. Union Government approves



Union Government approves MSP based on CACP's recommendations.

3. Procurement agencies buy



Procurement agencies buy at MSP under scheme rules.

22 mandated crops



MSP is announced for 22 mandated crops.

Sugarcane is different



Sugarcane uses FRP, not MSP.

Farmer's choice



Farmer can choose to sell either in the market or at a procurement centre.

Important point



Announcement of MSP does not mean unlimited guaranteed procurement of every crop.

Different concepts

Price support (MSP)



A declared minimum price for a crop.

Procurement



Actual purchase by procurement agencies under scheme rules.

Food stocks



Grain kept in government stocks after procurement.

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A2, A2+FL and C2: what is counted?

A2 paid-out costs

Includes actual paid-out costs incurred by the farmer.



A2 paid-out costs



Add imputed family labour
= A2+FL

A2+FL



C2 additional components

C2

Policy margin

at least 50% over all-India weighted average A2+FL since 2018–19.



C2 and A2+FL are different bases.

C2 includes owned-land rent and interest on owned fixed capital, in addition to A2+FL components.

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Which crops receive price support?

14 kharif crops (receive MSP)



Total: 14 kharif crops receive MSP.

6 rabi crops (receive MSP)



Toria → Toria is linked to rapeseed/mustard (not a separate mandated MSP crop).

Total: 6 rabi crops receive MSP.

2 other crops (receive MSP)



Total: 2 other crops receive MSP.

Sugarcane (FRP)



Sugarcane receives FRP (not MSP).

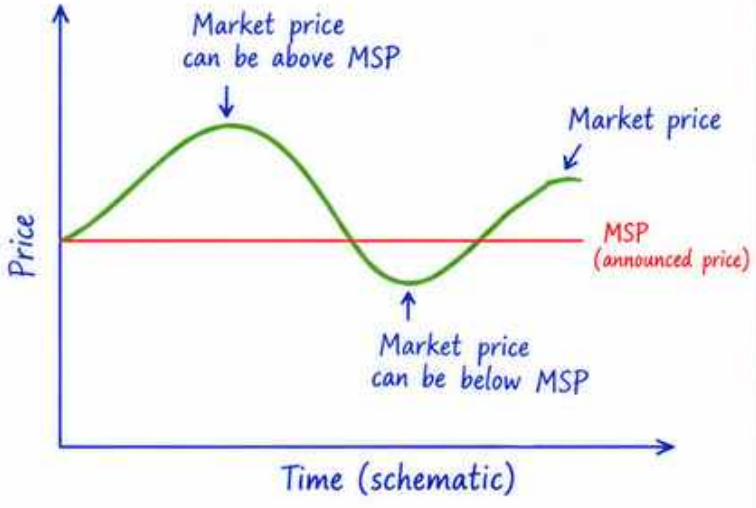
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Why MSP and market price can differ



Market price can be above or below MSP



Why differences arise



Access to procurement
Only part of the produce is procured at MSP. Farmers may not always have access to procurement.



Quality norms
Procurement is subject to quality norms. Produce not meeting the specified quality may not be procured at MSP.



Crop coverage
MSP is announced for specific crops. Not all crops are covered.

Food security stockholding



WTO peace clause



- Conditional and limited.
- Covers traditional staple food crops.
- Applies under eligible programmes existing on 7 December 2013.
- Relates to specified domestic-support obligations.
- Not a blanket immunity or unlimited procurement.

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GST: follow the value added



	Producer	Wholesaler	Retailer	Consumer
Value before tax (₹)	100	150	200	–
Output tax @ 10% (illustrative rate)	10	15	20	–
Input tax credit (₹)	0	10	15	–
Net tax paid (₹)	10	5	5	–

Total tax collected = 10 + 5 + 5 = 20

- Each business offsets GST paid on inputs against its output tax.
- Goods and services flow forward in the chain.
- GST is a destination-based tax and the burden is on final consumption.

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CGST, SGST, UTGST and IGST

Intra-State supply



CGST + SGST

Inter-State supply



IGST

Supply in a Union Territory without legislature



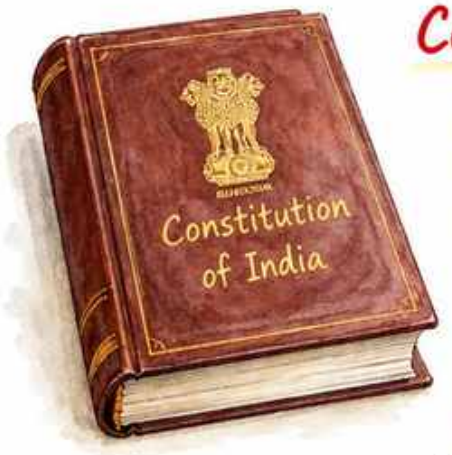
CGST + UTGST
(where applicable)

Imports



IGST

Imports are subject to IGST.



Constitution connections

- Article 246A ⟶ Legislative power for GST.
- Article 269A ⟶ Inter-State levy and apportionment.
- Article 279A ⟶ GST Council.
- Article 366(12A) ⟶ Definition of GST.

Inter-State GST legislation is exclusively under Parliament as per Article 246A(2).

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GST Council: votes have weights

Union Finance Minister chairs the GST Council.

Union MoS Finance/ Revenue is a member of the Council.

State finance/tax ministers are members of the Council.



Quorum

Half total members of the Council.



Decision threshold

At least three-fourths of the weighted votes present and voting.



Weights of votes

Centre → one-third

States together → two-thirds

Vice-chair

Selected by State members from among themselves.



How recommendations operate

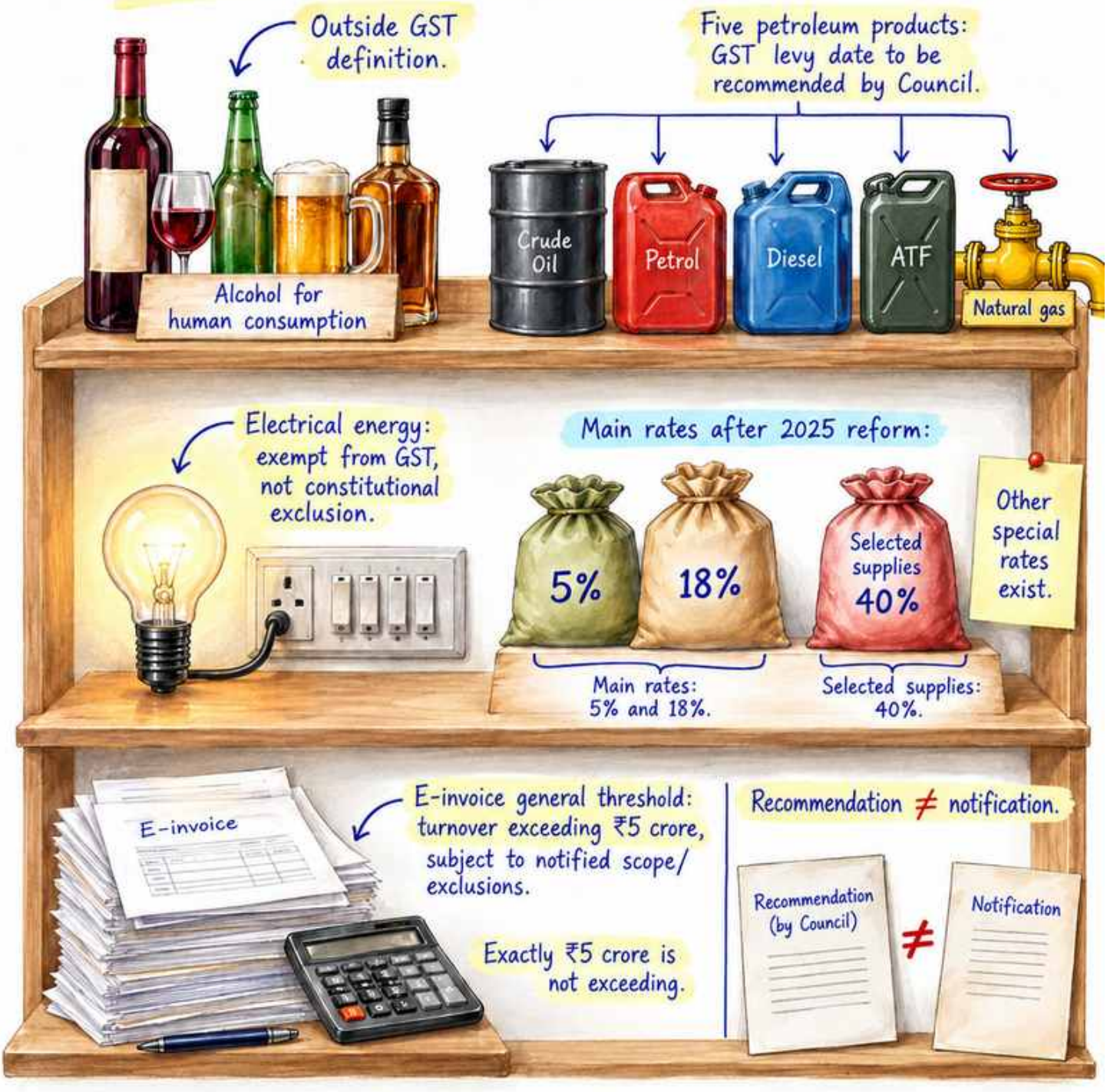
Recommendations require appropriate law/notification to operate.



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GST: boundaries that exams test



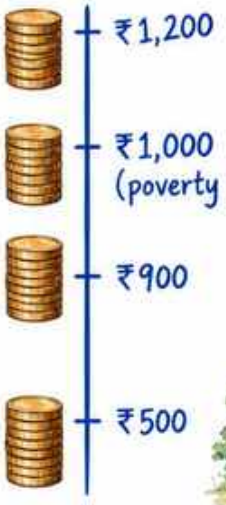
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Poverty: incidence and depth

Absolute poverty:
inability to meet a defined basic-needs standard





An absolute line is updated for prices; it is not frozen in nominal rupees.

Relative poverty:
judged against society's living standard, often a share of median income.



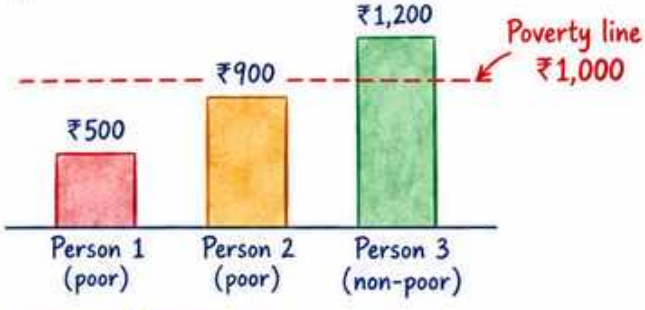
MPI adds overlapping deprivations in health, education and living standards.

India's traditional poverty line compares monthly per capita consumption expenditure (MPCE), not income.

Headcount ratio:
people below the line ÷ total population.

Poverty gap index:
average proportional shortfall from the line across everyone; non-poor count as zero.

Illustration: line ₹1,000; three people spend ₹500, ₹900 and ₹1,200.



HCR = 2/3 = 66.7%
Poverty gap = (0.50 + 0.10 + 0) / 3 = 20%

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How the poverty line evolved



1901 • Dadabhai Naoroji

Poverty and Un-British Rule in India highlighted colonial impoverishment



1962 • Working Group

Suggested monthly per-person lines at 1960-61 prices:

₹20 rural; **₹25** urban



1971 • Dandekar and Rath

Study based on NSS consumption data;

2,250 calories per person per day



1979 report • Y.K. Alagh (appointed 1977)

Rural: **2,400** kcal/day → **₹49.09** /month

Urban: **2,100** kcal/day → **₹56.64** /month

Lines at 1973-74 prices, applied uniformly across States



1993 report • D.T. Lakdawala (constituted 1989)

Retained the base baskets; introduced State-specific lines reflecting price differences

Rural updates: **CPI-AL** | Urban updates: **CPI-IW**

Report year and appointment year are different

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Tendulkar and Rangarajan compared

2011–12 estimates • poverty lines per person per month

Tendulkar • report 2009

- One common reference basket, priced separately for rural and urban areas
- Moved away from a fixed calorie anchor; considered health and education spending
- Mixed Reference Period (MRP)





Rural



Urban

Rural line: ₹816 | Urban line: ₹1,000

Rural poor: 25.7% | Urban poor: 13.7%

All India: 21.9% • 26.93 crore

Rangarajan • report 2014

- Separate rural and urban baskets
- Food norms: calories + protein + fat
- 2,155 kcal rural; 2,090 kcal urban daily
- Modified Mixed Reference Period (MMRP)



Rural basket
(2,155 kcal daily)



Urban basket
(2,090 kcal daily)



Rural



Urban

Rural line: ₹972 | Urban line: ₹1,407

Rural poor: 30.9% | Urban poor: 26.4%

All India: 29.5% • 36.3 crore

Official Tendulkar series: 45.3% (1993-94) → 37.2% (2004-05) → 21.9% (2011-12)

Different methods give different estimates for the SAME year

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Recall periods and consumption surveys

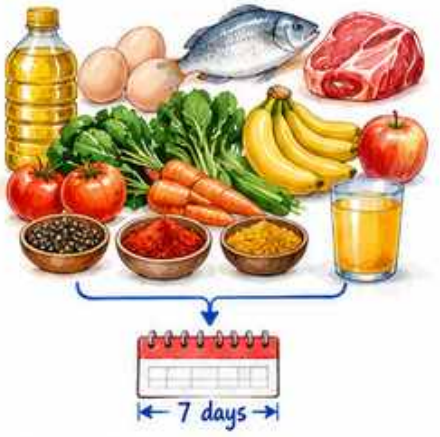
URP: preceding 30 days for all items



MRP: 365 days for clothing, footwear, durables, education and institutional medical care; 30 days for the rest



MMRP: 7 days for selected foods, 365 days for those five low-frequency groups, 30 days for the rest



Selected foods include edible oil, eggs, fish, meat, vegetables, fruit, spices, beverages and processed foods

Average MPCE • excluding imputed value of free items



HCES 2022-23:
₹3,773 rural | ₹6,459 urban

HCES 2023-24:
₹4,122 rural | ₹6,996 urban

Urban-rural gap: 71% → 70%



Average consumption is NOT a poverty line or poverty ratio

A poverty ratio needs a chosen line and a specified method

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Global MPI: ten weighted deprivations

UNDP + OPHI • launched 2010 • Alkire-Foster method

Three dimensions: each has 1/3 total weight

Health

- Nutrition 1/6
- Child mortality 1/6

Education

- Years of schooling 1/6
- School attendance 1/6

Living standards

- Cooking fuel
- Drinking water
- Housing
- Sanitation
- Electricity
- Assets

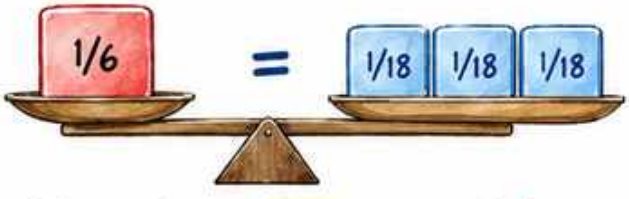






Each living-standard indicator weighs 1/18

1 health/education indicator = 3 living-standard indicators



Poor when weighted deprivation score is AT LEAST 1/3

Example: 1/6 + 3/18 = 1/3 → counted as poor

MPI = H × A

H: share of population who are poor
A: average weighted deprivation among the poor

Example: H = 40%, A = 50% → MPI = 0.20

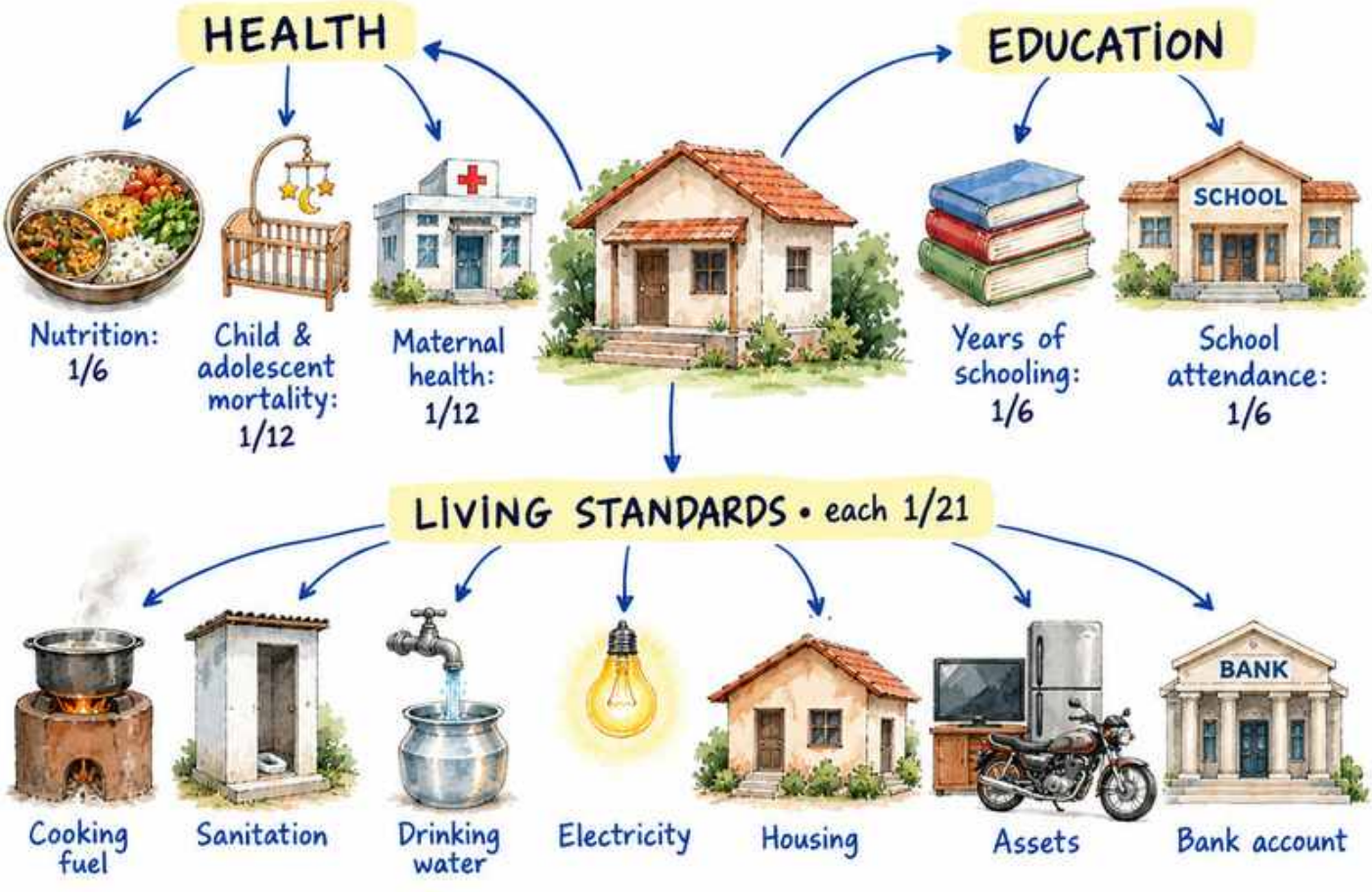
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India's National MPI: twelve indicators

- NITI Aayog • technical partners: UNDP and OPHI
- Uses National Family Health Survey (NFHS) data

Three dimensions, each weighted 1/3



Two additions to the global MPI: maternal health and bank account

Bank-account deprivation: no household member has a bank or post-office account

Poor at a weighted deprivation score of at least 1/3

National MPI has 12 indicators; global MPI has 10. Their rates are not interchangeable

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MPI: survey evidence and projections

SURVEY-BASED • National MPI



NFHS-3, 2005-06:
- H 55.34%
- A 54.96%
- MPI 0.304

NFHS-4, 2015-16:
- H 24.85%
- A 47.14%
- MPI 0.117

NFHS-5, 2019-21:
- H 14.96%
- A 44.39%
- MPI 0.066

2015-16 to 2019-21:
13.5 crore left multidimensional poverty

Andhra Pradesh:
11.77% → 6.06%

2019-21 extremes:
Bihar 33.76%;
Kerala 0.55%

MODELLED • NITI discussion paper, January 2024



2013-14:
29.17%
(interpolated)

2022-23:
11.28%
(extrapolated)

Estimated decline:
24.82 crore in nine years

These endpoints are not fresh survey measurements

H = incidence; A = intensity. All figures refer to their stated years

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Keep the yardsticks and dates separate

WORLD BANK • June 2025 update

- International extreme-poverty line: **$3.00/day at 2021 PPP**
- Replaced $2.15/day at 2017 PPP; PPP is not the market exchange rate
- India, 2022-23: **5.3%** under $3.00; **2.3%** under the old $2.15 line
- These are World Bank estimates, not India's domestic poverty-line series



GLOBAL MPI • 2026 edition, released 12 October

- 108 countries • 1.2 billion people • 18.9% of covered population
- India uses the 2019-21 survey: **H 16.4%, A 42.0%, MPI 0.069**
- Global 16.4% and National 14.96% use different indicator systems



SDG TARGET 1.2

- By 2030, reduce by at least half the proportion of people living in poverty in all its dimensions, according to national definitions



Always read the method, threshold, survey year and publication year together

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Day 11 • Topic 105 • 1/4

SPECIAL CATEGORY STATUS

The historical system

THE NDC AND PLAN ASSISTANCE

- National Development Council (NDC), for central plan assistance
- **1969**: Gadgil formula gave special-category States first claim on central assistance for State plans
- **1990 revision; December 1991**: NDC adopted the Gadgil–Mukherjee formula after further revision



FIVE FEATURES, CONSIDERED TOGETHER



Integrated consideration: no single feature automatically secured the status

HISTORICAL LIST: 11 STATES

- **North East (8):** Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura
- **Northern Himalayan (3):** Himachal Pradesh, Jammu and Kashmir, Uttarakhand

This is the February 2019 list. Jammu and Kashmir became a Union Territory on 31 October 2019

HISTORICAL FUNDING BENEFIT

Priority in plan assistance; favourable funding of centrally sponsored schemes

2016 core-scheme pattern: Centre : State

- 90 : 10 for 8 North Eastern + 3 Himalayan States
- 60 : 40 for other States

This describes the 2016 decision, when Jammu and Kashmir was a State

REMEMBER

NDC granted the status. The Finance Commission did not grant it.

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DAY 11 • TOPIC 105 • 2/4

The fiscal transition from 2015

Fiscal reform and Andhra Pradesh's promise

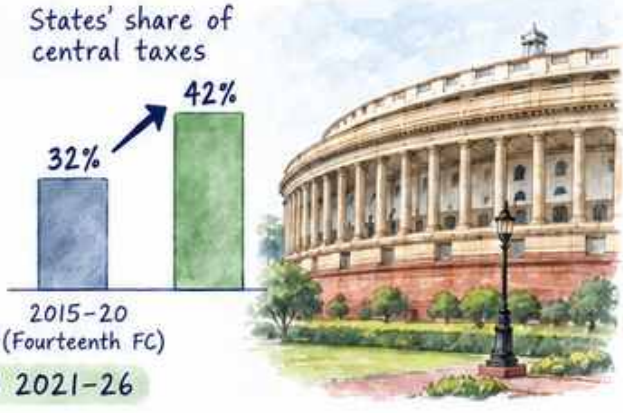
THE INSTITUTIONAL TRANSITION

- 15 August 2014: Prime Minister announced that a new institution would replace the Planning Commission
- The Planning Commission continued through 31 December 2014
- 1 January 2015: NITI Aayog replaced it by Cabinet resolution



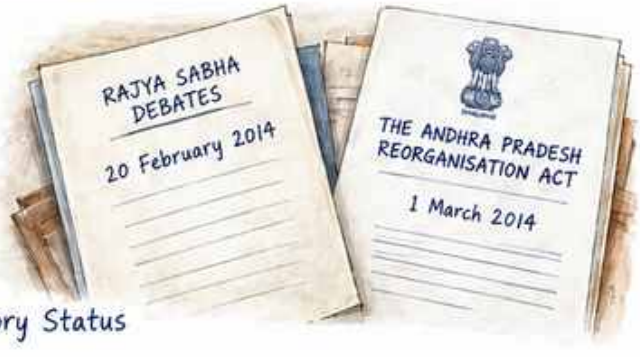
THE FOURTEENTH FINANCE COMMISSION

- Award period: 2015–20
- Made no distinction between general-category and special-category States in sharing Union taxes
- States' share of central taxes: 32% → 42%
- Recommended post-devolution revenue deficit grants where tax devolution left a gap
- Andhra Pradesh's recommended revenue deficit grant: ₹22,112 crore for 2015–20
- Fifteenth Finance Commission: 41% for 2020–21 and 2021–26



THE AP PROMISE CAME FIRST

- 20 February 2014: Prime Minister Manmohan Singh told the Rajya Sabha that successor Andhra Pradesh would receive Special Category Status for five years
- 1 March 2014: Presidential assent to the Andhra Pradesh Reorganisation Act
- The promise was a parliamentary statement. The Act contains no provision granting Special Category Status



KEEP THREE THINGS SEPARATE

Special Category Status: historical NDC classification | Tax devolution: Finance Commission recommendations | Special assistance: a financial measure for Andhra Pradesh | They are different mechanisms

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AP'S SPECIAL ASSISTANCE

What the 2017 Cabinet decision actually provided

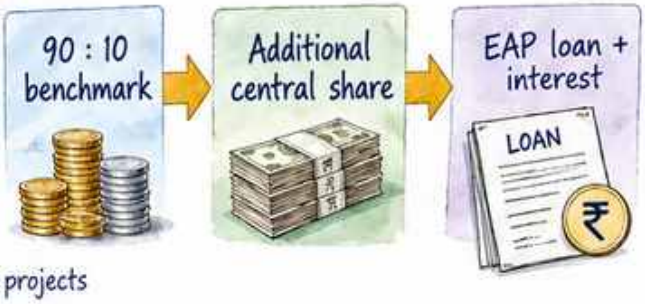
- September 2016: measure announced
- 15 March 2017: Union Cabinet approved it

The measure provided financial assistance in place of Special Category Status



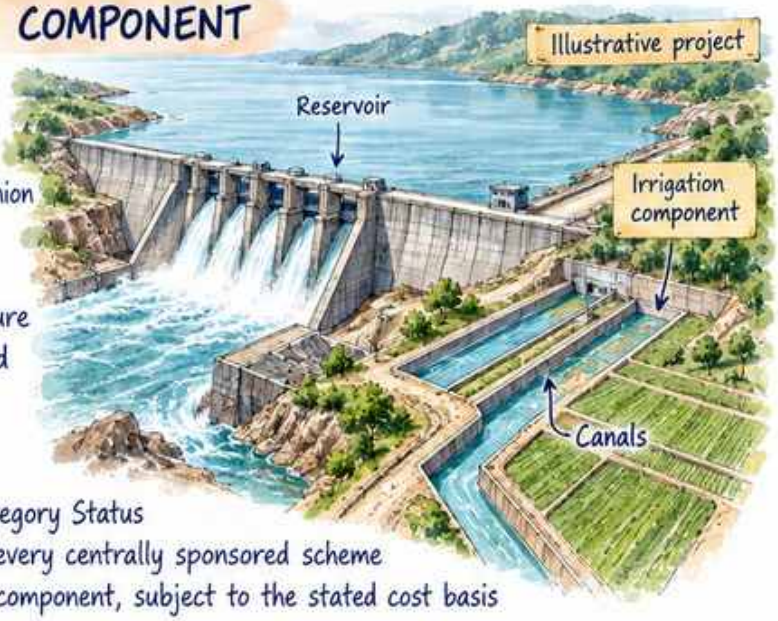
1 EXTERNALLY AIDED PROJECTS

- Reference years: 2015–16 to 2019–20
- Measure the additional central share AP might have received if centrally sponsored schemes had used a 90 : 10 Centre–State ratio
- Deliver that equivalent assistance by repaying loan principal and interest on externally aided projects signed and disbursed by the State during those years
- 90 : 10 is the yardstick. The payment route is externally aided projects



2 POLAVARAM: IRRIGATION COMPONENT

- Union to fund 100% of the remaining irrigation-component cost from 1 April 2014, limited to that component's cost as on that date
- The State executes the project on behalf of the Union
- Polavaram Project Authority: coordination, quality control, design and monitoring
- Cost assessed with the Department of Expenditure
- Section 90 of the 2014 Act had already declared Polavaram a national project



SCOPE MATTERS

- The assistance did not grant AP Special Category Status
- It did not promise to pay AP's own share in every centrally sponsored scheme
- Polavaram coverage concerned the irrigation component, subject to the stated cost basis

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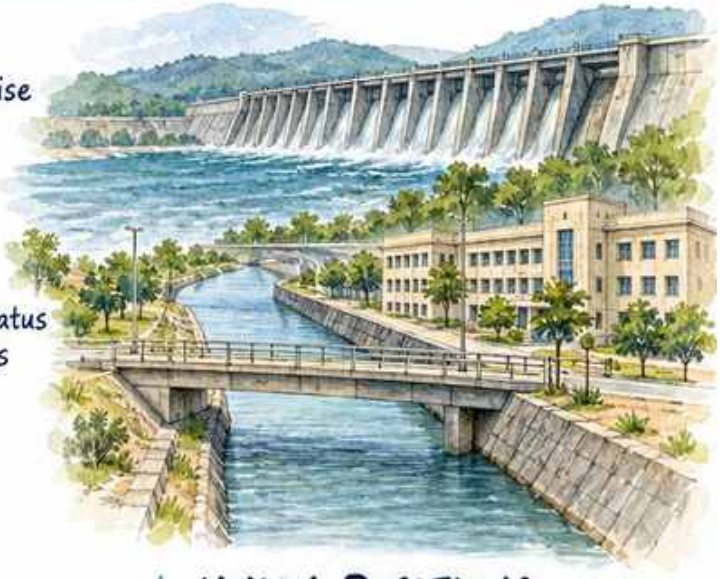
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AP: DATES & FUNDING

Separate the status demand from the release heads

A SHORT CHRONOLOGY

- 20 February 2014 → five-year status promise in Rajya Sabha
- 7 September 2016 → special assistance announced
- 15 March 2017 → Cabinet approval
- 16 March 2018 → TDP left the NDA over status and Act-related promises
- 26 May 2019 → AP's charter of demands included the status
- 9 March 2024 → TDP rejoined the NDA



RELEASES UP TO 2018-19

Lok Sabha reply, 22 July 2019 • ₹ crore

Resource gap, Section 46(2)	3,979.50
Backward districts development	1,050.00
New capital city	2,500.00
Polavaram national project	6,764.70
EAP interest: special assistance	15.81
TOTAL	**14,310.01**

The first four heads flow from the Act. Only the EAP-interest entry is a release under the special assistance measure; it was paid in 2018-19.

UNION POSITIONS: READ WITH THEIR DATES

- **9 July 2019:** Home Ministry said the special-category class no longer exists following the Fourteenth Finance Commission
- **2 February 2022:** no proposal to grant the status to any State
- **22 July 2024:** Bihar's case was not made out under the NDC criteria, according to the March 2012 assessment

FINAL RECALL

2014 promise ≠ 2016 announcement ≠ 2017 approval
Special assistance did not make Andhra Pradesh a special-category State

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HDI: put people at the centre



- Human development expands people's choices, capabilities and opportunities, beyond income alone.
- Mahbub ul Haq developed the approach; Amartya Sen's capability work is foundational.
- UNDP's first Human Development Report (HDR), 1990, introduced HDI.

THREE DIMENSIONS, FOUR INDICATORS

Health



Life expectancy at birth.

Education



Expected years of schooling (children).

Mean years of schooling (adults 25+).

Living standard



GNI per capita in 2021 PPP dollars (HDR 2025).

- GNI = GDP + net primary income from abroad.
- PPP adjusts for differences in purchasing power.

HDI

2010 CHANGE

Before 2010

- Arithmetic mean.
- Literacy/enrolment.
- GDP per capita.

2010

- Geometric mean.
- Mean/expected schooling.
- GNI per capita.



A high income cannot fully compensate for weak health or education.

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From four indicators to ONE index

1. HDR 2025 GOALPOSTS

Indicator	Minimum	Maximum
Life expectancy	20 years	85 years
Expected schooling	0 years	18 years
Mean schooling	0 years	15 years
GNI per capita (2021 PPP dollars)	100	75,000

- These are the minimum and maximum values (goalposts) used in HDR 2025 to convert each indicator into an index between 0 and 1.
- GNI per capita is measured in 2021 PPP dollars.

2. Convert each indicator into an index

(a) Health index

$$\text{Health index} = \frac{(\text{Life expectancy} - 20)}{(85 - 20)}$$

(b) Education indices

$$\text{Expected schooling index} = \frac{\text{Expected years}}{18}$$

$$\text{Mean schooling index} = \frac{\text{Mean years}}{15}$$

$$\text{Education index} = \frac{\text{Expected schooling index} + \text{Mean schooling index}}{2}$$

(ARITHMETIC MEAN)

(c) Income index

$$\text{Income index} = \frac{\ln(\text{GNI}) - \ln(100)}{\ln(75{,}000) - \ln(100)}$$

Natural logarithms reflect diminishing gains from additional income.

3. Combine using geometric mean

Health index (H) × Education index (E) × Income index (I) →

$$\text{HDI} = \sqrt[3]{H \times E \times I}$$

4. HDI groups

Group	HDI value range
Low	below 0.550
Medium	0.550 – 0.699
High	0.700 – 0.799
Very high	0.800 and above

- HDI is an index between 0 and 1; it is not a percentage.
- The four groups classify countries based on their HDI value using the thresholds shown.

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HDI worked example: Country X

Input data: ILLUSTRATIVE COUNTRY X

Life expectancy	Expected schooling	Mean schooling	GNI per capita
72 years	13.5 years	7.5 years	10,000 PPP dollars

1 Health index

$$\frac{72 - 20}{(85 - 20)} = \frac{52}{65} = 0.800$$

Life expectancy index using minimum 20 and maximum 85 years.

2 Expected-schooling index

$$\frac{13.5}{18} = 0.750$$

Expected years of schooling index with maximum 18 years.

3 Mean-schooling index

$$\frac{7.5}{15} = 0.500$$

Mean years of schooling index with maximum 15 years.

4 Education index

$$\frac{0.750 + 0.500}{2} = 0.625$$

Average of expected-schooling and mean-schooling indices.

5 Income index

$$\frac{\ln 10{,}000 - \ln 100}{\ln 75{,}000 - \ln 100} = \frac{4.605}{6.620} \approx 0.696$$

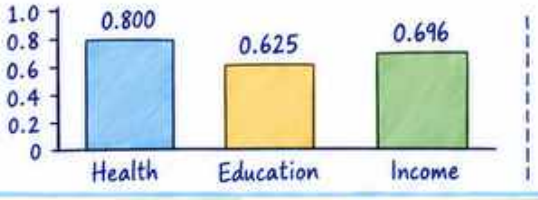
Income index using natural logarithms with minimum 100 and maximum 75,000 PPP dollars.

6 Human Development Index (HDI)

$$HDI = \sqrt[3]{0.800 \times 0.625 \times 0.696}$$

$$= \sqrt[3]{0.348} \approx 0.703 \rightarrow \text{HIGH group.}$$

Indices comparison



Income index (0.696) is higher than education index (0.625) but lower than health index (0.800).

Why geometric mean?

Indices 0.9, 0.9, 0.3:

Arithmetic mean = $\frac{(0.9 + 0.9 + 0.3)}{3} = 0.700.$

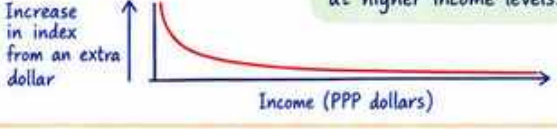
Geometric mean = $\sqrt[3]{0.9 \times 0.9 \times 0.3} = \sqrt[3]{0.243} \approx 0.624.$

A weak dimension pulls the combined score down.

Why logarithms?

Each extra dollar counts less as income rises.

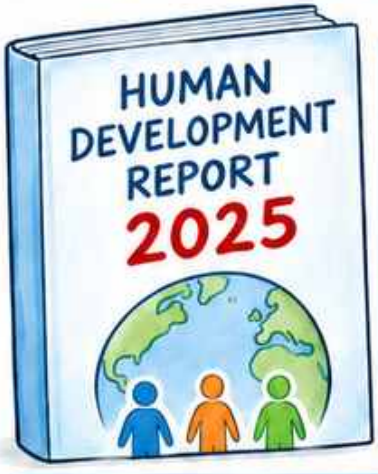
The same additional dollar raises the index by a smaller amount at higher income levels.



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India: report year is NOT data year



HUMAN DEVELOPMENT REPORT 2025

- Released **6 May 2025**; data year **2023**.
- 'A matter of choice: People and possibilities in the age of AI'.
- India: rank **130** of 193; HDI **0.685**; MEDIUM group.

Report year
HDR 2025 (released on 6 May 2025)

Data year
2023 (indicators in this report)

HDR 2025 SAME-EDITION SERIES

Indicator	2022	2023
Life expectancy (years)	71.70	72.00
Expected schooling (years)	12.96	12.95
Mean schooling (years)	6.57	6.88
GNI per capita (2021 PPP$)	8,475.68	9,046.76
HDI	0.676	0.685
Rank	133	130

Use 133 → 130 for the improvement in this edition (2022 to 2023).

REVISION TRAP



HDR 2023/24 printed **0.644** and rank **134** for 2022.



HDR 2025 recalculated that same 2022 year to **0.676** and **133**.

⚠ Do not compare ranks / values across different editions.

What the key indicators mean (explanatory only):

Life expectancy: average number of years a person is expected to live at birth.

Education indicators: Expected and mean years measure schooling quantity, not learning quality.

As of 16 October 2026: latest global report is HDR 2025.

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Inequality and gender: different questions

IHDI: Inequality within each dimension

Adjusts health, education and income for unequal distribution using Atkinson inequality measures.

Without inequality: IHDI = HDI.
The gap is the loss.

India, HDR2025 (2023 data):

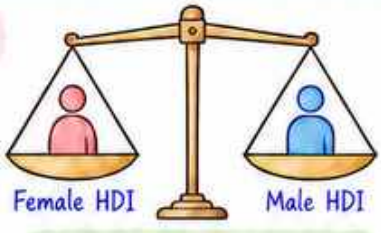
HDI (unadjusted):	IHDI (inequality-adjusted):
0.685	0.475

Inequality loss: 30.7%

GDI: Female HDI ÷ Male HDI

Same three dimensions as HDI.
Parity = 1.

Five groups: group 1 within 2.5% of parity; group 5 more than 10% away.



GDI = Female HDI ÷ Male HDI

Parity = 1

India (HDR2025, 2023 data):

GDI = 0.874
group 5

GII: Gender disadvantage

GII
Gender Disadvantage

Reproductive health	Empowerment	Labour market
• maternal mortality • adolescent birth rate	• parliamentary seats • secondary education	• labour-force participation

India (HDR2025, 2023 data):

GII = 0.403
rank 102

Dates matter

1995	2010	2014
Earlier gender-related index.	GII introduced.	Present ratio-based GDI introduced.

GDI and GII are not interchangeable.

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Beyond one national average

Multidimensional Poverty Index (MPI)

- Overlapping acute deprivations in health, education and living standards.
- Developed by UNDP with OPHI.



health deprivations



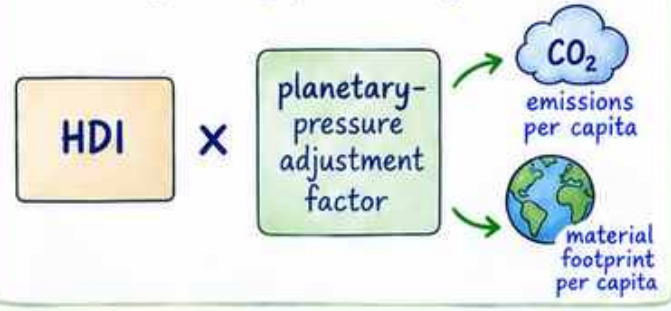
education deprivations



living standard deprivations

Planetary pressures-adjusted Human Development Index (PHDI)

- Adjusts HDI for CO_2 emissions per capita and material footprint per capita.
- HDI × planetary-pressure adjustment factor.



ANDHRA PRADESH

Global Data Lab Subnational HDI, version 10.2, 2023:

Year	Andhra Pradesh	India
2023	0.681	0.685
2022	0.673	0.676

- These are subnational database values, not a new UNDP country ranking.
- Historical note: India Human Development Report 2011: 'Towards Social Inclusion', Planning Commission.

INDIA'S LONG TREND (HDR 2025 series)

Source: HDR 2025, consistent historical series.

Indicator	1990	2023
HDI	–	rose over 53% since 1990
Life expectancy (at birth, years)	58.6	72 (1990 → 2023)
Expected schooling (years)	8.2	about 13
GNI per capita (PPP dollars)	2,167.22	9,046.76

Coverage and limitations



- **Averages hide inequality and poverty:** Schooling years miss learning quality.
- **Not fully captured:** Security, empowerment, unemployment, democracy and sustainability are not captured fully.
- **Data revisions:** Data revisions can change values, groups and ranks.

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Balance of Payments: follow the transaction

- BoP records transactions between residents and the rest of the world over a period.
- It is a **FLOW** account, usually quarterly or annual.
- Residence, not citizenship, decides who is domestic.

Residents (India)



Payments to the rest of the world (debits, −)

Balance of Payments (BoP)

Receipts from the rest of the world (credits, +)

Rest of the World



CURRENT ACCOUNT: FOUR PARTS

Goods



Merchandise exports and imports.

Services



e.g. software and other business services.

Primary income



Investment income and compensation of employees.

Secondary income



Current transfers, including personal transfers.

CAPITAL AND FINANCIAL ACCOUNT

FDI, portfolio investment, loans, deposits and reserve assets (RBI's combined block B).



FDI | Portfolio investment | Loans and deposits | Reserve assets (RBI's combined block B)

- A foreign investment enters block B; its dividend/interest enters primary income.

FLOW vs STOCK

FLOW (transaction)



Transaction-related change during a period. BoP is a FLOW account, usually quarterly or annual.

STOCK (level)



A reserve LEVEL on a date is a STOCK. The transaction-related change during a period is a FLOW.

RBI PUBLICATION



- RBI publishes India's BoP in US dollars; preliminary releases may later be revised.

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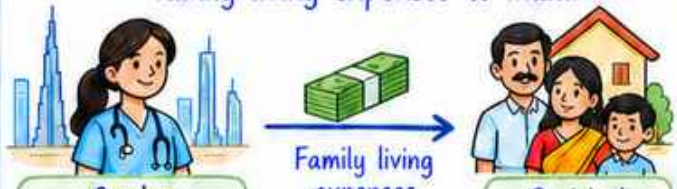
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Same money movement? Different account.

CLASSIFY THE PURPOSE AND RESIDENCE

1. Family living expenses

UAE-resident nurse sends family living expenses to India.



Sender: UAE-resident nurse (nonresident)

Recipient: Family in India (resident)

SECONDARY INCOME (personal transfer).

2. NRI bank deposit

Same nonresident places savings in an Indian NRI bank deposit.



Sender: UAE-resident (Nonresident)

Recipient: Indian bank (resident)

CAPITAL AND FINANCIAL ACCOUNT
Bank liability to nonresident.

3. Investment earnings

Foreign investor receives investment earnings from India.



Sender: India (resident)

Recipient: Foreign investor (nonresident)

PRIMARY INCOME

4. Software services

Indian firm earns software fees from abroad.



Fee recipient: Indian firm (resident); receives payment

Fee payer: Foreign client (nonresident); pays fee

SERVICES



A short-term employee may remain an Indian resident: compensation of employees is primary income. Citizenship alone is insufficient.

ACCOUNT CLASSIFICATIONS

Broad asset-account convention

- 'Capital account' broadly includes international asset transactions.

IMF BPM6

- Capital transfers/non-produced non-financial assets in CAPITAL account.
- Investment, loans and reserves in FINANCIAL account.

RBI 2026

- Combines capital and financial accounts as block B.

Do not mistake a difference in labels for a different transaction.

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Trade deficit is only PART of the story.

- BALANCE OF TRADE = goods exports − goods imports.
- NET INVISIBLES = services + primary income + secondary income (net balances).
- CURRENT ACCOUNT = trade balance + net invisibles.
- BoP covers goods, services, income, transfers AND assets; trade balance covers goods only.

2025-26 RBI SNAPSHOT (US$ billion; release 8 June 2026)

Goods balance (Trade balance)



−337.3

Goods exports − goods imports.

Net invisibles

Services (net)



+216.6

e.g. IT, travel, transport, other services.

Primary income (net)



−48.2

e.g. investment income (interest, dividends, profits).

Secondary income (net)



+143.6

e.g. remittances, grants, other current transfers.

Net invisibles ≈ +312.0

Current account



−25.2 (deficit)
(0.6% of GDP)

Current account = trade balance + net invisibles.

Current account deficit

Displayed components: −337.3+312.0 = −25.3
RBI-reported balance: −25.2 (rounding)

- Rounded components may not add exactly.

A large goods deficit can coexist with a much smaller CAD.

HOW A CAD IS FINANCED

Net investment inflows



e.g. FDI, portfolio investment.

Borrowing or asset sales



e.g. external borrowing, and sale of domestic assets to non-residents.

Draw down official reserves (if insufficient)



Net investment inflows, borrowing or asset sales. If these are insufficient → draw down official reserves.



With a zero capital-account balance, a current-account surplus corresponds to net lending abroad; a deficit to net borrowing.

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Why the accounts balance despite a deficit

- **DOUBLE ENTRY:** each transaction has a credit and a debit.
- **RBI IDENTITY:** **A** (current account) + **B** (capital/financial account INCLUDING reserves) + **C** (errors and omissions) = 0.
- **C** balances recording gaps and may be positive or negative.

A. Current account (autonomous)

Trade in goods and services, primary income and secondary income.

Made for their own purpose.

B. Capital/financial account (including reserves)

Capital transfers and financial account (FDI, FPI, loans, other investment, reserve assets).

Both autonomous and accommodating transactions.

C. Errors and omissions

Residual item that balances recording gaps.

May be positive or negative.

RBI BALANCE OF PAYMENTS ACCOUNT

	Debits (−)	Credits (+)
A. Current account	−	+
B. Capital/financial account (including reserves)	−	+
C. Errors and omissions	−	+
Total	−	+

RESERVE-ASSET SIGN IN RBI's BoP TABLE

- Increase in reserves → **MINUS** in RBI's BoP table.
- Decrease in reserves → **PLUS**.

WORKED EXAMPLE: APRIL – JUNE 2026 (US$ billion; release 1 Sept 2026)

1. Given (overall RBI identity):
   A = −4.2; **B** = +2.6; **C** = +1.6.
   Check: −4.2 + 2.6 + 1.6 = 0.
2. Reserve assets entry:
   +8.1 (reserves fell).
3. B excluding reserves:
   2.6 − 8.1 = −5.5.
4. Overall balance before reserves:
   −4.2 − 5.5 + 1.6 = −8.1.

Thus a BoP deficit 8.1 required reserve financing 8.1.

Autonomous transactions: made for their own purpose.

Accommodating transactions: finance the gap; reserves are the main example.

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India's BoP: read the PERIOD and release

DATED RBI RELEASE SNAPSHOTS • NET US$ BILLION

Item	2024 – 25	2025 – 26	Apr – Jun 2026
Current account	−22.9	−25.2	−4.2
CAD as % GDP	0.6%	0.6%	0.5%
Goods	−286.9	−337.3	−86.1
Services	188.8	216.6	51.6
Primary income	−48.3	−48.2	−10.5
Secondary income	123.5	143.6	40.8
Net FDI	1.0	6.9	6.1
Net FPI	3.6	−16.4	−9.6
NRI deposits	16.2	14.4	2.8
ECBs to India	18.5	14.2	3.3
B including reserves	21.5	25.4	2.6
Reserves: FALL on BoP basis	5.0	23.6	8.1
Errors/omissions	1.4	−0.1	1.6

- Annual figures: RBI release 8 June 2026.
- Quarter: 1 September 2026.
- 2024 – 25 partially revised; later periods preliminary in those releases.
- 'Of which' items do not sum to block B. Rounding may affect totals.

⚠ Jan – Mar 2026 alone: current-account SURPLUS 7.1 (0.7% GDP), despite the full-year deficit.

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Reserves: a STOCK, not the BoP flow.

RBI RESERVES AS ON 9 OCTOBER 2026

Published 16 October 2026 • US$ billion

Foreign currency assets	Gold	Special Drawing Rights	Reserve position in IMF
597.605	105.094	18.548	4.780

TOTAL = 726.027

FLOW vs VALUATION

Weekly reserve stocks change through transactions **AND** valuation effects (exchange rates/gold prices).

BoP reserve flows count transactions only. They need not equal the change in the weekly stock.

2025-26 FINANCING WORKED (8 June 2026 snapshot)

- B including reserves 25.4; reserve-decrease entry 23.6.
- B excluding reserves = 25.4 − 23.6 = 1.8.
- Overall balance = −25.2 + 1.8 − 0.1 = −23.5.
- About 23.6 of reserves financed the gap; difference is rounding.
- 2024-25 check: −22.9 + 21.5 + 1.4 = 0.



! Do not attribute the entire change to one capital-flow category.

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1991 crisis to convertibility

1991

BoP crisis.
Budget speech 24 July 1991 described reserves of about ₹2,500 crore financing imports for 'a mere fortnight' (two weeks).



1994

India accepted IMF Article VIII obligations and full current-account convertibility in August.



1997

S.S. Tarapore Committee on Capital Account Convertibility.



2006

Tarapore Committee on FULLER Capital Account Convertibility, report 31 July.



This does not mean India has unrestricted capital-account convertibility.

CURRENT-ACCOUNT CONVERTIBILITY

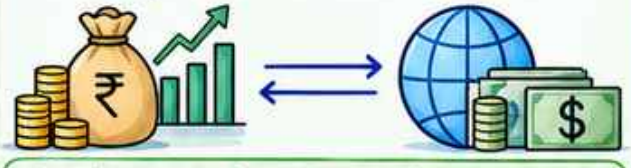
Freedom to convert for current transactions such as trade, services and remittances.



Current account = trade, services, remittances.

CAPITAL-ACCOUNT CONVERTIBILITY

Freedom to convert domestic financial assets into foreign assets and back at market rates.



Capital account = financial assets (e.g. investment).

RBI's ROLE

- RBI manages foreign exchange under FEMA 1999; it may sterilise liquidity effects of capital inflows.





REMITTANCE SNAPSHOTS

- Personal transfers Apr–Jun 2026: 42.9 bn, versus 33.2 bn a year earlier (RBI 1 Sept 2026).
- Economic Survey 2025-26: 2024-25 remittances 135.4 bn, provisional.



Always distinguish period, unit, residence and release vintage.

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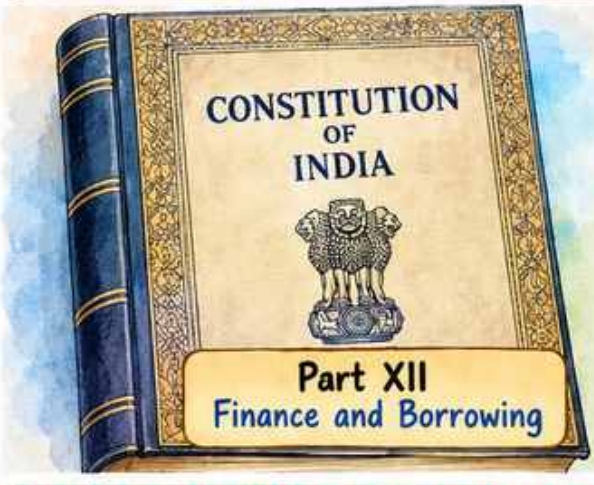
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CENTRE-STATE FINANCE: THE CONSTITUTIONAL PLAN

Centre-State financial relations are the rules, mainly in Part XII of the Constitution, that decide which government levies, collects and keeps each tax, how the Union's shareable taxes and its grants reach the States on the advice of the Finance Commission, and how far a State may borrow. The exam asks for the Articles, the Finance Commission's shares and criteria, and the place of cesses, surcharges and centrally sponsored schemes.

CONSTITUTIONAL ARCHITECTURE



Part XII, Chapter I ("Finance")



runs from Article 264 to Article 291.

Part XII, Chapter II ("Borrowing")



has Articles 292 (borrowing by the Union) and 293 (borrowing by the States).

TAXING POWERS: SEVENTH SCHEDULE (ARTICLE 246)

UNION LIST
carries the Union's taxes (entries 82 to 92B, and entry 97 for any tax not named in any list).



STATE LIST
carries the States' taxes (entries 45 to 63).



CONCURRENT LIST
has no head of taxation (Topic 64).



GST: THE ONE EXCEPTION



- Article 246A lets Parliament and every State Legislature make GST laws,
- but Parliament has exclusive power over inter-State supplies under Article 246A(2);
- the GST Council of Article 279A recommends rates and rules (Topic 85).

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TAX ROUTES: ARTICLES 268-270

Article 268

Stamp duties named in the Union List are levied by the Union, but in a State they are collected by that State and the proceeds stay with it. Since the 101st Amendment (2016) the Article no longer covers excise duties on medicinal and toilet preparations.



Article 269

Taxes on the sale or purchase of goods (other than newspapers) and on the consignment of goods, in the course of inter-State trade or commerce, are levied and collected by the Union, and the net proceeds, excluding those attributable to Union territories, are assigned to the States. Since 2016 clause (1) is subject to Article 269A.



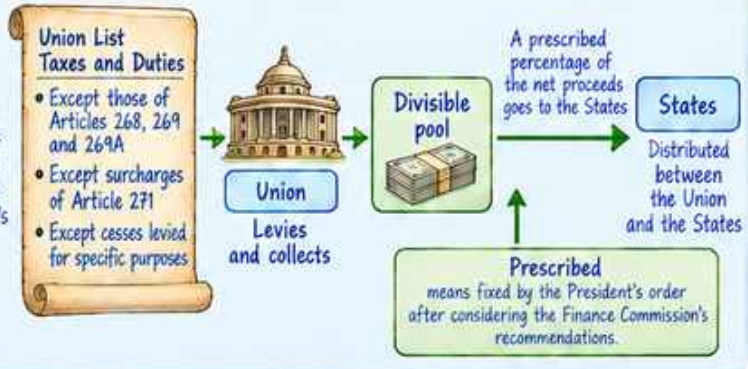
Article 269A

Integrated GST (IGST) on inter-State supplies is levied and collected by the Government of India and apportioned between the Union and the States, as Parliament provides by law on the GST Council's recommendations.



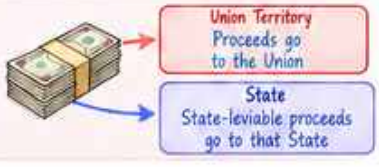
Article 270

All taxes and duties in the Union List, except those of Articles 268, 269 and 269A, the surcharges of Article 271 and cesses levied for specific purposes, are levied and collected by the Union and distributed between the Union and the States. This shareable part is the divisible pool. A prescribed percentage of the net proceeds goes to the States; "prescribed" means fixed by the President's order after considering the Finance Commission's recommendations. Clause (1A), added by the 101st Amendment, puts the GST that the Union collects under Article 246A(1), the Central GST, into the same sharing. Clause (1B) also shares the Union-apportioned IGST and the specified IGST amounts used to pay Central GST.



UT QUALIFICATIONS

Under Article268, Union-territory proceeds go to the Union; State-leviable proceeds go to that State.



ASSIGN vs DISTRIBUTE

Article269 assigns relevant net proceeds to States, excluding Union-territory proceeds. Article270 distributes shareable proceeds between Union and States.

Sources: S1, S2.

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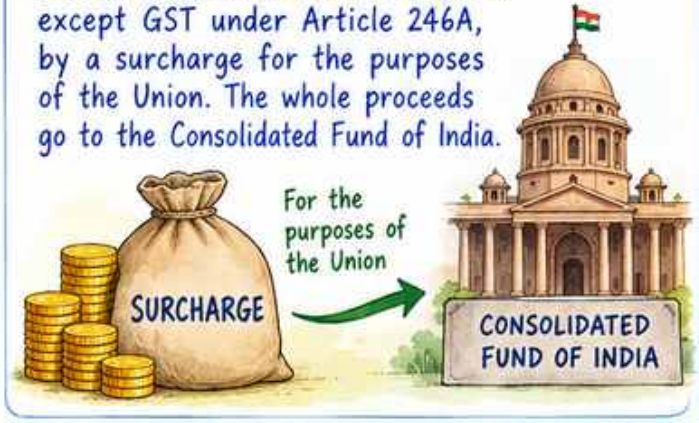
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SURCHARGES & THE FINANCE COMMISSION ARTICLES

Article 271

Parliament may at any time increase the taxes of Articles 269 and 270 except GST under Article 246A, by a surcharge for the purposes of the Union. The whole proceeds go to the Consolidated Fund of India.



Article 272

Omitted by the 80th Amendment.



Article 273

Grants in lieu of a share of the export duty on jute and jute products to Assam, Bihar, Orissa and West Bengal, for a limited period.



- Assam
- Bihar
- Orissa
- West Bengal

CESS FOR A SPECIFIC PURPOSE

Levied under a law of Parliament and collected by the Union. Excluded from the divisible pool; expenditure may benefit States.

Sources: S1, S2, S6.



Article 280

The President constitutes a Finance Commission within two years of the commencement of the Constitution and then at the end of every fifth year, or earlier if he thinks it necessary. It has a Chairman and four other members (duties in 2.5).



constitutes

Finance Commission



It has a Chairman and four other members (duties in 2.5).



within two years of the commencement of the Constitution and then at the end of every fifth year, or earlier if he thinks it necessary.

Article 281

The President lays every recommendation of the Finance Commission before each House of Parliament, with an explanatory memorandum on the action taken.



laid before each House of Parliament



with an explanatory memorandum on the action taken.

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GRANTS: ARTICLE 275 vs ARTICLE 282

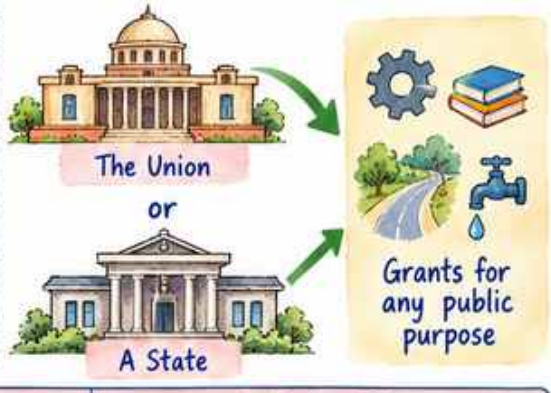
275

Grants-in-aid that Parliament provides by law, charged on the Consolidated Fund of India, to States in need of assistance; different sums may be fixed for different States (details in 2.4)



282

The Union or a State may make grants for any public purpose, even if the purpose is not one on which Parliament or the State Legislature, as the case may be, can make laws



Point	Article 275	Article 282
Who gives	The Union, as Parliament provides by law	The Union or a State
To whom	States that Parliament decides are in need of assistance	For any public purpose
Charged on the Consolidated Fund of India	Yes, every year	No such provision
Finance Commission's role, and main use	It recommends the principles of these grants (Article 280(3)(b)); used for the Finance Commission's grants	None, as the Sixteenth Finance Commission notes; used mainly for the centrally sponsored schemes (2.9)

First proviso to Article 275(1):
the grants include capital and recurring sums for schemes of development, approved by the Government of India, to promote the welfare of the Scheduled Tribes in a State or to raise the level of administration of the Scheduled Areas to that of the rest of the State.



Sources: S1, S6.

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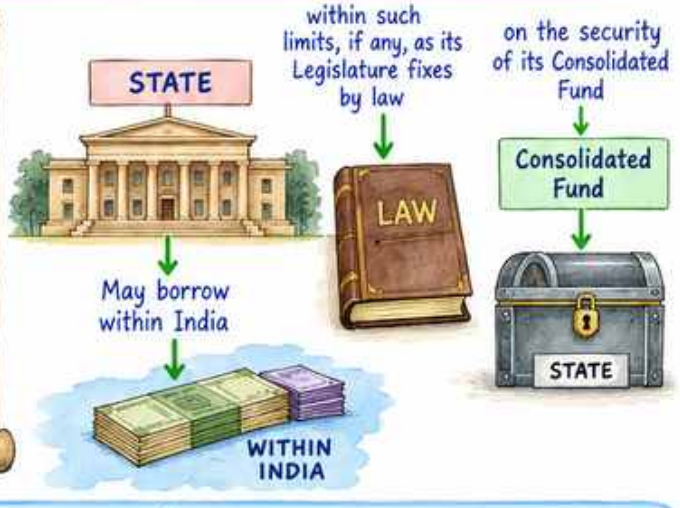
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STATE BORROWING: CONSENT & CEILINGS

| 293 |

A State may borrow within India, on the security of its Consolidated Fund, within such limits, if any, as its Legislature fixes by law. If any part of a loan made to it by the Government of India, or guaranteed by it, is still outstanding, the State may not raise any loan without the consent of the Government of India, which may attach conditions.



If any part of a loan made to it by the Government of India, or guaranteed by it, is still outstanding → State may not raise any loan without the consent of the Government of India → GOVERNMENT OF INDIA → which may attach conditions → CONDITIONS

NET BORROWING CEILING

A limit on a State's borrowing, stated as a share of its GSDP, resting on Article 293(3): a State that owes the Union money needs the Union's consent to borrow.



The Sixteenth Commission recommended an annual State fiscal-deficit ceiling of 3 per cent of GSDP...

SASCI EXCLUSION

... excluding Special Assistance to States for Capital Investment (SASCI) loans ...



ENFORCEMENT & RELATED MEASURES



... to be enforced under Article 293(3) ...



... and recommended ending off-budget borrowing.



The Government has accepted the net borrowing ceilings in principle (1 February 2026).

Sources: S1, S3, S6.

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FINANCE COMMISSION: VERTICAL & HORIZONTAL

DUTIES UNDER ARTICLE 280(3)

(a) sharing the net proceeds of the shareable taxes between the Union and the States (the vertical share) and among the States (the horizontal share);

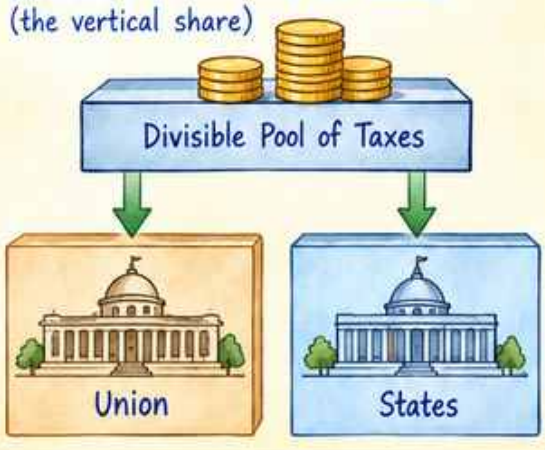
(b) the principles of grants-in-aid from the Consolidated Fund of India;

(bb) and (c) measures to add to a State's Consolidated Fund for its Panchayats and Municipalities (inserted by the 73rd and 74th Amendments, 1992);

(d) any other matter the President refers to it.

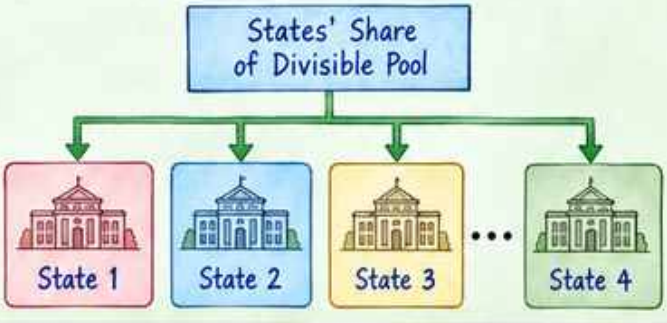
VERTICAL SHARE

Sharing the net proceeds of the shareable taxes between the Union and the States (the vertical share)



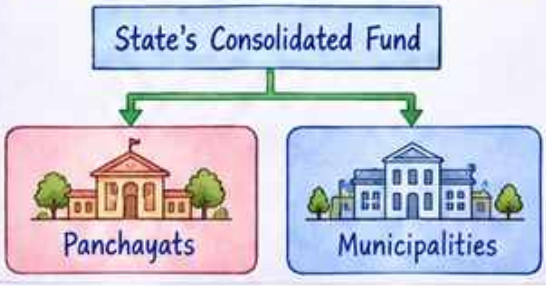
HORIZONTAL SHARE

Among the States (the horizontal share)

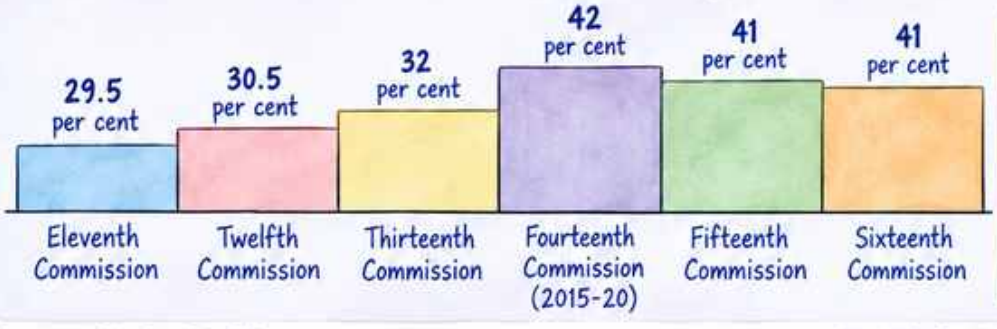


LOCAL BODY FUNDS

Measures to add to a State's Consolidated Fund for its Panchayats and Municipalities (inserted by the 73rd and 74th Amendments, 1992)



THE STATES' SHARE OF THE DIVISIBLE POOL, COMMISSION BY COMMISSION



The Fifteenth Commission's cut of 1 percentage point from 42 provides for the new Union territories of Jammu and Kashmir and Ladakh, which the Union funds from its own resources.

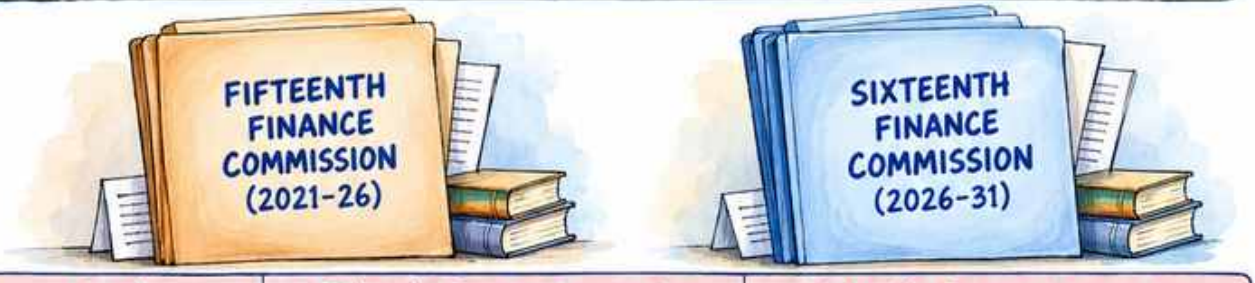
Sources: S1, S3, S6, S7.

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15TH vs 16TH FINANCE COMMISSION



Point	Fifteenth Finance Commission	Sixteenth Finance Commission
Chairman	N.K. Singh	Arvind Panagariya
Constituted; report	Final report for 2021-26 laid before Parliament on 1 February 2021	Constituted on 31 December 2023; report submitted on 17 November 2025 and laid before Parliament on 1 February 2026
Award period	2021-22 to 2025-26	2026-27 to 2030-31
States' share of the divisible pool	41 per cent	41 per cent, accepted by the Government
Revenue deficit grants	Rs 2,94,514 crore to 17 States	None recommended
Local body grants	Rs 4,36,361 crore	Rs 7,91,493 crore, accepted
Disaster management grants	Rs 1,22,601 crore	Union share Rs 1,55,916 crore, out of a corpus of Rs 2,04,401 crore for the State disaster funds
Sector-specific and State-specific grants	Recommended	None recommended

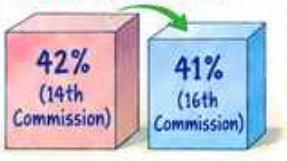
WHY THE SIXTEENTH COMMISSION DROPPED REVENUE DEFICIT GRANTS



Its report says the expectation of such grants encourages States to be profligate, an adverse incentive.

Sources: S3, S4, S6, S7.

EXAM CHECK



The 16th Commission retained 41 per cent. 42 per cent belonged to the 14th Commission.



Local body and disaster grants continue.



Revenue-deficit, sector-specific and State-specific grants were not recommended.

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HORIZONTAL WEIGHTS & ANDHRA PRADESH

HORIZONTAL WEIGHTS: FIFTEENTH vs SIXTEENTH

Criterion	Fifteenth (2021-26)	Sixteenth (2026-31)
Income distance	45	42.5
Population (Census 2011)	15	17.5
Demographic performance	12.5	10
Area	15	10
Forest (forest and ecology in the Fifteenth)	10	10
Tax and fiscal efforts	2.5	Dropped
Contribution to GDP	Not used	10
Total (per cent)	**100**	**100**

KEY POINTS

Income distance

The gap between a State's per capita GSDP and a reference level.

Population and the other criteria also affect the State's total share.



Demographic performance

In the Sixteenth Commission uses the growth of population between 1971 and 2011.



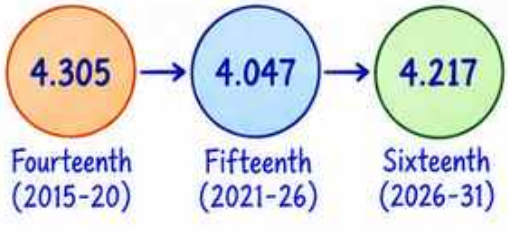
Sixteenth Commission: weights: total 100%

Income distance	Population (Census 2011)	Demographic performance	Area	Forest	Contribution to GDP
42.5%	17.5%	10%	10%	10%	10%

ANDHRA PRADESH: SHARE OF THE STATES' PART OF THE DIVISIBLE POOL (OUT OF 100)

Andhra Pradesh	Share of the States' part of the divisible pool (out of 100)
Fourteenth (2015-20)	4.305
Fifteenth (2021-26)	4.047
Sixteenth (2026-31)	4.217

AP'S SHARE: TRAJECTORY



Sources: S4 – S7, S14 – S19.

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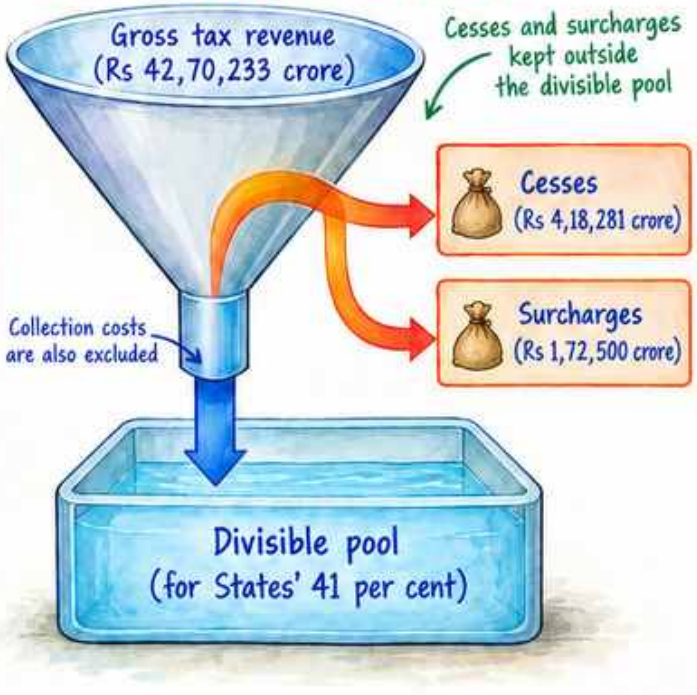
CESSES, SURCHARGES & THE DIVISIBLE POOL

Constitutional position

Article 270 — keeps both outside the divisible pool

Article 271 — sends the whole of a surcharge to the Union

How tax revenue is shared



Why the States object



every rupee raised as a cess or a surcharge, in place of an ordinary tax, makes the divisible pool smaller and adds nothing to the States' 41 per cent.

The Union's figures (Budget estimates for 2025-26)

Major cesses Rs 4,18,281 crore + Surcharges Rs 1,72,500 crore = Together Rs 5,90,781 crore → Which is about 13.8 per cent of the gross tax revenue.

Largest items (among cesses)

- GST compensation cess (Rs 1,67,110 crore)
- Health and Education Cess (Rs 94,000 crore)

Gross tax revenue (in the same budget estimates) Rs 42,70,233 crore

(Lok Sabha reply of 11 August 2025). The reply lists only the major cesses.

Where the money goes



In the same reply the Union said that cess and surcharge receipts form part of the Consolidated Fund of India and are spent, among other things, on schemes in the States.



Sources: S1, S8, S9.

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BUDGET 2026-27: WHAT REACHES THE STATES

Head (Rs crore)	Revised estimates 2025-26	Budget estimates 2026-27
Gross tax revenue of the Union	40,77,772	44,04,086
States' share of taxes (tax devolution)	13,92,971	15,26,255
Finance Commission grants	1,52,953	1,29,397
Centrally sponsored schemes (expenditure)	4,20,078	5,48,798



Tax devolution is about 34.2 per cent of gross tax revenue in 2025-26 (revised) and 34.7 per cent in 2026-27 (budget), not 41 per cent, because the 41 per cent applies only to the divisible pool.

THREE TRANSFER CHANNELS

Tax devolution



Article 275 grants on Finance Commission advice



Article 282 discretionary grants, mainly CSS



GST EXAM CHECK



- IGST → IGST is levied and collected by Government of India, then apportioned between Union and States under Article 269A.
- Central GST → Central GST joins the divisible pool under Article 270(1A).
- State government → State GST → State GST belongs to the State.

41 PER CENT OF THE DIVISIBLE POOL



41 per cent of the divisible pool excludes cesses, surcharges and collection costs.

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Sources: S1, S2, S6, S8, S18.

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CENTRALLY SPONSORED SCHEMES: FUNDING

End of Plan grants

Central assistance for State Plans came through the Planning Commission (Topic 105) until NITI Aayog replaced it on 1 January 2015 (Topic 35). The Union Budget 2017-18 (1 February 2017) did away with the Plan and Non-Plan classification of expenditure; the focus moved to revenue and capital expenditure.



Planning Commission (Topic 105)

replaced on 1 January 2015 (Topic 35) →



NITI Aayog



→ The Union Budget 2017-18 did away with the Plan and Non-Plan classification of expenditure; the focus moved to revenue and capital expenditure.

Three channels since then

Three main transfer channels:



Tax devolution



Grants under Article 275 on the Finance Commission's advice



Discretionary grants under Article 282, given mainly through the centrally sponsored schemes (CSS).

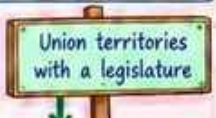
Funding pattern of the CSS

(Union Cabinet, 3 August 2016, on the report of the Sub-Group of Chief Ministers)

Group of schemes	8 North Eastern and 3 Himalayan States	Other States	Union territories without a legislature
Core of the core schemes	The existing pattern continues	The existing pattern continues	The existing pattern continues
Core schemes	90 : 10 Centre : State	60 : 40 Centre : State	Centre 100 per cent 100%
Optional schemes	80 : 20 Centre : State	50 : 50 Centre : State	Centre 100 per cent 100%



- The ratio is Centre : State.
- Topic 105 uses the 90:10 pattern to measure Andhra Pradesh's special assistance.
- The table gives the 2016 decision, and the "3 Himalayan States" are counted as they stood in 2016.
- For Union territories with a legislature the same decision kept the existing pattern for core schemes and fixed 80:20 for optional schemes.



Existing pattern for core schemes and 80:20 for optional schemes.



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FISCAL FEDERALISM: CHRONOLOGY 1992-2026

Date	Event
1992 (in force 1993)	73rd and 74th Amendments add the Panchayat and Municipality clauses to Article 280(3)
1 April 1996	Retrospective starting date of the substituted Article 270 and the assignment of taxes specified in Article 269(1)
2000	The 80th Amendment Act substitutes Article 270, recasts Article 269(1) and omits Article 272
1 January 2015	NITI Aayog replaces the Planning Commission
2015-20	Fourteenth Finance Commission: 42 per cent to the States — 42% to the States
3 August 2016	Union Cabinet approves the CSS funding pattern of 60:40 and 90:10 for core schemes — 60:40 90:10
8 September 2016	President's assent to the 101st Amendment: Articles 269A and 270(1A) — Articles 269A and 270(1A)
1 February 2017	Budget 2017-18 ends the Plan and Non-Plan classification
1 February 2021	Fifteenth Finance Commission's report for 2021-26 laid before Parliament: 41 per cent — 41% to the States
31 December 2023	Sixteenth Finance Commission constituted, with Arvind Panagariya as Chairman
17 November 2025	Sixteenth Commission submits its report
1 February 2026	Report and explanatory memorandum laid before Parliament: 41 per cent retained — 41% retained
1 April 2026	The Sixteenth Commission's award period (2026-27 to 2030-31) begins

KEY EXPLANATION: 80th AMENDMENT (2000)

80th Amendment Act 9 June 2000

- Enacted on 9 June 2000
- Substituted Article 270 operates retrospectively from 1 April 1996
- Article 269(1) also deems the specified taxes assigned from that date
- The substitution of Article 269(1)-(2) and omission of Article 272 took effect on 9 June 2000

VERTICAL SHARE TO STATES



The vertical share moved in one big step (32 to 42 per cent in 2015) and has stayed at 41 per cent since 2020-21: the Fifteenth Commission's first report, for 2020-21 (laid before Parliament in February 2020), also gave 41 per cent.



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Finance Commission: The Constitutional Mandate

The Finance Commission is the body that the President constitutes under Article 280 to recommend how the net proceeds of the Union's shareable taxes are divided between the Union and the States and among the States, and on what principles grants-in-aid are given.

The exam asks for its composition and duties, the share each Commission recommended for the States, and the criteria and weights used to share taxes among the States.



President
Constitutes under Article 280

Constitutes →

Finance Commission



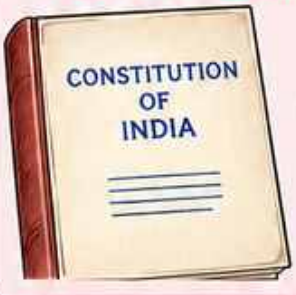
A Chairman and four other members

Recommends to the President →

Recommendations

→ **Union**
→ **States**

Article 280: Establishment and Interval



The President constitutes a Finance Commission within two years from the commencement of the Constitution, and thereafter at the expiration of every fifth year, or at such earlier time as the President considers necessary.

Composition

A Chairman and four other members, appointed by the President.



Clause (2): Qualifications and Manner of Selection

Parliament may by law determine the qualifications of the members and the manner of their selection. It did so in the Finance Commission (Miscellaneous Provisions) Act, 1951 (2.2).



Clause (4): Procedure and Powers

The Commission determines its own procedure and has the powers that Parliament confers on it by law.

Duties under clause (3)

The Commission makes recommendations to the President on:

(a) The distribution between the Union and the States of the net proceeds of the taxes that are to be, or may be, divided between them (the vertical share), and the allocation of the States' part among the States (the horizontal share).

Sources: S1.

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Duties, Qualifications and Disqualifications

Article 280(3), continued:

(b) The principles that should govern the grants-in-aid of the revenues of the States out of the Consolidated Fund of India (Article 275).



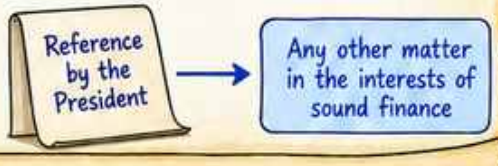
(bb) The measures needed to augment the Consolidated Fund of a State to supplement the resources of its Panchayats, on the basis of the recommendations of the Finance Commission of the State.
Inserted by the 73rd Amendment, in force from 24 April 1993.



(c) The same for the Municipalities.
Inserted by the 74th Amendment, in force from 1 June 1993.



(d) Any other matter referred to it by the President in the interests of sound finance.
(lettered (c) until the 74th Amendment)



The Article-by-Article scheme of Part XII (Articles 268 to 293) and the place of cesses are taught in Topic 124.

Chairman and Members (Section 3)

Chairman (section 3):
Selected from among persons who have had experience in public affairs.



The four other members (section 3):
Selected from among persons who —



(a) are, or have been, or are qualified to be appointed as Judges of a High Court; or



(b) have special knowledge of the finances and accounts of Government; or



(c) have had wide experience in financial matters and in administration; or



(d) have special knowledge of economics.

Disqualifications (Section 5)

A person shall be disqualified if he is —



Unsound mind;



Undischarged insolvent;



Conviction for an offence involving moral turpitude;



A financial or other interest likely to affect his functions prejudicially.

Sources: S1,S2.

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How the Commission Works: The First Four Awards

Term (section 6)

- The period specified in the President's order of appointment
- Eligible for reappointment
- May resign by letter to the President



Constituted by the President



Service (section 7)

- Whole-time or part-time, as the President specifies

Whole-time | Part-time





Powers (section 8)

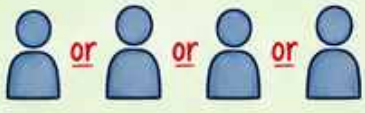
- The powers of a civil court under the Code of Civil Procedure, 1908, for summoning witnesses, requiring documents and requisitioning public records





Four grounds for members

- The four grounds for members are joined by "or".
- A member needs only one of them.



The Commission recommends and the Union decides.

Union (Government of India) → Recommendations of the Finance Commission / Decision by the Union → States



Article 281

The President causes every recommendation of the Finance Commission, with an explanatory memorandum as to the action taken on it, to be laid before each House of Parliament.

Article 270(3)

After a Finance Commission has been constituted, the States' percentage is "prescribed" by the President by order after considering the Commission's recommendations.

Article 275(1)

The grants-in-aid are such sums as Parliament may by law provide, charged on the Consolidated Fund of India each year.



In practice the Union has accepted the core of the latest award: in the explanatory memorandum of 1 February 2026, the Government accepted the Sixteenth Commission's 41 per cent, its horizontal formula, its local body grants and its disaster management corpus.

The First Four Awards

First Finance Commission	Second Finance Commission	Third Finance Commission	Fourth Finance Commission
Chairman: K.C. Neogy	Chairman: K. Santhanam	Chairman: A.K. Chanda	Chairman: P.V. Rajamannar
Constituted: 1951	Constituted: 1956	Constituted: 1960	Constituted: 1964
Award period: 1952-57	Award period: 1957-62	Award period: 1962-66	Award period: 1966-69

Sources: S1,S2,S3,S4,S5,S6,S7,S11,S13,S17,S18,S19,S21.

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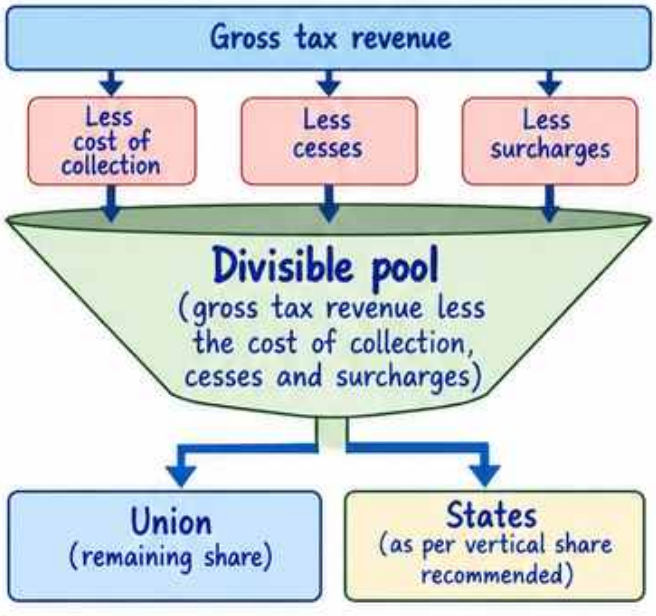
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Finance Commissions V to XVI and Tax Devolution

Chronological order of Finance Commissions (V to XVI)

Fifth Finance Commission	Mahavir Tyagi	constituted 1968; award 1969-74.
Sixth Finance Commission	K. Brahmananda Reddy	constituted 1972; award 1974-79.
Seventh Finance Commission	J.M. Shelat	constituted 1977; award 1979-84.
Eighth Finance Commission	Y.B. Chavan	constituted 1983; award 1984-89.
Ninth Finance Commission	N.K.P. Salve	constituted 1987; award 1989-95 (two reports: the first, for 1989-90, dated 29 July 1988; the second, for 1990-95, submitted on 18 December 1989).
Tenth Finance Commission	K.C. Pant	constituted 1992; award 1995-2000.
Eleventh Finance Commission	A.M. Khusro	constituted 1998; award 2000-05.
Twelfth Finance Commission	C. Rangarajan	constituted 2002; award 2005-10.
Thirteenth Finance Commission	Vijay L. Kelkar	constituted 2007; award 2010-15.
Fourteenth Finance Commission	Y.V. Reddy	constituted 2 January 2013; award 2015-20.
Fifteenth Finance Commission	N.K. Singh	constituted 27 November 2017; award 2020-21 (first report) and 2021-26 (final report).
Sixteenth Finance Commission	Arvind Panagariya	constituted 31 December 2023; award 2026-27 to 2030-31.

The Divisible Pool



States' share of the divisible pool

As the Sixteenth Commission's report sets it out:

Eleventh	29.5 per cent
Twelfth	30.5 per cent
Thirteenth	32 per cent
Fourteenth	42 per cent
Fifteenth	41 per cent
Sixteenth	41 per cent (accepted on 1 February 2026)

Important note on the Fifteenth Commission

The Fifteenth Commission's 41 per cent is for the remaining 28 States after the reorganisation of Jammu and Kashmir; the new Union territories of Jammu and Kashmir and Ladakh are funded from the Union's own resources (Topic 124).

Sources: S3, S4, S5, S6, S7, S11, S13, S17, S18, S19, S21.

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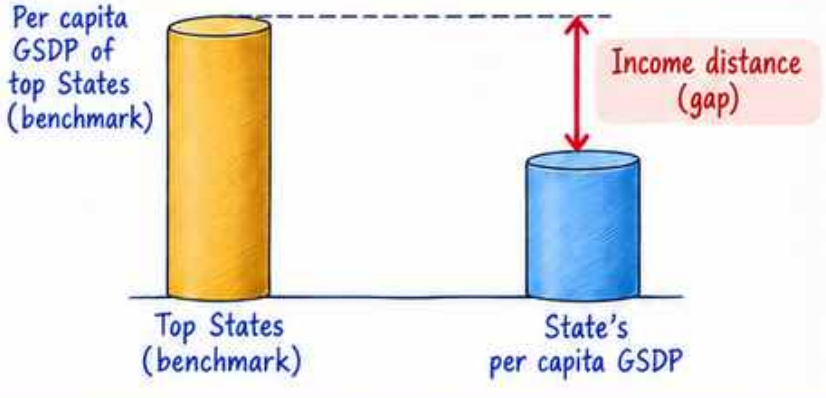
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Horizontal Devolution: Compare the Weights

FOURTEENTH (2015-20)		FIFTEENTH (2021-26)		SIXTEENTH (2026-31)	
Income distance	50 per cent	Income distance	45 per cent	Income distance	42.5 per cent
Population (1971)	17.5 per cent	Population (1971)	Not used	Population (1971)	Not used
Population (2011)	10 per cent	Population (2011)	15 per cent	Population (2011)	17.5 per cent
Area	15 per cent	Area	15 per cent	Area	10 per cent
Forest (forest cover in the Fourteenth; forest and ecology in the Fifteenth)	7.5 per cent	Forest (forest cover in the Fourteenth; forest and ecology in the Fifteenth)	10 per cent	Forest (forest cover in the Fourteenth; forest and ecology in the Fifteenth)	10 per cent
Demographic performance	Not used	Demographic performance	12.5 per cent	Demographic performance	10 per cent
Tax and fiscal efforts	Not used	Tax and fiscal efforts	2.5 per cent	Tax and fiscal efforts	Dropped
Contribution to GDP	Not used	Contribution to GDP	Not used	Contribution to GDP	10 per cent
Total	100 per cent	Total	100 per cent	Total	100 per cent

Income distance: benchmark and logic

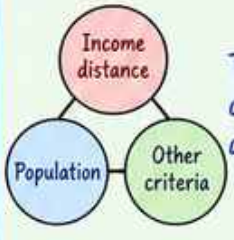
Income distance: the gap between a State's per capita GSDP (gross State domestic product) and that of the top States (in the Sixteenth, the average of the top three after excluding Goa and Sikkim).



How it works



A larger income gap increases the allocation from this component, other things equal.



The overall share also depends on population and the other criteria.

In the Sixteenth, the income distance is measured with reference to the average of the top three States after excluding Goa and Sikkim.

Sources: S6, S8, S9, S11, S12, S13, S16.

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Demography, Forests, GDP and Grant Design

Population (2011)

the Fifteenth Commission's terms of reference required the 2011 data (2.8).



2011 population data (2.8)

Demographic performance

rewards States that kept population growth low. The Fifteenth measured it by fertility; the Sixteenth replaced this with the inverse growth of population between 1971 and 2011.



Lower population growth → higher reward

Forest

the Fifteenth counted a State's share of dense forest; the Sixteenth uses density-weighted forest area, including open forest (weight 0.30), moderately dense forest (0.65) and very dense forest (1.0).



Open forest (0.30)	Moderately dense forest (0.65)	Very dense forest (1.0)

It combines the share of weighted forest stock and the share of increase during 2015–2023 in an 80:20 ratio; decreases count as zero.

Tax and fiscal efforts (Fifteenth)

a State's own tax revenue relative to its GSDP.



Own tax revenue relative to GSDP

Contribution to GDP (Sixteenth)

based on the square root of each State's GSDP. It took the place of tax and fiscal efforts.

$\sqrt{(\text{State GSDP})}$ Based on the square root of each State's GSDP

Andhra Pradesh's share under each Commission is given in Topic 124.

FOREST CRITERIA: WEIGHTS AND 80:20 CALCULATION (SIXTEENTH)

Density weights for forest types



Open forest (0.30)	Moderately dense forest (0.65)	Very dense forest (1.0)

80:20 calculation structure

80% Share of weighted forest stock + **20%** Share of increase during 2015–2023

Combined in an 80:20 ratio
Decreases count as zero.

REVENUE DEFICIT GRANTS

(TO COVER A STATE'S REVENUE GAP LEFT AFTER DEVOLUTION)

Fifteenth, 2021–26	Sixteenth, 2026–31
Rs 2,94,514 crore to 17 States.	None: the report says they create an adverse incentive.

LOCAL BODY GRANTS

(RURAL AND URBAN LOCAL BODIES)

Fifteenth, 2021–26	Sixteenth, 2026–31
Rs 4,36,361 crore.	Rs 7,91,493 crore: rural Rs 4,35,236 crore, urban Rs 3,56,257 crore.

The basic-plus-performance component is split 80:20; the urban total also includes Rs 56,100 crore special infrastructure and Rs 10,000 crore urbanisation premium outside that split.

Sources: S6,S7,S8,S9,S11,S12,S13,S16. | Day14 | Topic134 | 6/10 | @iaswithdrravi.

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Disaster Grants and State Finance Commissions

DISASTER MANAGEMENT GRANTS (STATE DISASTER FUNDS)

Fifteenth, 2021-26	Sixteenth, 2026-31
Union share Rs 1,22,601 crore.	Union share Rs 1,55,916 crore, out of a corpus of Rs 2,04,401 crore.

Sharing ratio of disaster funds (under both Commissions)

	Union	State
North Eastern and Himalayan States	90%	10%
Other States	75%	25%

SECTOR-SPECIFIC GRANTS

Fifteenth, 2021-26	Sixteenth, 2026-31
Rs 1,29,987 crore across eight sectors.	None.

STATE-SPECIFIC GRANTS

Fifteenth, 2021-26	Sixteenth, 2026-31
Rs 49,599 crore.	None.

STATE FINANCE COMMISSION (Constitutional Provisions)

Article 243-I
Provides for a Finance Commission of the State, which the Governor constitutes every fifth year to review the financial position of the Panchayats.

Under Article 243-Y
the same Commission also reviews the financial position of the Municipalities.

Under both Articles
its recommendations are laid before the State Legislature (Topic 33).

Clauses (bb) and (c) of Article 280(3)
ask the Union Finance Commission to work on the basis of its recommendations.



One State Finance Commission reviews the financial position of both Panchayats and Municipalities.



Andhra Pradesh: Fifth State Finance Commission

Constituted by G.O.Ms. No. 29 of the Finance Department dated 18 March 2023. → Prof. S. Rathna Kumari as Chairperson. → Report, for 2025-26 to 2029-30, is dated 31 December 2024. → States that it is made under Articles 243-I and 243-Y.

Sources: S1,S6,S7,S8,S9,S15,S20.

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The Debates Behind Fiscal Federalism

Fifteenth Commission's terms of reference

Fifteenth Finance Commission
Paragraph 6

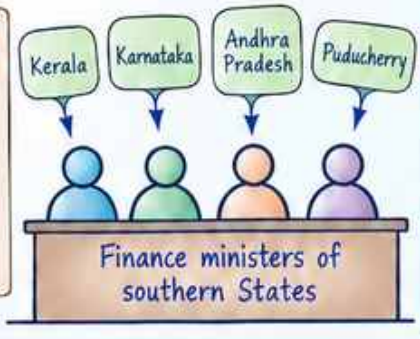
"The Commission shall use the population data of 2011 while making its recommendations."

Population data used by earlier Commissions

Twelfth Commission	Fourteenth Commission	Fifteenth Commission
1971	17.5 per cent to 1971	2011
Population data pertained to 1971.	10 per cent to 2011.	(as per paragraph 6)

Southern States' concerns (April 2018)

At a conclave in Thiruvananthapuram in April 2018, finance ministers of southern States said the terms of reference went against federalism and would cause revenue loss to the States that had performed.

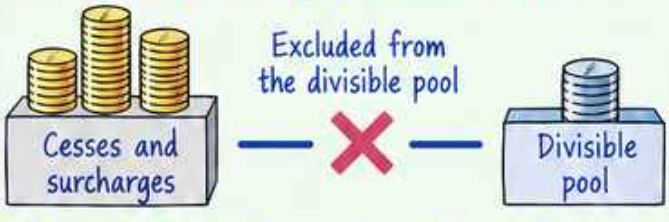


Union Government's response (10 April 2018)

On 10 April 2018 the Union Finance Minister, Arun Jaitley, said there was no bias in them, pointing to paragraph 5(ii), which let the Commission consider "Efforts and Progress made in moving towards replacement rate of population growth".

The Fifteenth Commission then brought in demographic performance (12.5 per cent).

Cesses and surcharges outside the pool



They are not shared, so a larger share of them in gross tax revenue shrinks the divisible pool.

The Fourteenth Commission recorded the States' submissions on this point (figures in Topic 124).

A higher vertical share

The Fourteenth Commission recorded that States pressed for larger devolution; it raised the share from 32 to 42 per cent.

States' share 32 per cent → States' share 42 per cent

From 2020-21 the share has stood at 41 per cent.

Sources: S11, S12, S13, S14. | Day14 | Topic134 | 8/10 | @iaswithdrravi.

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From Constitution to an Accepted Award

1 Constitution

What happens:
The President constitutes the Commission and gives its terms of reference (Article 280(1)).

Sixteenth Commission:
31 December 2023, by order S.O. 5533(E).



2 Work

What happens:
The Commission fixes its own procedure; it has the powers of a civil court for witnesses and records (Article 280(4); section 8 of the 1951 Act).

Sixteenth Commission:
Chairman Arvind Panagariya.



3 Report

What happens:
The report goes to the President.

Sixteenth Commission:
Submitted on 17 November 2025.



The Commission's work ends at step 3. Steps 4 and 5 belong to the Union, which is why the recommendations are called advisory.

4 Laying

What happens:
The report and an explanatory memorandum on the action taken are laid before each House of Parliament (Article 281).

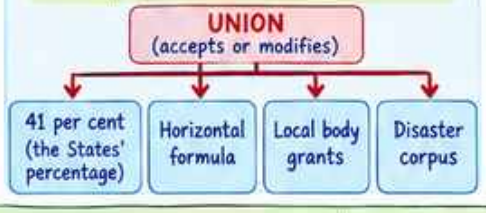
Sixteenth Commission:
1 February 2026.



5 Decision

What happens:
The Union accepts or modifies; the States' percentage is prescribed by the President's order (Article 270(3)); grants are given as Parliament provides by law (Article 275).

Sixteenth Commission:
41 per cent, the horizontal formula, local body grants and the disaster corpus accepted.



6 Award period

What happens:
The recommendations apply for the years covered.

Sixteenth Commission:
1 April 2026 to 31 March 2031.



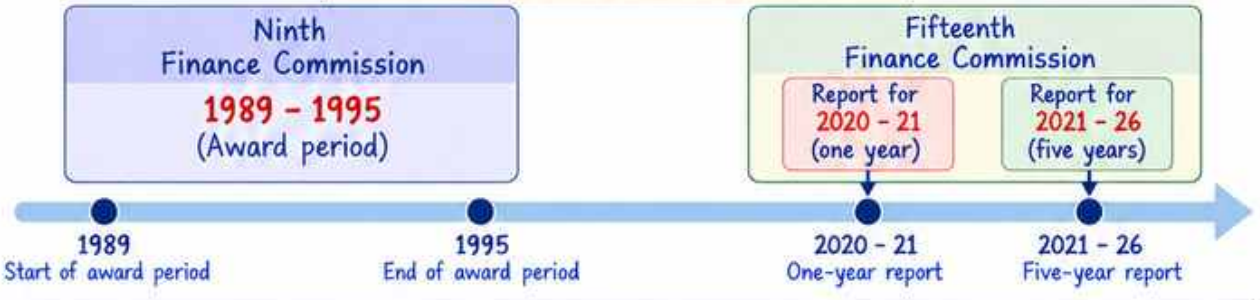
Sources: S1,S2,S6,S7,S21. Day14 | Topic134 | 9/10 | @iaswithdrravi.

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Award Periods and Three Finance Commission Traps

Article 280(1) allows a Commission "at such earlier time" as the President considers necessary, so the award periods are not always five years: the Ninth Commission covered 1989-95 and the Fifteenth gave a one-year report for 2020-21 before its report for 2021-26.

Illustrative Award Periods



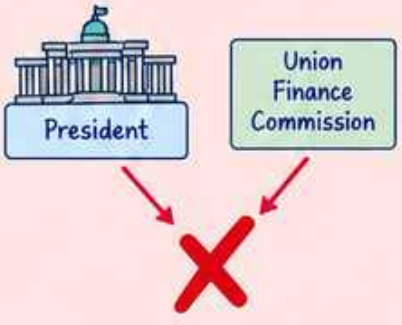
1 "Every Finance Commission covers exactly five years."



Correction

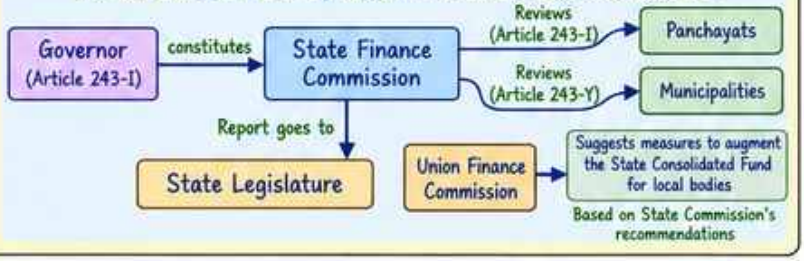
- Article 280 says every fifth year, or "at such earlier time" as the President considers necessary.
- The Ninth Commission's award ran from 1989 to 1995.
- The Fifteenth gave two reports, one for a single year and one for five years.

2 "The State Finance Commission is set up by the President, or by the Union Finance Commission."

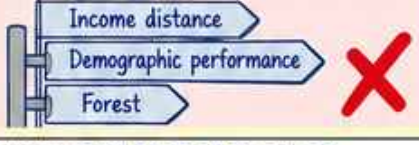


Correction

- It is constituted by the Governor under Article 243-I, and under Article 243-Y the same Commission also reviews the Municipalities.
- Its report goes to the State Legislature.
- The Union Finance Commission only suggests measures to augment a State's Consolidated Fund for its local bodies, on the basis of the State Commission's recommendations.



3 "Reading the criteria the wrong way round."



Correction

- Income distance gives more to the poorer States, not to the richer ones.
- Demographic performance rewards the States whose population grew more slowly, not those that grew faster.
- Forest is counted as a State's share of the forest of all the States, so a heavily forested State gains.

Sources: S1,S2,S6,S7,S8,S9,S20,S21.

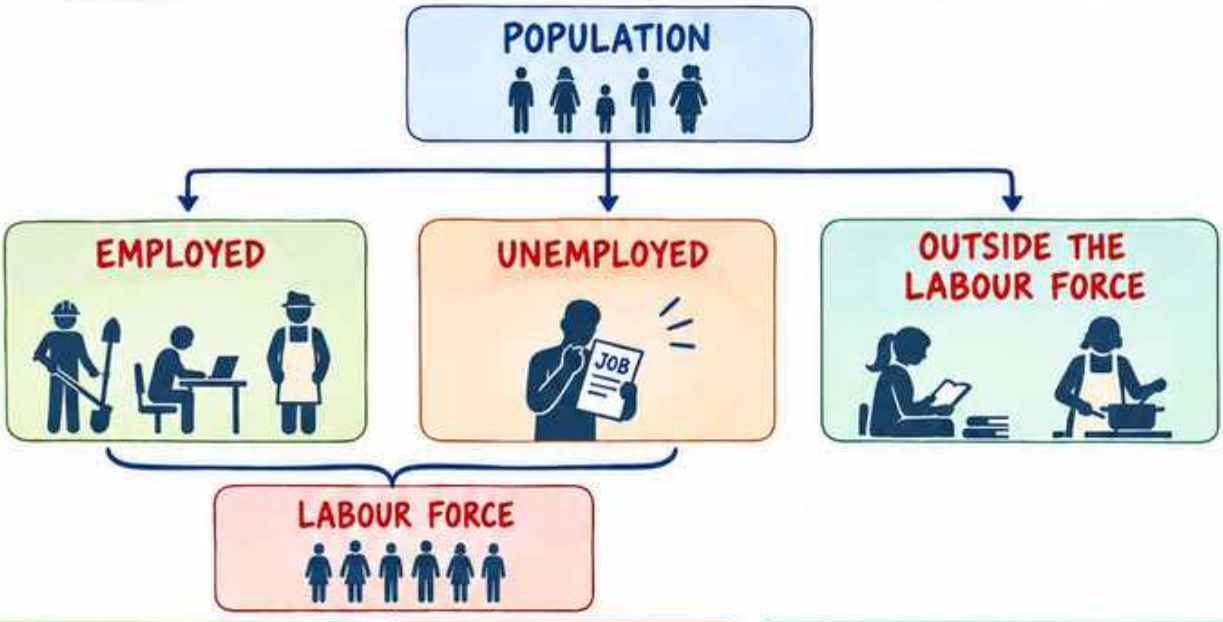
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WHO ENTERS THE LABOUR FORCE?

LABOUR FORCE = EMPLOYED + UNEMPLOYED
It includes people supplying or offering to supply labour.

Population = employed + unemployed + outside the labour force.



EMPLOYED

People classified as workers under the survey's stated reference period and activity-status rules.

UNEMPLOYED

No work, but seeking OR available for work, according to the survey's rules.

OUTSIDE THE LABOUR FORCE

Neither employed nor seeking or available for work. Students and homemakers belong here only when they meet that condition. A student who works may be employed; the label alone does not decide status.

WHY THE DISTINCTION MATTERS

- Not every person without a job is unemployed.
- Unemployment is counted within the labour force, not within the whole population.
- A fall in participation can reduce the number counted as unemployed without creating any jobs.

INDIA'S OFFICIAL MEASURE

PLFS

15+

- Periodic Labour Force Survey (PLFS), conducted by NSO under the Ministry of Statistics and Programme Implementation (MoSPI).
- Headline figures here refer to persons aged 15 years and above.
- Always identify the age group, period, area and activity-status approach before comparing a rate.
- The same person can be employed on an annual usual-status measure and unemployed in the current week.

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Sources: S 1, S 2, S 4, S 11, S 13.

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THREE RATIOS, TWO DENOMINATORS

LFPR: LABOUR FORCE PARTICIPATION RATE

$$LFPR = \frac{\text{employed + unemployed}}{\text{population}} \times 100.$$

WPR: WORKER POPULATION RATIO

$$WPR = \frac{\text{employed}}{\text{population}} \times 100.$$

UR: UNEMPLOYMENT RATE

$$UR = \frac{\text{unemployed}}{\text{labour force}} \times 100.$$

Schematic boxes; areas are not proportional to counts.

LFPR and WPR divide by population.

UR divides only by the labour force.

WORKED SURVEY: 1,000 PERSONS AGED 15+

Total population (aged 15+) = 1,000

Employed: 560	Unemployed: 30	Outside labour force: 410 (neither employed nor seeking or available for work)

Labour force = 560 + 30 = 590

Employed: 560. Unemployed: 30.
Outside labour force: 410, neither employed nor seeking or available for work.
Total: 560 + 30 + 410 = 1,000.
Labour force = 560 + 30 = 590.

CALCULATIONS

$$LFPR = \frac{590}{1{,}000} \times 100 = 59.0\%.$$

$$WPR = \frac{560}{1{,}000} \times 100 = 56.0\%.$$

$$UR = \frac{30}{590} \times 100 = 5.08\%, \text{ about } 5.1\%.$$

THE DENOMINATOR TRAP

$\frac{30}{1{,}000} \times 100 = 3.0\%$ is not the unemployment rate.

IDENTITY CHECK

$$UR = \frac{(LFPR - WPR)}{LFPR} \times 100.$$

$$\frac{(59.0 - 56.0)}{59.0} \times 100 = 5.08\%.$$

ROUNDING CAUTION

Published 2025 LFPR 59.3% and WPR 57.4% give about 3.2% using rounded inputs.

Published UR is 3.1%, calculated from unrounded data.

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WHY PEOPLE ARE WITHOUT WORK

OPEN UNEMPLOYMENT

No work; seeking or available for it.

Example: a young job seeker applying for months without finding work.



FRICTIONAL: SEARCH AND TRANSITION

Short gaps while searching for or moving between jobs.

New graduates and returning former homemakers can face it.

Example: a nurse leaves one hospital and takes weeks to join another.



STRUCTURAL: SKILLS DO NOT MATCH

Longer-lasting mismatch between available skills and jobs.

Example: a declining trade's workers lack skills needed in new occupations.



TECHNOLOGICAL

Machines replace particular tasks or workers.

Often a form of structural unemployment.

Example: garment-factory tasks taken over by machines.



SEASONAL: THE WORK CALENDAR

Work stops during part of the year, as in migratory farm work or some construction.

Example: a farm labourer has no work between harvest and the next sowing.



CYCLICAL: ECONOMY-WIDE DEMAND

Weak aggregate demand means insufficient jobs; joblessness rises during slowdown or depression.

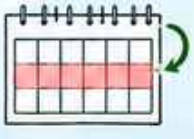
Example: factories lay off workers as spending falls broadly.



Great Depression unemployment rose sharply in Germany and the United States.

EXAM DISTINCTION

Seasonal repeats with the work calendar.



Cyclical follows the business cycle, not fixed months.



Frictional is a search gap; structural is a persistent mismatch.

Frictional (search gap) short-term ≠ Structural (persistent mismatch) longer-lasting

Sources: S 7–S 9, S 13.

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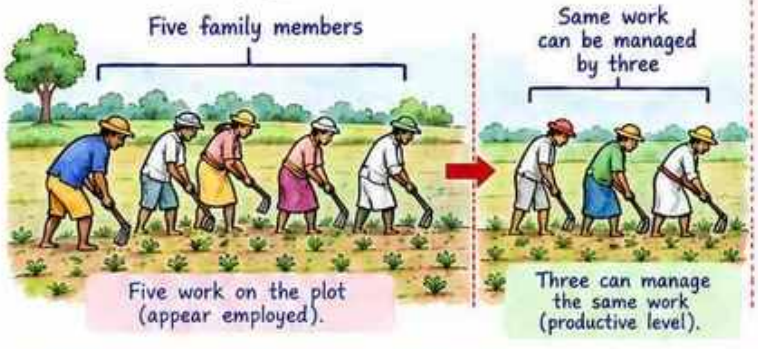
HIDDEN UNDERUSE IS NOT THE SAME AS UR

DISGUISED UNEMPLOYMENT

- More people work on a task than it needs.
- Extra hands appear employed but are underproductive.

Example: five family members farm a plot that three could manage.

- A self-employed small farmer is still counted as employed.



UNDEREMPLOYMENT

- Working fewer hours than wanted, or in work below one's education or training.

Examples: part-time or casual workers seeking more hours; a graduate in a school-leaver's job.

- A seasonal worker can be unemployed during the off-season and underemployed across the year.



WHY HEADLINE UR MISSES THESE

- People who qualify as employed are not simultaneously counted as unemployed in that measure.
- Low UR alone does not prove adequate hours, earnings or productive jobs.



When classified as employed, these workers are not counted in the unemployed numerator.

EMPLOYED, BUT HOURS MAY DIFFER

Adequate hours: working as many hours as desired.

Time-related underemployment: working fewer hours than desired and seeking more work.



EDUCATED UNEMPLOYMENT

- Joblessness among more-educated people.
- PLFS 2025: usual-status UR for secondary education and above, age 15+, was 6.5%, versus 7.0% in 2024.
- Overall 2025 UR: 3.1%.



VOLUNTARY AND INVOLUNTARY

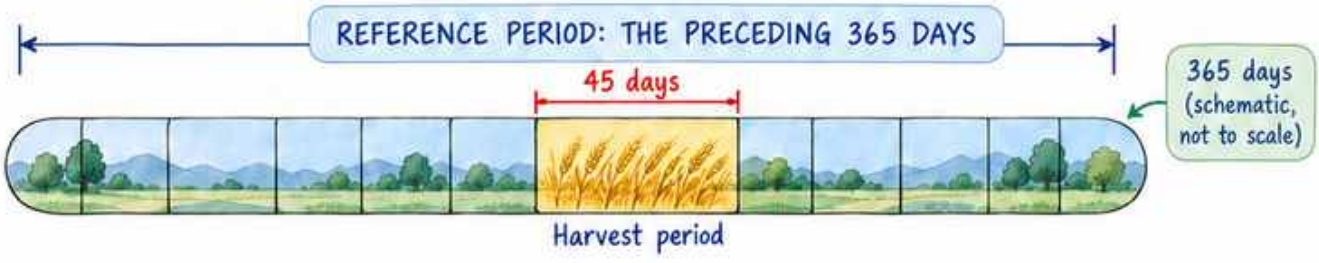
- Voluntary: associated with a person's choice, such as refusing low-wage jobs.
- Involuntary: caused by the economic environment, such as dismissal in a crisis, industrial decline or bankruptcy.
- Survey classification still depends on work, seeking/availability and reference-period rules; a descriptive label alone does not determine survey status.

Sources: S 1, S 7–S 10, S 13.

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365 DAYS: USUAL STATUS



USUAL PRINCIPAL STATUS (ps)

- The activity on which a person spent relatively long time, using the major-time criterion.
- It describes the main long-run activity status.

USUAL SUBSIDIARY STATUS (ss)

- Economic activity for at least 30 days within the same 365 days, in addition to principal status.
- 30 days is the minimum work duration for subsidiary status. It is not the survey reference period.

USUAL STATUS (ps+ss)

- Combines principal and subsidiary status and includes workers whose main status is something else.
- This is the usual-status measure used in annual PLFS reporting.

ONE PERSON, TWO MEASURES



- Ravi spent most of the past year looking for work.
- He also did farm work for 45 days during harvest.
- In the last week he did no work, not even 1 hour, and was looking for work.

ANNUAL CLASSIFICATION

- Principal status: unemployed.
- Subsidiary work: 45 days ≥ 30 days.
- Therefore usual status (ps+ss): employed.

WEEKLY CLASSIFICATION

- No work in the reference week, but seeking it.
- Therefore Current Weekly Status: unemployed.

There is no contradiction: the two approaches answer different time-period questions.

Sources: S 1, S 2, S 4, S II.

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7 DAYS: CURRENT WEEKLY STATUS

CURRENT WEEKLY STATUS (CWS)

Reference period: seven days preceding the survey date.

Mon Day 1 | Tue Day 2 | Wed Day 3 | Thu Day 4 | Fri Day 5 | Sat Day 6 | Sun Day 7

← Seven-day reference period (preceding the survey date)

EMPLOYED

Worked for at least 1 hour on any day of that week.



UNEMPLOYED

Did not work even 1 hour on any day, but sought or was available for work for at least 1 hour on any day.



OUTSIDE LABOUR FORCE

Neither employed nor seeking or available for work under the reference-period rules.



A 365-DAY REFERENCE PERIOD (ANNUAL)

← Annual reference period used for usual-status estimates.

Day 1 ← 365 days → Day 365

Schematic reference-period strip; not 365 individual boxes.

WHERE USED

- Monthly and quarterly PLFS bulletins use CWS.
- Annual PLFS reports also contain CWS estimates, alongside usual-status estimates.

WHY RATES DIFFER

- Someone employed for most of the year may have no work and seek it in the survey week.
- Usual status can count that person employed; CWS can count the person unemployed.
- Do not call a monthly CWS rate a rise from an annual usual-status rate.

THE OLDER DAILY APPROACH

- NSS surveys also used Current Daily Status (CDS), a daily measure of labour use.
- World Bank's 2010 report cited CDS unemployment of 7.3% in 1999–2000 and 8.3% in 2004–05.
- These are dated historical figures, not current PLFS monthly estimates.

KEY CHECK

- The reference periods are 365 days and 7 days.
- The 30-day subsidiary-work threshold belongs inside the 365-day window.

Sources: S 1, S 2, S 4, S 9, S 11.

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PLFS 2025: ANNUAL LABOUR PICTURE

PLFS ANNUAL REPORT 2025

January–December 2025; released 27 March 2026. All figures: age 15+, usual status (ps+ss), percentages.



	RURAL	URBAN	ALL-INDIA
LFPR	62.8	52.2	59.3
WPR	61.2	49.7	57.4
UR, persons	2.4	4.8	3.1
UR, male	2.6	4.2	3.1
UR, female	2.1	6.4	3.1

ALL-INDIA PARTICIPATION BY SEX



Male
LFPR: 79.1%
WPR: 76.6%



Female
LFPR: 40.0%
WPR: 38.8%

2024 COMPARISONS

- Rural UR: 2.5% in 2024 → 2.4% in 2025
- Urban UR: 5.0% in 2024 → 4.8% in 2025
- Male UR: 3.3% in 2024 → 3.1% in 2025

Urban female UR fell from 6.7% in 2024 to 6.4% in 2025.

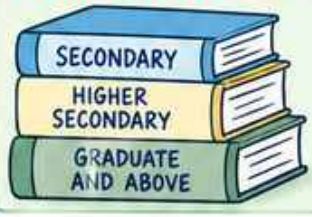
YOUTH: AGES 15–29

Overall UR: 9.9% in 2025, versus 10.3% in 2024.



- Rural youth UR: 8.3%
- Urban youth UR: 13.6%

EDUCATED: SECONDARY AND ABOVE, AGE 15+



UR: 6.5% in 2025, versus 7.0% in 2024.

READ THE AGE GROUP

Main table: ages 15+

Youth rates: ages 15–29

Youth rates use ages 15–29. The main table uses 15+. They refer to different populations.

Sources: S 1, S 2, S 12.

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SEPTEMBER 2026: MONTHLY LABOUR INDICATORS



- Statistical snapshot: 17 October 2026.
- PLFS September 2026 is the eighteenth monthly bulletin.
- All figures here: age 15+, CURRENT WEEKLY STATUS.

UNEMPLOYMENT RATE (%)

	MALE	FEMALE	PERSONS
Rural	4.4	3.9	4.2
Urban	6.0	9.2	6.9
All-India	4.9	5.2	5.0

ALL-INDIA SEPTEMBER INDICATORS

LFPR: 55.5%.

WPR: 52.7%.

UR: 5.0%.

RECENT MONTHS, SAME APPROACH

UNEMPLOYMENT RATE (UR)
July 2026 UR: 5.1%.
August 2026 UR: 5.0%.
September 2026 UR: 5.0%.

LFPR / WPR
August 2026: 55.6% / 52.8%.
September 2026: 55.5% / 52.7%.

DO NOT MIX MEASURES

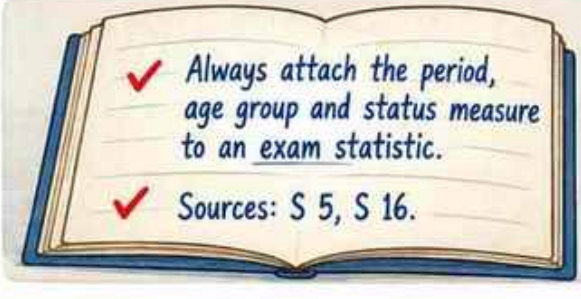
2025 annual UR 3.1% uses usual status(ps+ss). ≠ September 2026 monthly UR 5.0% uses CWS.

The latter is not a measured rise from the former.



The quarterly July–September 2026 bulletin is scheduled for 10 November 2026 in the advance calendar.

A scheduled release is not a published result.



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HOW THE SURVEY CHANGED

EARLIER NSS SURVEYS

- Employment/unemployment rounds generally once in five years; later rounds: 2004–05, 2009–10, 2011–12.
- Labour Bureau, Ministry of Labour and Employment, also published annual unemployment compilations.



PLFS FROM 2017–18

- MoSPI's PLFS became the official source.
- Seven annual reports covered July–June years, beginning July 2017–June 2018, alongside urban quarterly bulletins.



REVAMP FROM JANUARY 2025

- Four consecutive monthly visits to each household in a rotating panel.
- Monthly CWS estimates now cover rural and urban India; the monthly series starts April 2025.
- Quarterly coverage also extends to rural areas.
- Annual reporting moves to January–December calendar years.
- The enlarged design targets about 2.72 lakh households.
- 2025 estimates may not be strictly comparable with earlier years because the design changed.

CHRONOLOGICAL SAMPLING CALENDAR



COMPARABILITY CAUTION

2025 estimates may not be strictly comparable with earlier years because the design changed.

HISTORICAL RATES: LABEL THEM

Old July–June annual usual status, age 15+:

2017–18 Unemployment Rate (UR)

Persons	Male	Female
6.0%	6.1%	5.6%

2022–23
Unemployment rate (persons): 3.2%

The Economic Survey 2025–26's 5.6% for 2017–18 appears in a discussion of women's work and matches the female rate, not persons.

ILLUSTRATION: 2025 ROTATING MONTHLY PANEL



NEXT ANNUAL RELEASE



Calendar 2026 report scheduled for 25 March 2027.

CMIE (PRIVATE SOURCE)



CMIE is a private source publishing monthly survey figures since 2016; these are not official statistics.

Sources: S 2, S 5, S 6, S 9, S 11, S 15.

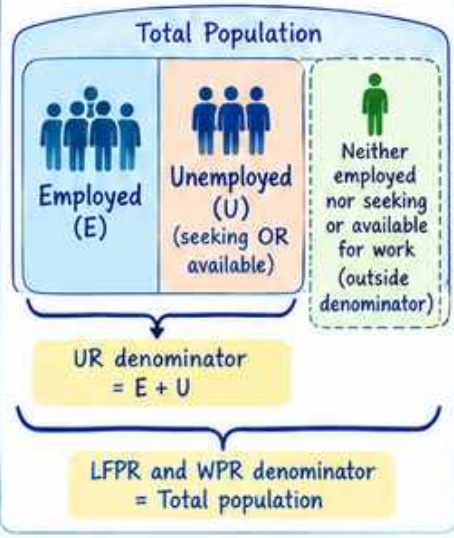
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READ UNEMPLOYMENT LIKE AN EXAMINER

1 DENOMINATOR

- LFPR and WPR divide by population.
- UR divides by employed + unemployed.
- People neither employed nor seeking or available for work are outside that denominator.



2 REFERENCE PERIOD

- Usual status: 365 days.
- Subsidiary work: at least 30 days inside those 365 days.
- CWS: 7 days; employment threshold at least 1 hour on any day.



3 WHAT THE RATE CANNOT SHOW

- Disguised unemployment and underemployment can exist among people counted employed.
- The survey's unemployed group can include frictional, structural, seasonal or cyclical causes; it does not label all labour underuse as unemployment.



Disguised unemployment and underemployment can exist among people counted employed.



It does not label all labour underuse as unemployment.

POLICY RESPONSES: KNOW THE CATEGORY

Rural wage employment



Topic 284, Day 29, from MGNREGA to the current law.

Day 14 Topic 140 explains the VB-G RAM G Act 2025 and its 2026 commencement.

Rural livelihoods/ self-employment



Topic 435, Day 44.

Skill development



Topic 685, Day 69.

Informal sector, gig work and labour codes



Topic 793, Day 80.

NATIONAL CAREER SERVICE



Launched 2015.

Economic Survey 2025-26 describes it as a one-stop solution.

EXAM HABIT

Write the date and status measure beside each statistic.
A low headline rate alone is not proof of good-quality employment.

Sources: S 1-S 6, S II, S 13.

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Polavaram: identify the project

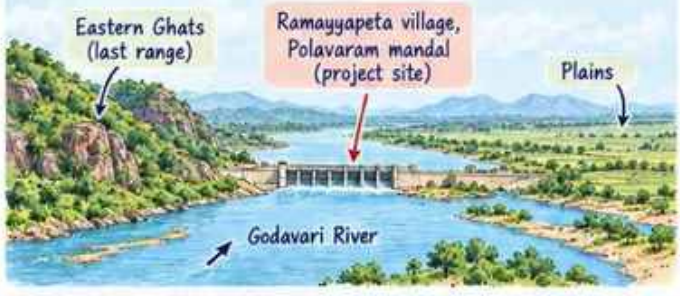
Project and Alternate Name

Polavaram Irrigation Project, also called Indira Sagar Polavaram, is a multipurpose major irrigation project on the Godavari.



Site

Site: near Ramayyapeta village, Polavaram mandal, where the river leaves the last Eastern Ghats range and enters the plains.



Location and Key Distances

The project is about 34 km upstream of the Kovvur-Rajahmundry road-cum-rail bridge and 42 km upstream of Sir Arthur Cotton Barrage.



District Snapshot (17 October 2026)

On 17 October 2026, Polavaram mandal is listed under Eluru district. West Godavari is the historical district label for this site. The project's name and its administrative district are distinct.



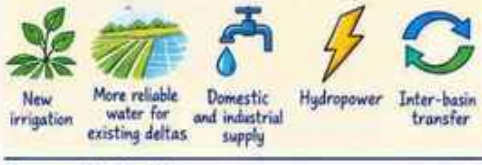
River and District Identity

- River: Godavari.
- Site: near Ramayyapeta village, Polavaram mandal.
- District listing (17 October 2026): Eluru.
- Historical district label: West Godavari.



Planned Benefits (Multipurpose)

The project combines new irrigation, more reliable water for existing deltas, domestic and industrial supply, hydropower and inter-basin transfer.



Right Canal and Basin Link

Its right canal links the Godavari to the Krishna; that does not make the dam a Krishna-river project.



Statutory Identity

Section 90 of the Andhra Pradesh Reorganisation Act, 2014 supplies its national-project status. The project's statutory identity, physical location, planned benefits and construction status must be studied separately.



Sources: S1, S2, S12

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Section 90: duties and delivery

Section 90 is in Part IX, Water Resources, of the Andhra Pradesh Reorganisation Act, 2014.

90(1) Polavaram is declared a national project.



90(2) the Union takes control of regulation and development of the project for irrigation in the public interest.



90(3) the successor State of Telangana's consent is deemed to have been given.



90(4) the Central Government must execute the project and obtain the required clearances, including environmental and forest clearances, while meeting rehabilitation and resettlement norms.



The Act received presidential assent on 1 March 2014.



The Polavaram Project Authority was constituted on 28 May 2014, with a Governing Body, to implement these provisions.



Government of India (Union)



Takes control of regulation and development of the project for irrigation in the public interest. Responsible for executing the project and obtaining the required clearances, including environmental and forest clearances, while meeting R&R norms.

Polavaram Project Authority (PPA) with a Governing Body



Constituted on 28 May 2014, to implement the provisions of Section 90.

In practice, Andhra Pradesh's Water Resources Department executes the project on behalf of the Government of India.

Andhra Pradesh's Water Resources Department (executes the project on behalf of the Government of India)



Chief Engineer handles the project.



Special Commissioner handles land acquisition and R&R.



National-project status does not erase clearance or rehabilitation duties. Also distinguish the Union's statutory responsibility from the State agency carrying out construction.



Funding of the irrigation component is a separate question.



Sources: S1, S4, S8, S13

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Seven mandals and inter-State safeguards

The 2014 amendment to Section 3 transferred areas of the former Khammam district to Andhra Pradesh for the Polavaram arrangements.



Seven mandals:

Kukunoor, Velairpadu, Bhurgampadu, Chintoor, Kunavaram, Vararamachandrapuram and Bhadrachalam.

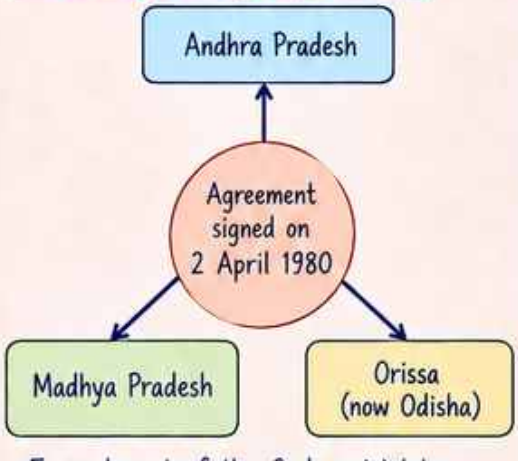
1 Kukunoor	2 Velairpadu	3 Bhurgampadu	4 Chintoor	5 Kunavaram	6 Vararamachandrapuram	7 Bhadrachalam
						
Full transfer	Full transfer	Partial transfer Twelve revenue villages of Bhurgampadu remained in Telangana.	Full transfer	Full transfer	Full transfer	Partial transfer Bhadrachalam revenue village itself remained in Telangana.

Act 19 of 2014 replaced the ordinance and operated from 29 May 2014. The 2020 NGT committee records 136 villages and 211 hamlets in the transferred areas.



The project's inter-State agreement was signed on 2 April 1980 by Andhra Pradesh, Madhya Pradesh and Orissa, now Odisha. It formed part of the Godavari Water Disputes Tribunal settlement of 1980.

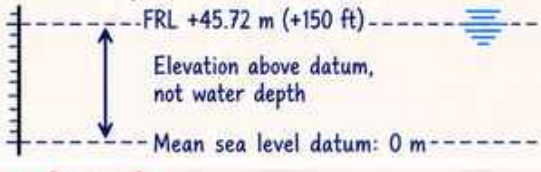
Three-signatory agreement



Formed part of the Godavari Water Disputes Tribunal settlement of 1980.

Full reservoir level

The agreed full reservoir level is 150 feet above mean sea level, equivalent to +45.72 metres.



Inter-State safeguards

Odisha and Chhattisgarh's safeguards include protective embankments with drainage arrangements along the Sabari and Sileru, or compensation. National status and inter-State safeguards are distinct legal layers.



Sources: S1, S10, S17, S20

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Water allocation: flow versus entitlement

The right main canal is planned to divert 80 TMC of Godavari water annually into the Krishna above Vijayawada, upstream of Prakasam Barrage.

TMC means thousand million cubic feet.



The 4 August 1978 agreement, incorporated in the GWDT award, concerns the additional use of Krishna water freed upstream of Nagarjunasagar by this diversion.

These upstream Krishna-use entitlements are not canals carrying Polavaram water directly to those States.

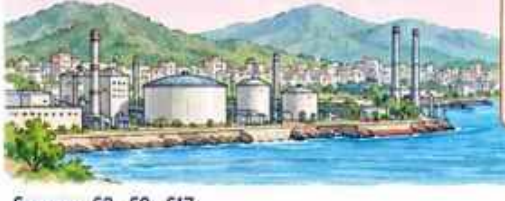
Upstream Krishna-use entitlements
(from water freed by the 80 TMC diversion)

- 45 TMC for Andhra Pradesh
- 35 TMC jointly for Karnataka and Maharashtra
  - 21 TMC for Karnataka
  - 14 TMC for Maharashtra

From the reservoir rim



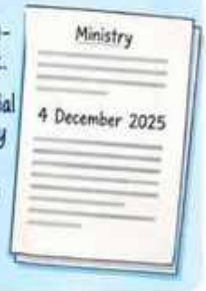
PPA allocates 23.44 TMC for industrial supply and drinking water to Visakhapatnam together.
Do not add an unspecified extra Visakhapatnam drinking-water quantity to that figure.



23.44 TMC (for industrial supply and drinking water to Visakhapatnam together)

The canal connection is the Godavari (Polavaram)-Krishna (Vijayawada) link.

A 4 December 2025 ministerial reply described temporary operation through lift arrangements, rather than completion of the full dam project.



Sources: S2, S9, S17

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Irrigation: land, crop seasons and stabilisation

LAND AND CANAL DESIGN:

Culturable command area is the cultivable land a canal system can serve.
The planned irrigation area is 7.2 lakh acres, approximately 2.91 lakh hectares.

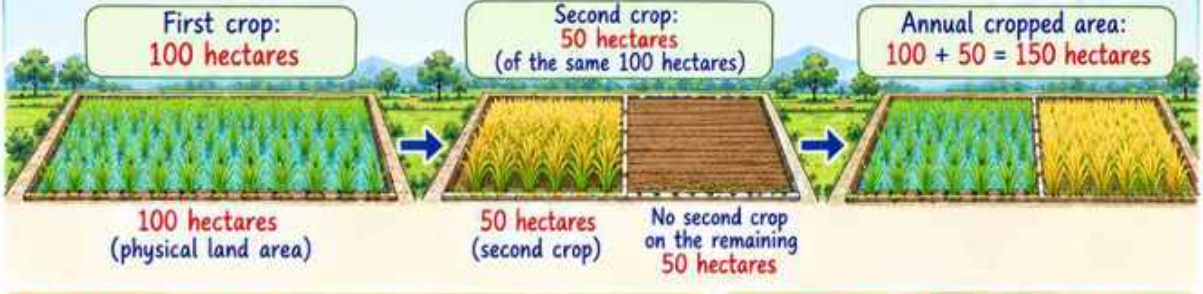
CANAL DESIGN EXAMPLE: MAY 2024



The left canal is on the east bank; the right canal is on the west bank and carries the Krishna diversion.

150% IRRIGATION INTENSITY: A WORKED EXAMPLE

If 100 hectares receive one crop and 50 of those hectares receive a second crop, the annual cropped area is 150 hectares. The physical land is still 100 hectares.
On the displayed 7.2 lakh-acre base, 150% gives 10.80 lakh crop-acres over a year.



STABILISATION

Stabilisation means a more reliable supply to land that is already irrigated.
Planned delta-stabilisation areas:



These existing areas are separate from new command area.

THREE DIFFERENT MEASUREMENTS



Canal length measures a water route in kilometres.

Command area measures land in hectares or acres.

Annual irrigation counts crop seasons, so it can exceed the physical land area.

Sources: S2, S10

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Dam engineering: structures, levels and storage

Design example: MAY 2024

- Two earth-cum-rock-fill sections total 2,314 metres; the concrete section adds 153.5 metres.
- Combined dam sections: 2,467.5 metres.
- The separate spillway is 1,121.2 metres long.

How the structures work

- The dam retains water.
- A diaphragm wall in the foundation reduces seepage.
- The spillway passes floodwater downstream.
- A concepttual schematic shows functions, not a scale drawing.

Different flood questions

In the 2020 evaluation, about 50 lakh cusecs was the dam-safety design flood; 36 lakh cusecs was the backwater-study flood.

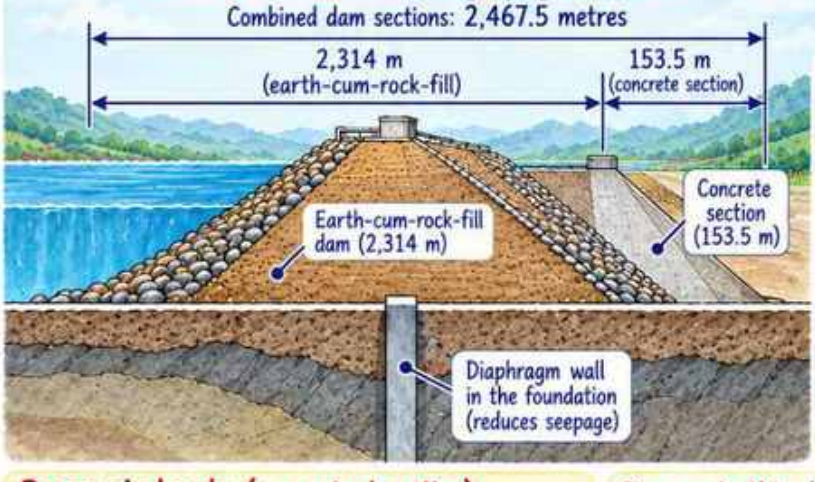
Spillway safety and upstream backwater effects are different engineering questions.

These dated study assumptions do not establish the resolution of every later environmental or interstate issue.

50 lakh cusecs for dam safety (2020)

36 lakh cusecs for backwater studies (2020)

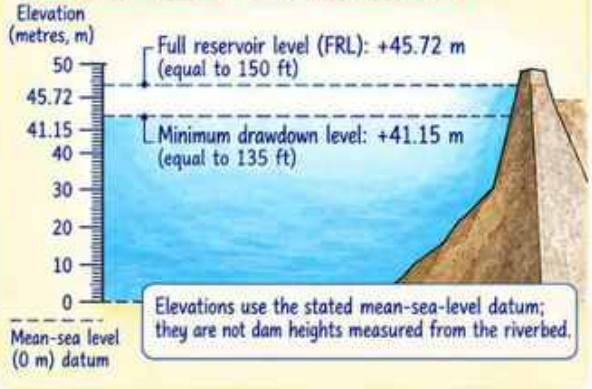
Dam and foundation (conceptual schematic)



Separate spillway (conceptual schematic)



Reservoir levels (conceptual section)



Storage in this design example

- Gross storage: 194.60 TMC.
- Live storage: 75.20 TMC.
- Dead storage: 119.40 TMC.

75.20 + 119.40 = 194.60

Live storage is the usable volume between the minimum drawdown and full reservoir levels; gross storage also includes the volume below the minimum drawdown level.

Phase I scope

10 AUGUST 2026:

Phase I approval concerned storage up to +41.15 m.

This staged storage level differs from the full reservoir level of +45.72 m.

Sources: S2, S5, S8, S10

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Benefits and rehabilitation measure different outcomes

Planned canal-route drinking water

1 August 2024: 28.5 lakh people in 540 villages along the canals were planned to receive domestic water.

This is the canal-route village component, not a count of every urban and rural beneficiary.



Planned hydropower

12 units × 80 MW = 960 MW installed capacity.

Planned capacity does not mean every unit is generating.



Water uses and people

Water benefits include irrigation, delta stabilisation, industrial supply and the Krishna diversion.

These benefits do not remove the need to rehabilitate displaced families.



Displacement snapshot

10 August 2026:

Project-displaced families in all	96,660
Families physically shifted under Phase I, up to EL +41.15 m	17,892

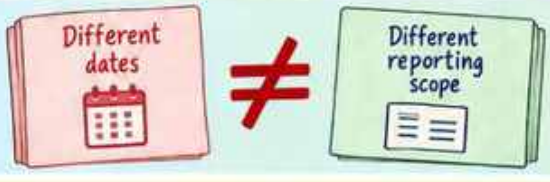
Rehabilitation snapshot

March 2023:

Total project-displaced families to be rehabilitated	1,06,006
Families recorded as rehabilitated	11,677

Match the denominator

The two snapshots differ in date and reporting scope. Physical shifting and rehabilitation are not automatically identical measures. A percentage needs the same date, population and definition in its numerator and denominator.



Three separate outcomes

A completed spillway, planned electricity capacity and completed rehabilitation are three separate claims.



Sources: S2, S11, S18, S19

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Cost: keep price level and project stage together

Approved costs cannot be compared without their price year and project scope.

1. 2010-11 prices (Lok Sabha)

Price year	2010-11
Rupees crore	Rs 16,010.45 crore
Project scope	for the whole project, including Rs 12,294.40 crore for the irrigation component, as reported to Lok Sabha on 8 February 2018.

2. RCC estimates for FRL +45.72 m

Price year	2013-14
Rupees crore	Rs 29,027.95 crore
	2017-18
	Rs 47,725.74 crore
Project scope	Revised Cost Committee estimates for FRL +45.72 m.

3. Union Cabinet decision

Price year	2023
Rupees crore	Rs 30,436.95 crore
Project scope	for Phase I storage up to +41.15 m.
Balance central grant	Rs 12,157.53 crore

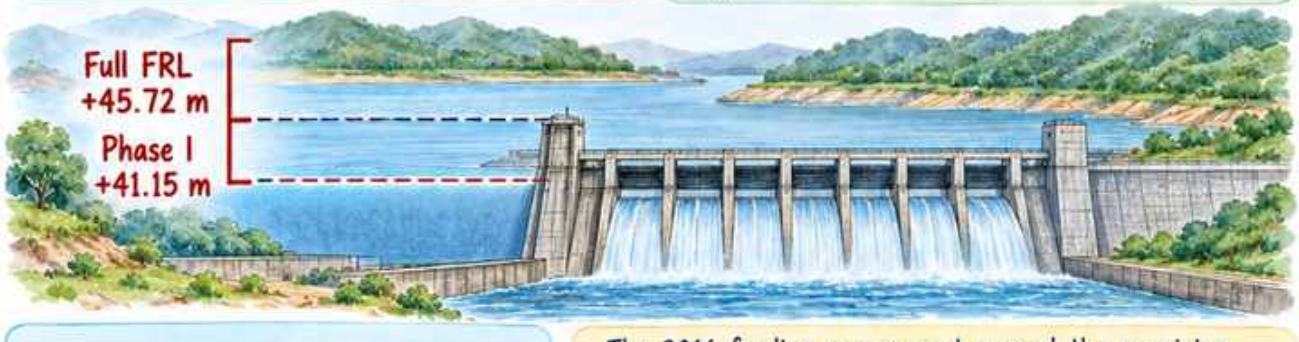
Union Cabinet decision, 28 August 2024.

4. Rajya Sabha answer

Price level	2023
Rupees crore	—
Project scope	Confirms the 2023 price level.



"Approved in 2024" does not mean "2024 prices".



The lower first-stage figure is not a reduction of the full-FRL RCC estimate on an identical basis.

The 2016 funding arrangement covered the remaining irrigation-component cost from 1 April 2014, subject to its stated cost-date limit. It did not promise central payment for every component. The later Cabinet approval must be read separately.

Sources: S5, S6, S8, S11

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Funding decisions and unfinished works

Key funding decisions (timeline)

5 June 2023



the Department of Expenditure had no objection to Rs 10,911.15 crore for storage up to +41.15 m, plus Rs 2,000 crore for flood-damage repairs, subject to Cabinet approval.

25 July 2024



Lok Sabha was told that Phase I was targeted for March 2026.

28 August 2024



Cabinet approved the revised first-stage cost.

9 October 2024



Rs 2,348 crore was released as an advance.

4 December 2025



cumulative central assistance was reported as Rs 20,658 crore.

Construction progress (10 August 2026)

Construction snapshot: 10 August 2026.
Progress is earthwork / concrete / steel:

	Earthwork	Concrete	Steel
Spillway	96.87%	98.84%	92.95%
ECRF dam and connectivities	75.56%	81.99%	81.31%
Main canals	98.96%	88.44%	55.68%



These component measures show unfinished work. They are not an overall October 2026 completion percentage and must not be averaged.



The reply retains March 2026 with provision for a one-year extension; it does not prove an extension was granted or announce a revised completion date.

Sources: S5, S7, S8, S9, S11

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Submergence, clearances and exam distinctions

State concerns

Odisha and Chhattisgarh's concerns centre on submergence and displacement.

- Odisha's concerns include tribal land in Malkangiri;
- Chhattisgarh's concern includes border areas.

2020 NGT committee assessed affected families

The 2020 NGT committee reproduces assessed affected-family figures of 1,002 in Odisha and 2,335 in Chhattisgarh.

These historical assessments are not current completed-rehabilitation totals.

Legal requirement

Section 90(4) requires environmental and forest clearances and compliance with R&R norms.

A national-project declaration does not waive those duties.

Submergence and affected families



1,002 assessed affected families in Odisha (2020 NGT committee)

2,335 assessed affected families in Chhattisgarh (2020 NGT committee)

Three linked obligations



All three are required under Section 90(4), and a national-project declaration does not waive those duties.

Polavaram–Banakacherla



Keep Polavaram–Banakacherla separate: the Ministry discussed it as a proposed link in December 2025.

A proposal or litigation about that link is not automatically the same issue as the statutory Polavaram Irrigation Project.

Final distinctions

Godavari dam	↔	Krishna diversion
New command area	↔	Stabilisation of existing ayacut
Land area	↔	Annual cropped area at 150% intensity
Live storage	↔ Gross storage ↔	Yearly transfer

Full FRL +45.72 m	↔	Phase I +41.15 m
Statutory Union responsibility	↔	Construction by AP's Water Resources Department
A dated official measurement	↔	An unsupported claim of current completion

Sources: S1, S9, S10, S11

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Background: the 1991 crisis (Topic 114)

The Statement on Industrial Policy of 24 July 1991 ended industrial licensing except for a short list of industries, cut down the list reserved for the public sector, removed the asset limits of the MRTP Act and opened the way for foreign investment and foreign technology. The examination asks what each measure did and how the 1991 statement differs from the resolutions and statements of 1948 to 1980.



The 1990-91 crisis

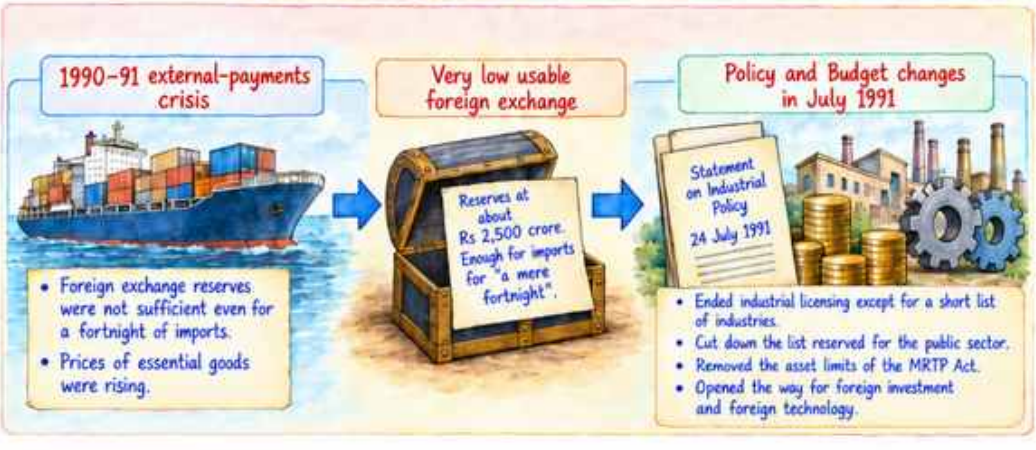
- In 1990-91 India faced a balance of payments crisis. The foreign exchange reserves were not sufficient even for a fortnight of imports, and the prices of essential goods were rising.
- India received US$ 7 billion as a loan from the World Bank and the International Monetary Fund (IMF), which expected liberalisation and fewer restrictions in return.



The Budget speech of 24 July 1991

- The Budget speech of 24 July 1991 put the reserves at about Rs 2,500 crore, enough for imports for "a mere fortnight".
- It put the Centre's fiscal deficit at more than 8 per cent of GDP in 1990-91, and the rise in the consumer price index at 13.6 per cent in the year that ended on 31 March 1991.





Sources: Day 16 Source Index | Topic 155 | Section 2.1

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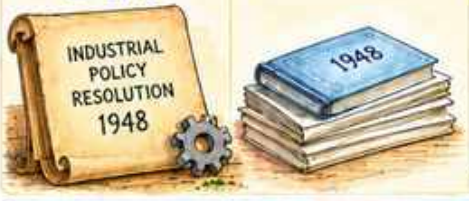
The earlier resolutions and statements (1/2)

Historical statements: 2 Feb 1973 • 23 Dec 1977 • 23 Jul 1980

1948 early policy → 1956 State-led development → 1973 selected entry by large houses → 1977 small-scale focus → 1980 competition



Policy	Date	Main features
Industrial Policy Resolution of 1948	6 April 1948	Set out the policy the Government proposed to follow in the industrial field. The 1956 Resolution opens by recalling it.





Policy	Date	Main features
Industrial Policy Resolution of 1956	30 April 1956	Three categories. **Schedule A:** 17 industries, from arms and ammunition to the generation and distribution of electricity, whose future development would be the exclusive responsibility of the State. **Schedule B:** a second category of industries which would be progressively State-owned; in them the State would generally take the initiative in establishing new undertakings, and private enterprise would be expected to supplement the efforts of the State. **The third category:** all the remaining industries, to be developed ordinarily through the initiative and enterprise of the private sector. The State was to take on, step by step, a predominant and direct responsibility for setting up new industrial undertakings.











Policy	Date	Main features
Industrial policy statement of 1973	2 February 1973	Identified high-priority industries in which investment from large industrial houses and foreign companies would be permitted. The 1973 decisions spoke of large industrial houses as those with assets exceeding Rs 20 crore.





Sources: Day 16 Source Index | Topic 155 | Section 2.2

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The earlier resolutions and statements (2/2)

Policy	Date	Main features
Industrial policy statement of 1977	23 December 1977	Laid emphasis on decentralisation and on the role of small-scale, tiny and cottage industries. A District Industries Centre was to give services under a single roof. The list of items reserved for the small-scale sector grew from 180 to more than 500.



Industrial Policy Statement of 1980	23 July 1980	Focused on the need for promoting competition in the domestic market. It also spoke of economic federalism through a few nucleus plants.



Historical statements: 2 Feb 1973 • 23 Dec 1977 • 23 Jul 1980

1948 early policy → 1956 State-led development → 1973 selected entry by large houses → 1977 small-scale focus → 1980 competition



The 1991 statement recalls that in the 1950s and 1960s the public sector was seen as the main instrument for controlling the commanding heights of the economy, and that the 1956 Resolution gave primacy to the role of the State.



Industrial policy resolutions of 1948 and 1956 in detail come on Day 71 (Topic 705).



Sources: Day 16 Source Index | Topic 155 | Section 2.2

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Licensing, location and the public sector in 1991 (1/2)

Industrial licensing

The statement was issued by the Ministry of Industry on 24 July 1991.

Industrial licensing was abolished for all industries except those specified. Annex II listed 18 industries that still needed a compulsory licence:

1. coal and lignite;
2. petroleum (other than crude) and its distillation products;
3. distillation and brewing of alcoholic drinks;
4. sugar;
5. animal fats and oils;
6. cigars and cigarettes;
7. asbestos products;
8. plywood and other wood-based products;
9. raw hides, skins and leather;
10. tanned or dressed fur skins;
11. motor cars;
12. paper and newsprint (except bagasse-based units);
13. electronic aerospace and defence equipment;
14. industrial explosives;
15. hazardous chemicals;
16. drugs and pharmaceuticals;
17. entertainment electronics;
18. white goods.



Reasons for the short list

The short list was kept for reasons of security and strategy, social reasons, hazardous chemicals, the environment and elitist consumption.

Items reserved for small-scale units stayed reserved.



Licensing after subsequent reforms (2025–26)

Four industrial-licensing categories remain in DPIIT's dated list:

1. cigars/cigarettes and manufactured tobacco substitutes;
2. electronic aerospace and defence equipment;
3. industrial explosives; and
4. specified hazardous chemicals.

"Electronics" alone is not a separate blanket category.

Delicensing does not remove applicable sectoral, safety or state-law permissions.

Location

Central approval was no longer needed, except in cities with a population of more than 1 million (10 lakh).

There, industries other than non-polluting ones had to be located outside 25 km of the periphery, except in industrial areas designated earlier.



Industrial licensing changed over time

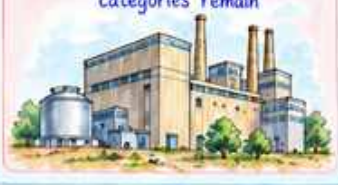
Before 1991
broad industrial licensing



1991 Annex II
18 licensing categories initially retained



2025–26
four industrial-licensing categories remain



Sources: Day 16 Source Index | Topic 155 | Section 2.3

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Licensing, location and the public sector in 1991 (2/2)

Public sector

areas where security and strategic concerns predominate would continue to be reserved for the public sector. The 1991 reserved list had eight entries, reduced from Schedule A's 17 in 1956. Annex I, reproduced in official Press Note 9 of 2 August 1991, lists:

The eight entries in the 1991 reserved list (Annex I)

1. arms and ammunition and allied defence equipment, defence aircraft and warships



2. atomic energy



3. coal and lignite



4. mineral oils



5. mining of iron ore, manganese ore, chrome ore, gypsum, sulphur, gold and diamond



6. mining of copper, lead, zinc, tin, molybdenum and wolfram



7. minerals in the Schedule to the Atomic Energy (Control of Production and Use) Order, 1953



8. railway transport



The public sector was not barred from other areas.

Strategic focus and autonomy

The public sector was to focus on essential infrastructure, oil and mineral exploration, strategic manufacturing such as defence equipment, and technology development. Strong enterprises would get more autonomy through memoranda of understanding, and part of the Government's holdings in their equity would be disinvested.





Later changes

reservation was narrowed to specified atomic-energy activities and core railway operations, with private participation in other railway activities. By the Department of Atomic Energy's 29 January 2026 update, the SHANTI Act allows licensed private nuclear facilities while reserving sensitive activities such as enrichment, spent-fuel management and heavy-water production to the Centre.



Reserved to the Centre
- Enrichment
- Spent-fuel management
- Heavy-water production

Licensed private nuclear facilities allowed under the SHANTI Act.

Keep this later position separate from the original eight-entry reservation list of 1991.

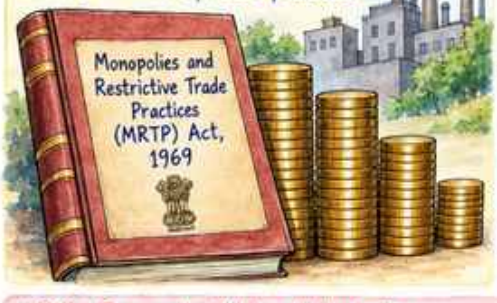
Sources: Day 16 Source Index | Topic 155 | Section 2.3

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MRTP Act and the Competition Act

The MRTP Act, 1969

The Monopolies and Restrictive Trade Practices (MRTP) Act, 1969 was intended to curb the concentration of wealth in a few hands and monopolistic practices.



Pre-1991: Asset threshold and pre-entry scrutiny

The MRTP Act required certain large companies (MRTP companies) and dominant undertakings to obtain the Central Government's prior approval for their investment decisions.



1991: Removal of threshold limits and pre-entry scrutiny

The 1991 statement removed the threshold limits of assets for MRTP companies and dominant undertakings. The pre-entry scrutiny of their investment decisions was no longer required.



Focus on unfair and restrictive practices

The emphasis moved to controlling unfair and restrictive practices, rather than making the monopoly houses take the Central Government's prior approval for expansion.



MRTP investment-control changes in 1991 did not immediately repeal the Act

Pre-1991 — MRTP asset threshold and pre-entry scrutiny

1991 — these investment controls removed

Competition Act, 2002 — later competition-law framework

1 September 2009 — MRTP Act repeal took effect



The Competition Act, 2002 and repeal of the MRTP Act

The Competition Act, 2002 provided the new competition-law framework and the Competition Commission of India (CCI). The MRTP Act was repealed with effect from 1 September 2009; do not date its repeal to 2002.



Sources: Day 16 Source Index | Topic 155 | Section 2.4

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Foreign investment, foreign technology and phased manufacturing

Foreign direct investment (FDI)

approval would be given for direct foreign investment up to 51 per cent foreign equity in high-priority industries. Annex III listed 34 such categories, under the title "List of industries for automatic approval of foreign technology agreements and for 51% foreign equity approvals".



Up to 51 per cent foreign equity in high-priority industries

Investment facilitation

the 1991 policy provided for a special Empowered Board to negotiate with a number of large international firms. This was a route for negotiating major investment proposals, alongside the policy's automatic-approval provisions. Separately, the Foreign Investment Promotion Board (FIPB) was abolished in 2017–18 following the Budget decision of 1 February 2017.



Foreign technology agreements

in the Annex III industries they got automatic permission up to a lump sum payment of Rs 1 crore, a royalty of 5 per cent on domestic sales and 8 per cent on exports. Total payments were limited to 8 per cent of sales over 10 years from the agreement date or 7 years from commencement of production, as the statement specifies.



Total payments were limited to 8 per cent of sales over 10 years from the agreement date or 7 years from commencement of production, as the statement specifies.

Phased manufacturing programmes

the system of phased manufacturing programmes, run case by case by administrative order to raise local content, would not apply to new projects.



Later FDI, dated

the 51 per cent rule belongs to the 1991 high-priority-industry policy. Subsequent DPIIT policy amendments and applicable law govern later caps. Under the 2025 insurance-law amendment, as confirmed in the Government's 23 April 2026 update, the limit for Indian insurance companies rose from 74 to 100 per cent. This is a later sector-specific change, not a 1991 measure (Topic 90; detailed FDI policy: Topic 543).



Comparison



Historical 1991 measures; not current universal FDI limits

Sources: Day 16 Source Index | Topic 155 | Section 2.5

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Small-scale reservation and its end

Reservation meant that certain items could be made only by small-scale units. The 1977 statement had raised the list from 180 items to more than 500.



Separate policy measures for small, tiny and village enterprises followed on 6 August 1991. They raised the investment limit for tiny enterprises from Rs 2 lakh to Rs 5 lakh, and shifted the emphasis away from subsidised or cheap credit, except for specified target groups.



Dereservation progressively opened formerly reserved products to larger producers.



The then Department of Industrial Policy and Promotion (DIPP, now DPIIT) de-reserved the remaining 20 items by notification S.O. 998(E) dated 10 April 2015. All the items reserved earlier for exclusive manufacture in the small-scale sector have now been de-reserved (Ministry of MSME, Lok Sabha, 28 July 2022). The MSME sector comes on Day 39 (Topic 385).



Timeline of key developments

1977
The 1977 statement had raised the list from 180 items to more than 500.



6 August 1991
Separate policy measures for small, tiny and village enterprises.



10 April 2015
The remaining 20 items de-reserved by notification S.O. 998(E) dated 10 April 2015.



Sources: Day 16 Source Index | Topic 155 | Section 2.6

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The Budget, the rupee and the outcomes

The 1991 Budget

presented by the Finance Minister, Manmohan Singh, on 24 July 1991, the same day as the statement. It said "we have announced important changes in industrial policy".



The rupee

The Budget speech refers to the exchange rate adjustments of 1 and 3 July 1991.

In 1991 the rupee was devalued as an immediate measure to resolve the balance of payments crisis, and this led to an increase in the inflow of foreign exchange.



Historical sequence; later growth data have their own vintages

1 and 3 July 1991 exchange-rate changes → 24 July 1991 industrial policy → 24 July 1991 Budget

Outcomes of the reforms

Outcome	Before the reforms	After the reforms
End of the licence raj	Licensing over most industry	18 industries in Annex II in 1991; a shorter list now.
GDP growth (per cent a year)	5.6 in 1980-91	6.4 in 1992-2001; 7.8 in 2002-07; 8.2 in 2007-12
Industry growth (per cent a year)	7.1 in 1980-91	6.5 in 1992-2001; 9.4 in 2002-07; 7.4 in 2007-12
Foreign investment (FDI and FII)	About US$ 100 million in 1990-91	About US$ 30 billion in 2017-18
FDI inflows	Not given for 1991	US$ 45.14 billion in 2014-15; US$ 84.83 billion in 2021-22, called a record in September 2024; US$ 70.95 billion in 2023-24
Foreign exchange reserves	About US$ 6 billion in 1990-91	About US$ 413 billion in 2018-19 (later figures: Topic 114)

Services contributed most strongly to the growth described here. Over the periods shown, agriculture grew by 3.6 per cent a year in 1980-91 and by 2.3 per cent in 2002-07.



Sources: Day 16 Source Index | Topic 155 | Section 2.7

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Criticisms and the later steps

Debate about the reform period:

the following criticisms concern the distribution of gains, sectoral performance and employment. They should not be read as undated claims about every later year.

Agriculture neglected:

the reforms have not benefited agriculture, where growth has been slowing. Public investment in farm infrastructure fell, and cuts in the fertiliser subsidy raised costs for small and marginal farmers.



Industry slowed:

cheaper imports and low investment in infrastructure reduced the demand for domestic goods.



Employment:

output growth did not generate sufficient employment opportunities. The key question is whether rising production also creates enough productive jobs.



Social spending:

the reforms placed limits on the growth of public expenditure, especially in the social sectors.



Later policy responses and initiatives:

National Manufacturing Policy:

announced on 4 November 2011. Its goals were to raise the share of manufacturing in GDP to 25 per cent and to create 100 million additional jobs by 2022.



Make in India:

launched by Prime Minister Narendra Modi on 25 September 2014 (Topic 293).



Production Linked Incentive (PLI) schemes:

on 11 November 2020 the Union Cabinet approved PLI schemes for 10 key sectors, with an outlay of Rs 1,45,980 crore over five years. These came on top of the PLI schemes already notified for mobile and electronic components, pharmaceutical ingredients and medical devices. By 2023 the schemes covered 14 key sectors, with an outlay of Rs 1.97 lakh crore.





Disinvestment in detail (Topic 784), reforms after 1991 (Topic 624) and privatisation and globalisation (Topic 993) come on other days.

Sources: Day 16 Source Index | Topic 155 | Section 2.8

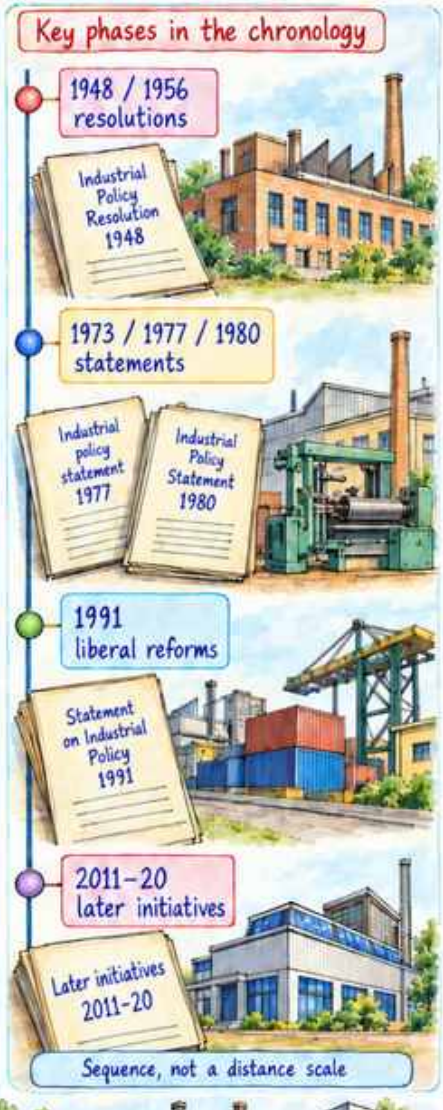
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Extra section: a chronology of industrial policy, 1948 to 2020 (1/2)

Date	Event
6 April 1948	Industrial Policy Resolution
30 April 1956	Industrial Policy Resolution with Schedules A and B
2 February 1973	Government decisions on industrial policy (high-priority industries)
23 December 1977	Industrial policy statement (small-scale, tiny and cottage industries; District Industries Centres)
23 July 1980	Industrial Policy Statement (competition; nucleus plants)
1 and 3 July 1991	Exchange rate adjustments of the rupee
24 July 1991	Statement on Industrial Policy, and the Budget speech for 1991-92
6 August 1991	Policy measures for small, tiny and village enterprises
2002	Competition Act; MRTP repeal took effect on 1 September 2009





Sources: Day 16 Source Index | Topic 155 | Section 3

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Extra section: a chronology of industrial policy, 1948 to 2020 (2/2)



Date	Event
4 November 2011	National Manufacturing Policy announced
25 September 2014	Make in India launched
10 April 2015	The last 20 items reserved for small-scale units de-reserved
1 February 2017	Budget speech decides to abolish the FIPB in 2017-18
11 November 2020	Cabinet approves PLI schemes for 10 key sectors

What the chronology shows:

- The devaluation came first, in the first week of July 1991. The industrial policy and the Budget followed three weeks later, on the same day.



- Controls were loosened in stages before 1991 too: the 1973 statement opened some industries to large houses and foreign companies, and the 1980 statement spoke of competition. The 1991 statement made the open door the rule and controls the exception.



- Small-scale reservation, which the 1977 statement had widened, outlived the 1991 reforms by almost 24 years.



Sources: Day 16 Source Index | Topic 155 | Section 3

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Three common exam traps

1. The 1956 Resolution

✗ "The 1956 Resolution had three schedules, A, B and C."

It printed two schedules, A and B. The third category was not a schedule: it was simply all the remaining industries, left ordinarily to private initiative.

Thus, three categories should not be confused with three printed schedules.



1956 Schedules A and B

Third category remaining industries

"Schedule C" is not the Resolution's printed heading

2. The 1991 policy

✗ "The 1991 policy abolished industrial licensing and public sector reservation altogether."

Both were cut down, not ended. A short list of industries still needed a compulsory licence, and some areas stayed reserved for the public sector.

Use the dated DPIIT licensing list and distinguish the later nuclear-sector changes from the original 1991 reservations.



A short list of industries still needed a compulsory licence

Some areas stayed reserved for the public sector

Distinguish the later nuclear-sector changes from the original 1991 reservations.

3. The 1991 policy

✗ "The 1991 policy capped all foreign investment at 51 per cent."

Automatic approval up to 51 per cent foreign equity applied to the high-priority industries of Annex III; it was not a ceiling for all FDI.

Major investments by large international firms could also be negotiated through a special Empowered Board.

These are different routes: automatic approval for the specified industries, and negotiation for major projects.

Later sector-specific limits are separate from the original 1991 rule, including the later 100 per cent limit for insurance companies.



Automatic approval up to 51 per cent foreign equity applied to the high-priority industries of Annex III; it was not a ceiling for all FDI.

Major investments by large international firms could also be negotiated through a special Empowered Board.

Later sector-specific limits are separate from the original 1991 rule, including the later 100 per cent limit for insurance companies.

Sources: Day 16 Source Index | Topic 155 | Section 4

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DAY 17 | TOPICS 161-170
Topic 163 | Teaching panel 01

From a committee report to a law

Under flexible inflation targeting, the Central Government, in consultation with the RBI, fixes a CPI inflation target once every five years under the Reserve Bank of India Act, 1934, and a six-member Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI) sets the policy repo rate to achieve it. The examination asks about the target and its band, the failure clause, the MPC's composition and procedure, and the policy rates with their corridor.

Recall: Topic 13 covered inflation and how the CPI measures it; Topic 43 covered the RBI's functions and its tools of monetary policy. This topic covers the framework that sets the target and the committee that sets the rate.

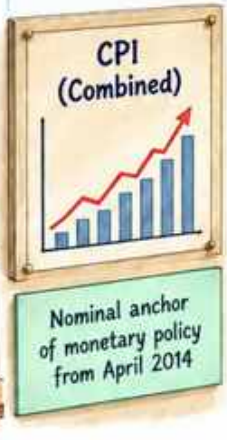
21 January 2014

The RBI released the Report of the Expert Committee to Revise and Strengthen the Monetary Policy Framework, known after its chairman Urjit Patel.
Among other things it suggested a monetary policy committee, of five members.



From April 2014

The RBI has used headline CPI (Combined) inflation as the nominal anchor of its monetary policy.



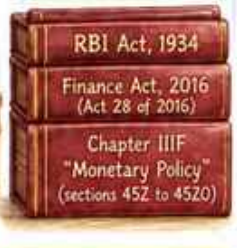
20 February 2015

The Government of India and the RBI signed the Monetary Policy Framework Agreement. It asked the RBI to bring CPI inflation within 6 per cent by January 2016, and at a target of 4 per cent, with a tolerance band of plus or minus 2 per cent, in all later years.



Finance Act, 2016 (Act 28 of 2016)

Its section 222 inserted a new Chapter IIIF, "Monetary Policy" (sections 45Z to 45ZO), into the RBI Act.
The May 2016 amendment gave flexible inflation targeting a statutory basis.
The new chapter came into force on 27 June 2016.



Setting the inflation target

The Central Government, in consultation with the RBI, fixes a CPI inflation target once every five years under the Reserve Bank of India Act, 1934.



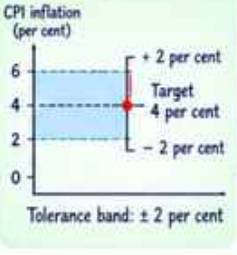
The Monetary Policy Committee (MPC)

A six-member MPC of the RBI sets the policy repo rate to achieve the target.



The target and band

CPI inflation to be within 6 per cent by January 2016, and at a target of 4 per cent, with a tolerance band of plus or minus 2 per cent, in all later years.



Policy rates and corridor

The MPC sets the policy repo rate to achieve the target. The examination asks about the policy rates with their corridor.



Sources: Source Index, Topic 163 | Coverage: section 2.1

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DAY 17 | TOPICS 161-170
Topic 163 | Teaching panel 02

The inflation target and the failure clause

What does "inflation" mean in the RBI Act?

In the RBI Act, "inflation" means the year-on-year change in the monthly CPI.



How is the inflation target determined?

Under section 45ZA of the RBI Act, the Central Government, in consultation with the RBI, determines the CPI inflation target once every five years and notifies it in the Official Gazette.

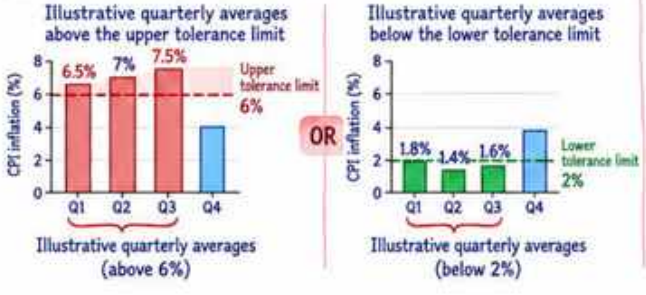


Inflation target decisions and the periods covered

Decision	Period covered	Target and band
Notified on 5 August 2016	5 August 2016 to 31 March 2021	4 per cent; band of 2 to 6 per cent
Retained on 31 March 2021	1 April 2021 to 31 March 2026	Unchanged
Retained on 25 March 2026	1 April 2026 to 31 March 2031	Unchanged

What counts as failure?

Notified on 27 June 2016. The RBI fails the target if average inflation stays above the upper tolerance limit, or below the lower tolerance limit, for any three consecutive quarters.



What follows (section 45ZN)?

If the RBI fails the target, under section 45ZN, the RBI must send a report to the Central Government setting out the following:



1. The reasons for the failure.
2. The remedial actions it proposes.
3. An estimate of the time within which the target will be achieved.

Sources: Source Index, Topic 163 | Coverage: section 2.2

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Topic 163 | Teaching panel 03

Who sits on the MPC (section 45ZB) (1/2)

The Central Government constitutes the MPC by notification in the Official Gazette.



The MPC's job:

it "shall determine the Policy Rate required to achieve the inflation target", and its decision is binding on the RBI.



Policy Rate → Decision is binding on the RBI.

3 members from the RBI (ex officio)

3 members appointed by the Central Government



Member	Who chooses the member	Status
The Governor of the RBI	Holds the seat by office	Chairperson, ex officio
The Deputy Governor in charge of monetary policy	Holds the seat by office	Member, ex officio
One officer of the RBI	Nominated by the RBI's Central Board	Member, ex officio
Three other persons	Appointed by the Central Government	Members

The three members appointed by the Central Government (section 45ZC)

They must be persons of ability, integrity and standing, with knowledge and experience in economics, banking, finance or monetary policy.

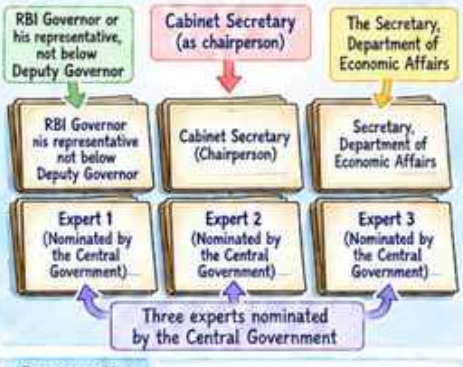


A person cannot be appointed if, for example, he:

- ✗ has reached seventy years of age on the date of appointment,
- ✗ is an employee of the RBI or a member of any of its Boards or Committees,
- ✗ is a public servant,
- ✗ or is a Member of Parliament or of a State Legislature.

Search-cum-Selection Committee

These three are appointed on its recommendation.



Term (section 45ZD)



- Four years, and they are not eligible for re-appointment.
- The 2024 appointments are for four years or until further orders, whichever is earlier.

Resignation



- A member may resign by giving the Central Government at least six weeks' written notice.
- The resignation takes effect on acceptance by the Central Government.

Sources: Source Index, Topic 163 | Coverage: section 2.3

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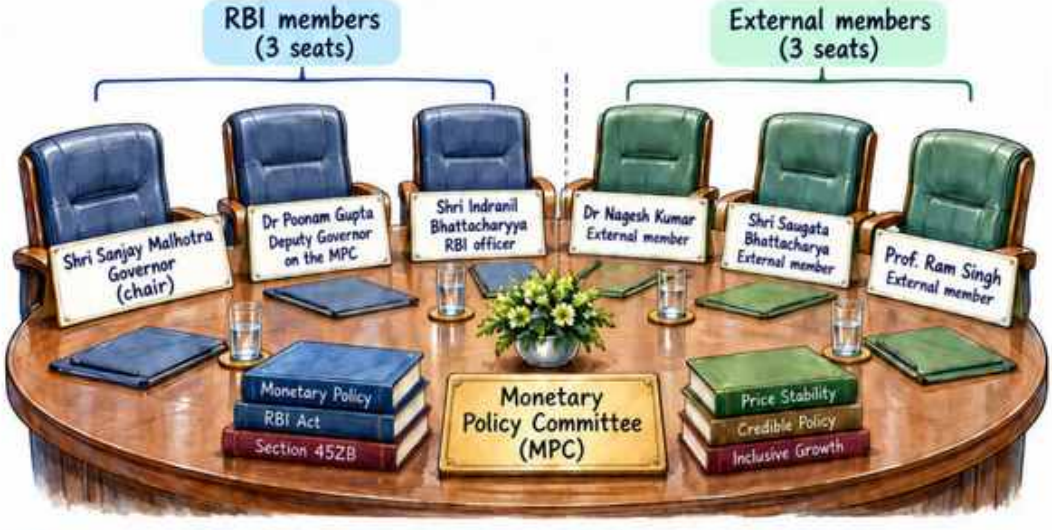
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Topic 163 | Teaching panel 04

Who sits on the MPC (section 45ZB) (2/2)

Members as on 18 October 2026

(the six named in the resolution of 7 October 2026)



Appointment route (section 45ZB)

RBI members (3)

- Governor of RBI (ex officio chair)
- +
- Deputy Governor in charge of monetary policy (ex officio)
- +
- One officer of RBI nominated by the Central Board of RBI



External members (3)

- Selected through a search-cum-selection process set up by the Central Government
- Search-cum-selection committee
- Recommends names to the Central Government
- Central Government appoints three external members



Term of office



- Each external member has a term of four years.
- The term is non-renewable.
- This applies to the external members appointed by the Central Government under the search-cum-selection process.
- The Governor, Deputy Governor and RBI officer are members for the period they hold their respective offices, as provided in section 45ZB.

Sources: Source Index, Topic 163 | Coverage: section 2.3

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Topic 163 | Teaching panel 05

Meetings, votes and what ts published (sections 45ZI to 45ZM)

1. Meetings

- The RBI must hold **at least four meetings** of the MPC in a year, and must publish the year's schedule **at least one week before the first meeting.**
- In practice the MPC meets **about every two months:** the meetings of **2026-27** held or fixed so far fall in April, June, August, October and December 2026 and February 2027.





2. Quorum

- **Four members,** at least one of whom must be the **Governor** or, in his absence, the **Deputy Governor** who is a member of the MPC.
- The Governor presides; in his absence that Deputy Governor presides.



3. Votes

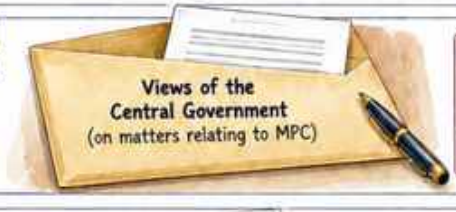
- Each member has **one vote.**
- Questions are decided by a **majority** of the members present and voting.
- If the **votes are equal,** the Governor has a **second or casting vote.**





4. The Government's role

- The Central Government may convey its views to the MPC **in writing from time to time.**
- It has **no member and no vote** on the MPC.



- May convey its views to the MPC in writing from time to time.
- No member and no vote on the MPC.

5. Openness

- The vote of each member is recorded against his name, and each member writes a statement of reasons for voting for or against the resolution.
- **The resolution is published after each meeting.**
- The minutes, with the votes and the statements, are published on the **14th day after the meeting** for the meeting that ended on **7 October 2026,** on **21 October 2026.**



6. Monetary Policy Report

- Published **once every six months;** the latest is that of **7 October 2026.**



Sources: Source Index, Topic 163 | Coverage: section 2.4

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Topic 163 | Teaching panel 06

The policy rates as on 18 October 2026

Latest MPC resolution

- 63rd meeting (5 to 7 October 2026).
- The MPC raised the policy repo rate by 25 basis points to 5.50%, unanimously.
- One basis point is one-hundredth of a percentage point (1 bps = 0.01 percentage point).
- The MPC changed its stance from neutral to "calibrated tightening".
- On the stance, two members, Dr Nagesh Kumar and Prof. Ram Singh, preferred to keep it neutral.



Policy rates and reserve ratios (as on 18 October 2026, RBI website)

Rate or ratio	Level (per cent), RBI website, 18 October 2026
Policy repo rate	5.50
Standing deposit facility (SDF) rate	5.25
Marginal standing facility (MSF) rate	5.75
Bank Rate	5.75
Cash reserve ratio (CRR)	3.00
Statutory liquidity ratio (SLR)	18.00

The policy rate corridor



Rates decided by MPC and those outside its resolution

- The law gives the MPC the policy rate only.
- The CRR and the SLR are not part of its resolutions, and none of the resolutions of the last year announced a change in them.



Decisions over the last year

Meeting	Policy repo rate	SDF rate	MSF rate and Bank Rate	Stance
58th, 3 to 5 December 2025	Cut by 25 basis points to 5.25	5.00	5.50	Neutral
59th, 4 to 6 February 2026	Unchanged at 5.25	5.00	5.50	Neutral
60th, 6 to 8 April 2026	Unchanged at 5.25	5.00	5.50	Neutral
61st, 3 to 5 June 2026	Unchanged at 5.25	5.00	5.50	Neutral
62nd, 3 to 5 August 2026	Unchanged at 5.25	5.00	5.50	Neutral
63rd, 5 to 7 October 2026	Raised by 25 basis points to 5.50	5.25	5.75	Calibrated tightening

Sources: Source Index, Topic 163 | Coverage: section 2.5

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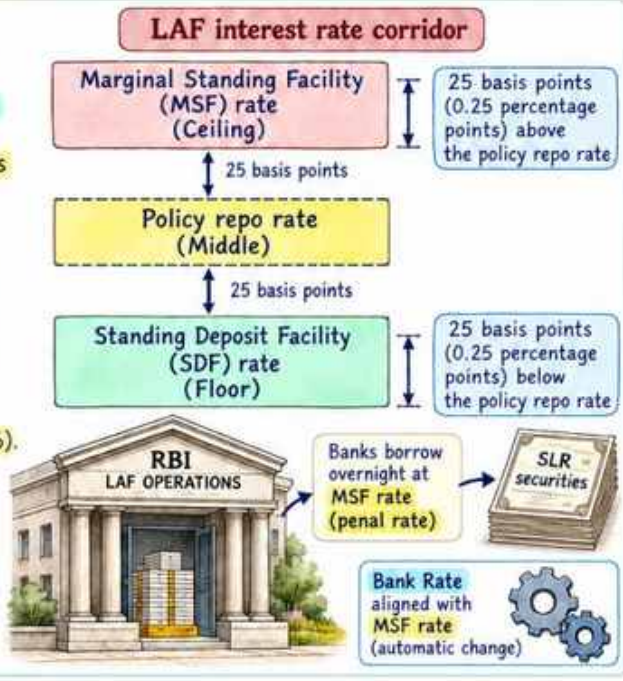
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Topic 163 | Teaching panel 07

The corridor and transmission

The corridor

- The RBI's liquidity adjustment facility (LAF) has the MSF rate as its ceiling and the SDF rate as its floor, each 25 basis points from the policy repo rate in the middle.
- Banks borrow overnight at the MSF rate, a penal rate, against their SLR securities.
- Since April 2022 the SDF rate has been the floor, in place of the fixed reverse repo rate (3.35 per cent on 18 October 2026).
- The Bank Rate is aligned with the MSF rate and changes automatically when it changes.



Operating target

- The RBI manages liquidity so that the weighted average call rate (WACR) stays close to the policy repo rate.



Transmission

- From 1 October 2019 banks must link all new floating rate personal or retail loans, and new floating rate loans to micro and small enterprises, to an external benchmark:





- The rate must be reset at least once in three months.



- At end-June 2026, 68.2 per cent of banks' floating rate loans were linked to an external benchmark;
- the older marginal cost of funds based lending rate (MCLR) still slows the pass-through.

Sources: Source Index, Topic 163 | Coverage: section 2.6

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The record of inflation targeting

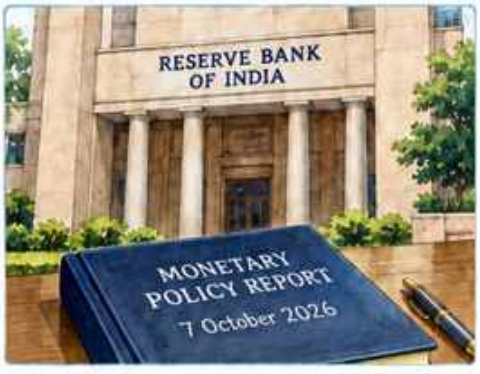
Latest reading

All India CPI (Combined) inflation was **5.54 per cent** in September 2026 (provisional, released by MoSPI on 12 October 2026). The figure for August 2026, finalised in the same release, was **4.83 per cent.**



All India CPI (Combined) inflation





RBI's assessment and projection

The RBI's Monetary Policy Report of **7 October 2026** notes headline inflation **above the 4 per cent target** in June to August 2026.
The MPC projects CPI inflation of **5.2 per cent** for 2026-27, with **6.0 per cent** in the third quarter.

125 basis points of easing before the rise

The October 2026 rise followed cumulative policy easing of 125 basis points from February 2025 to September 2026.

Cumulative policy easing:
125 basis points,
February 2025 – September 2026

Sources: Source Index, Topic 163 | Coverage: section 2.7

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Topic 163 | Teaching panel 09

Extra section: a chronology of the framework

Date	Event
21 January 2014	Report of the Expert Committee chaired by Urjit Patel released.
April 2014	RBI starts using CPI (Combined) inflation as the nominal anchor.
20 February 2015	Monetary Policy Framework Agreement signed by the Government and the RBI.
May 2016	RBI Act amended by the Finance Act, 2016.
27 June 2016	Chapter IIIF in force; factors that constitute failure notified.
5 August 2016	First target notified: 4 per cent, band 2 to 6 per cent, up to 31 March 2021.
1 October 2019	New floating rate retail and MSE loans linked to external benchmarks.
31 March 2021	Target and band retained for 2021-26.
April 2022	SDF becomes the floor of the corridor.
25 March 2026	Target and band retained for 1 April 2026 to 31 March 2031.
7 October 2026	63rd meeting raises the repo rate to 5.50 per cent.



How to read it

Contract (2015)
The agreement of 2015 was a contract between the Government and the RBI.

→

Law (2016)
The Act of 2016 turned it into law and set up the committee.

→

Notifications (2016, 2021, 2026)
The notifications of 2016, 2021 and 2026 each fixed the same number for five years.

Sources: Source Index, Topic 163 | Coverage: section 3

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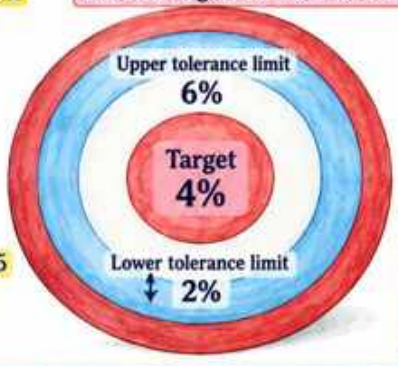
DAY 17 | TOPICS 161-170
Topic 163 | Teaching panel 10

Three common exam traps

1 The target is 4 per cent, not 6 per cent.

- The 6 per cent and the 2 per cent are the upper and lower tolerance limits around the target.
- The target is fixed by the Central Government in consultation with the RBI, once every five years.
- The MPC sets the policy rate, and the decision of March 2026 kept both the number and the band unchanged.

Inflation target and tolerance band





MPC sets the policy rate and the decision of March 2026 kept both the number and the band unchanged.

2 The MPC decides; the Governor does not overrule it.

- Each member has one vote and the MPC's decision binds the RBI.
- The Governor's second vote counts only when the votes are equal.
- The Central Government may send its views in writing, but it has no vote.



Governor's second vote counts only when the votes are equal.



Only then does the Governor's second vote count.

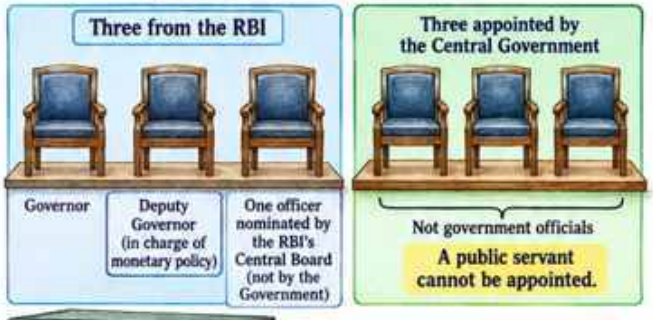


→ No vote

3 Who the six are.

- Three come from the RBI:
  - the Governor,
  - the Deputy Governor in charge of monetary policy,
  - and one officer nominated by the RBI's Central Board (not by the Government).
- The other three are appointed by the Central Government but are not government officials:
  - a public servant cannot be appointed.
- The expert committee of 2014 had suggested five members; the Act made it six.

The six members of the MPC





- The expert committee of 2014 had suggested five members.
- The Act made it six.

Sources: Source Index, Topic 163 | Coverage: section 4

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Topic 164 | Teaching panel 01

What earlier topics settled

After the bifurcation of **2 June 2014**, the residuary State of Andhra Pradesh began with **58.32 per cent** of the undivided State's population, no capital city of its own and a revenue deficit, and it has grown into an economy in which agriculture and allied sectors hold an unusually large share. The examination asks for the effects of bifurcation, the size and sectoral structure of the economy, and its main strengths and challenges, each with its year and source.

Before bifurcation (Undivided State)



Single State (undivided)

Bifurcation
2 June 2014
(appointed day)

After bifurcation (Residuary State: Andhra Pradesh)



- **58.32 per cent** of the undivided State's population
- No capital city of its own
- Revenue deficit

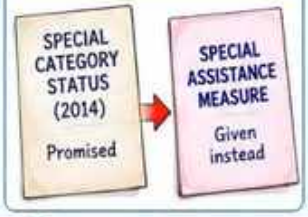
Topic 14 Andhra Pradesh Reorganisation Act, 2014

The Andhra Pradesh Reorganisation Act, 2014 fixes the **population ratio** and **apportions revenues, assets and debts.**



Topic 105 Special Category Status

Andhra Pradesh was promised Special Category Status in **2014** but received a **special assistance measure** in its place.



Topic 143 Polavaram Project

- Polavaram is a **national project** under **Section 90** of the Act.
- The State Budget of Andhra Pradesh for **2026-27** provides **Rs 6,105.79 crore** (about **Rs 6,106 crore**) for the Polavaram Project.



Topic 113 Human Development Index

Topic 113 covers the Human Development Index.



Topic 134 Finance Commission

Topic 134 covers the Finance Commission. Under the Sixteenth Finance Commission for **2026-31**, Andhra Pradesh receives **4.217%** of the amount devolved to all States, compared with **4.047%** under the Fifteenth Finance Commission. These are horizontal shares within the States' **41%** share of the divisible pool. **Topic 124** covers the detailed distribution.





Sources: Source Index, Topic 164 | Coverage: section 2.1

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Topic 164 | Teaching panel 02

What bifurcation did to the economy

1. Population

Section 2(h): the population ratio is **58.32 : 41.68** (Andhra Pradesh : Telangana), as per the 2011 Census.



Population ratio (2011 Census): 58.32 : 41.68

2. Area

The State spans **1,62,970 sq km** (Socio-Economic Survey 2024-25).



Section **52** divides Calamity Relief Fund securities in the ratio of the area of the two States.

3. Capital and its revenue

Section 5: Hyderabad was the common capital for a period not exceeding ten years.



The Socio-Economic Survey 2024-25 lists the "loss of capital city as a major commercial hub" among the causes of the State's fiscal stress.

4. Revenue deficit in the first year

For **2014-15** (2 June 2014 to 31 March 2015):

State Government reported revenue deficit	Audited figure for that period	Resource gap assessed by the Union (Section 46(2))
Rs 16,079 crore	Rs 13,775.76 crore	Rs 4,117.89 crore (all of it released)

A further **Rs 1,500 crore** was released to the State on 31 March 2022.

14 March 2023

The Rajya Sabha reply of 14 March 2023 calls it assistance for "DISCOMS for taking over FRP bonds" (DISCOMs are the power distribution companies).

5. Debt

Section 54: outstanding public debt and Public Account liabilities are generally apportioned by the population ratio, subject to the exceptions specified in the Act.



In 2017-18, the State's outstanding debt included **Rs 23,483 crore** not yet apportioned between the two States.



Not yet apportioned between the two States (Socio-Economic Survey 2017-18).



Section 46(2) lets the Union make grants "having regard to the resources available" to Andhra Pradesh. The resource gap above was assessed under it (Topic 105).

Sources: Source Index, Topic 164 | Coverage: section 2.2

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Size of the economy

Gross State Domestic Product (GSDP)

is the monetary value of final goods and services produced within the State in a year.



Gross State Value Added (GSVA)

is GSDP before adding product taxes and subtracting product subsidies; sectoral shares are worked out on GSVA.

Relationship between GSVA and GSDP

Gross State Value Added (GSVA) (at basic prices) + Product taxes (on products) − Product subsidies (on products) = Gross State Domestic Product (GSDP) (at market prices)



- GSDP measures the monetary value of final goods and services produced within the State in a year.
- GSVA is GSDP before adding product taxes and subtracting product subsidies.
- Sectoral shares are worked out on GSVA.

GSDP figures, growth rates and sources

Measure	Figure	Source
GSDP at current prices, 2024-25 (First Advance Estimates)	Rs 16,06,109 crore; growth 12.94 per cent	Socio-Economic Survey 2024-25
GSDP at constant (2011-12) prices, 2024-25 (First Advance Estimates)	Rs 8,73,142 crore; growth 9.24 per cent	Socio-Economic Survey 2024-25
GSDP at current prices, 2025-26 (Revised Estimates)	Rs 17,62,357 crore	Budget 2026-27, as analysed by PRS
GSDP at current prices, 2026-27 (Budget Estimates)	Rs 19,75,073 crore, 12 per cent over the previous year	Budget 2026-27, as analysed by PRS
GSDP in 2014-15, the first year	Rs 5,24,976 crore at current prices; Rs 4,44,564 crore at constant prices	Socio-Economic Survey 2017-18

Current prices versus constant (2011-12) prices (2024-25, First Advance Estimates)



Source: Socio-Economic Survey 2024-25 (First Advance Estimates)

Estimate vintage matters

- For 2024-25, the first advance estimate gives real growth of 9.24%.
- A February 2026 comparison gives about 8% for Andhra Pradesh and 6.5% for India.
- Estimates can change as new data arrive; compare figures from the same vintage and price basis.



Per capita income (at current prices, 2024-25)

Andhra Pradesh	All-India
Rs 2,68,653	Rs 2,00,162

That is about **1.34 times** the national figure.



Source: Socio-Economic Survey 2024-25 (First Advance Estimates)

Per capita GSDP (at current prices, 2024-25)

Andhra Pradesh	India (per capita GDP)
Rs 2,98,058	Rs 2,34,859

Source: PRS

Per capita GSDP is a different measure. **Do not mix the two.**

Swarna Andhra Vision 2047 (see 2.7) puts its income target in dollars, not rupees.



Sources: Source Index, Topic 164 | Coverage: section 2.3

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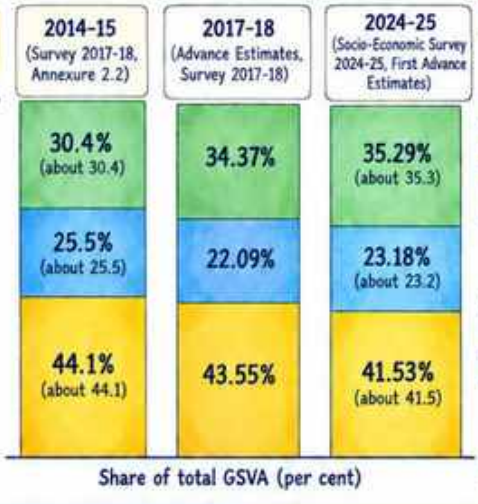
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DAY 17 | TOPICS 161-170
Topic 164 | Teaching panel 04

Structure of the economy: sectoral shares of GSVA at current prices

Gross State Value Added (GSVA) at current prices

Share of agriculture and allied sectors, industry and services in total GSVA (at current prices)









2014–15 sector values and shares

Sector	Value (Rs crore)	Share of total GSVA (per cent)
Agriculture and allied	1,48,196	30.39 (about 30.4)
Industry	1,24,282	25.48 (about 25.5)
Services	2,15,230	44.13 (about 44.1)
Total GVA	**4,87,709**	**100.00**

The corresponding sector values are Rs 1,48,196 crore, Rs 1,24,282 crore and Rs 2,15,230 crore, against total GVA of Rs 4,87,709 crore; minor rounding differences can arise.

Rounded 2014–15 sector values

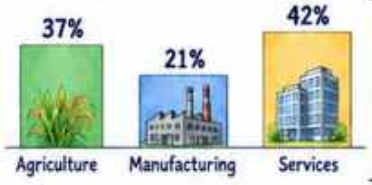
- agriculture and allied 1.48 lakh crore;
- industry 1.24 lakh crore;
- services 2.15 lakh crore.

These values refer to 2014-15, not 2024-25.



Different sector labels: February 2026 comparison

A February 2026 comparison uses rounded shares of 37% agriculture, 21% manufacturing and 42% services.



Agriculture differs from agriculture and allied activities; manufacturing is only part of industry. Different groupings are not like-for-like revisions.

Sector growth in 2024-25 (at constant prices) (Survey 2024-25)

Sector / Sub-sector	Growth rate (per cent)
Agriculture and allied	10.70
Industry	6.58
Services	8.53
Within primary sector: Fishing and aquaculture	11.29





Direction of change (2014-15 to 2024-25)

- Between 2014-15 and 2024-25 the share of agriculture and allied sectors rose, while the shares of industry and services fell.
- This is the opposite of the usual pattern, in which agriculture's share falls as an economy grows.
- Services remain the largest sector, but agriculture and allied sectors come close.

Agriculture and allied sectors: Share rose from about 30.4% to 35.3%

Industry: Share fell from about 25.5% to 23.2%

Services: Share fell from about 44.1% to 41.5%

Sources: Source Index, Topic 164 | Coverage: section 2.4

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Strengths

1. Fish and shrimp



Dated sector indicators:

2017–18: the State "Ranks 1st in total fish and shrimp production", producing more than **70 per cent** of India's cultured shrimp.

2024–25: about **30 per cent** of national fish production and **31 per cent** of India's shrimp exports.

2. Horticulture



2024–25 indicators:

- The largest fruit producer in India, with **18.23 lakh ha** under horticulture;
- **second** in mango, sweet orange and turmeric.

3. Rice and livestock



2024–25 indicators:

- Paddy output of **127.15 lakh tonnes** in 2024–25;
- first in egg production in 2023–24

Second in egg production in 2016–17, after Tamil Nadu.

4. Coastline and ports



Earlier measurement | **After national re-measurement (29 April 2025)**

974 km (973.7 km) | 1,053.07 km



2017–18:

- Coastline was **974 km** (973.7 km).
- Second longest, after Gujarat.

National re-measurement:

- By the National Hydrographic Office with the Survey of India, promulgated on 29 April 2025, puts it at **1,053.07 km**,
- the **third** longest among the States after Gujarat and Tamil Nadu (Ministry of Earth Sciences, December 2025).

2024–25:

- Pair each rank with the measurement used.

Ports:

- Visakhapatnam is a major port under the Government of India.
- **2017–18: 14** notified ports under the State
- **2024–25: 6** operational ports

5. Minerals



2024–25 indicators:

- Mines and minerals gave **50 per cent** of the State's own non-tax revenue in 2024–25 (Revised Estimates).
- Barytes and limestone are among the main minerals.

6. Services



2024–25 indicators:

- The largest sector, with **41.53 per cent** of GSVA in 2024–25
- and growth of **8.53 per cent.**

Growth in fishing and aquaculture in 2024-25



Fishing and aquaculture also grew faster in 2024-25 **(11.29 per cent)** than agriculture and allied sectors as a whole **(10.70 per cent).**



Sources: Source Index, Topic 164 | Coverage: section 2.5

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Topic 164 | Teaching panel 06

Challenges

Key fiscal, economic and structural challenges for Andhra Pradesh

Key figures from Budget 2026-27 (as analysed by PRS)

Challenge	2024-25 Actual	2025-26 Revised Estimates (RE)	2026-27 Budget Estimates (BE)	Source
Fiscal deficit (% of GSDP)	5.1	4.6	3.8 (Rs 75,868 crore)	Budget 2026-27, as analysed by PRS
Revenue deficit (% of GSDP)	3.8	2.3	1.1 (Rs 22,003 crore)	Budget 2026-27, as analysed by PRS



Outstanding liabilities (% of GSDP)
(Budget 2026-27, as analysed by PRS)

2021-22	2024-25	2026-27 (estimated)
33%	36%	36%

Guarantees and off-budget borrowing
(from PRS)

Outstanding guarantees of **Rs 1,77,328 crore** on 31 December 2025, 10 per cent of the GSDP of 2025-26.

Off-budget borrowings of **Rs 1.28 lakh crore** as of March 2023, 9.7 per cent of GSDP (CAG).



Agriculture: employment vs output

Employment share (2023-24): **45.6%** of the workforce engaged in agriculture

Output share (2024-25): **35.29%** of GSVA (First Advance Estimates)

Source: Socio-Economic Survey 2024-25



Capital city development



The State began without a capital city of its own.

Budget 2026-27 provides **Rs 6,000 crore** for Amaravati Capital City Development.

Topic 14 covers the amendment of 2026 that names Amaravati. Its financing is Topic 264.

1 The fiscal limit

The Sixteenth Finance Commission recommends a **3% of GSDP** annual fiscal-deficit ceiling for States during 2026-31, excluding expenditure financed through Special Assistance to States for Capital Investment (SASCI).

Andhra Pradesh's overall 2026-27 Budget Estimate is **3.84%.**

Assessing compliance requires applying the permitted exclusions.

Fiscal deficit limit (for States 2026-31)
3% of GSDP
(excluding SASCI expenditure)

2 Productivity gap

Agriculture employed 45.6% of the workforce in 2023-24 (Socio-Economic Survey 2024-25).

The comparison with the 35.29% GSVA share uses 2024-25 First Advance Estimates, so the employment and output years differ.

The figures indicate lower average output per agricultural worker, but are not a same-year productivity calculation.

3 The capital

The State began without a capital city of its own.

Topic 14 covers the amendment of 2026 that names Amaravati.

The Budget 2026-27 provides **Rs 6,000 crore** for Amaravati Capital City Development.

Its financing is Topic 264.

4 The Budget 2026-27

The Budget 2026-27 was presented on **14 February 2026** by the Finance Minister, Payyavula Keshav.



Total expenditure, excluding debt repayment, is **Rs 3,10,058 crore.**

Sources: Source Index, Topic 164 | Coverage: section 2.6

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DAY 17 | TOPICS 161-170
Topic 164 | Teaching panel 07

Districts and the Swarna Andhra Vision 2047

Districts of Andhra Pradesh

13 Districts



Up to 3 April 2022

Andhra Pradesh had **13** districts before 4 April 2022.

26 Districts



From 4 April 2022

Andhra Pradesh had **26** districts from 4 April 2022.

28 Districts



From 31 December 2025

The reorganisation creating Markapuram and Polavaram took effect on 31 December 2025, taking the total to 28 districts.

New Districts Created



Markapuram Final Notification

The final Gazette and order for Markapuram are dated 30 December 2025.



Match the count to the date

26 districts:
4 April 2022 – 30 December 2025

28 districts:
from 31 December 2025

Swarna Andhra Vision 2047

Launched on 13 December 2024

Swarna Andhra Vision 2047 was launched by the Chief Minister on 13 December 2024.



Vision Statement

It aims to make Andhra Pradesh a "Wealthy, Healthy, and Happy State by 2047".



Key Targets for 2047

Its targets include:

Gross State Domestic Product (GSDP)
Over **2.4** trillion dollars



Per Capita Income
Over **42,000** dollars



Source: Socio-Economic Survey 2024-25 (Targets for 2047)

Sources: Source Index, Topic 164 | Coverage: section 2.7

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Topic 164 | Teaching panel 08

Extra section: the economy since bifurcation in dates

2 June 2014 — Appointed day: the residuary State of Andhra Pradesh begins, with **58.32 per cent** of the undivided State's population.



2014-15 — First year: State reports a revenue deficit of **Rs 16,079 crore** for 2 June 2014 to 31 March 2015; GSDP **Rs 5,24,976 crore** at current prices.



31 March 2022 — A further **Rs 1,500 crore** released to the State, as assistance for "DISCOMS for taking over FRP bonds" (Rajya Sabha reply).



4 April 2022 — **13 districts become 26.**



2 June 2024 — Ten years from the appointed day: the period of Hyderabad as common capital, "not exceeding ten years", is over.



13 December 2024 — **Swarna Andhra Vision 2047** launched.



2024-25 — GSDP **Rs 16,06,109 crore** at current prices (First Advance Estimates); per capita income **Rs 2,68,653.**



31 December 2025 — Markapuram and Polavaram districts take effect; the State now has **28 districts.**



14 February 2026 — Budget 2026-27 presented: GSDP for 2026-27 estimated at **Rs 19,75,073 crore**; fiscal deficit **3.8 per cent** of GSDP.



How to read it

Between 2014-15 and 2024-25 GSDP at current prices rose about **three times** (5.25 to 16.06 lakh crore), and at constant prices about **twice** (4.45 to 8.73 lakh crore).

The **gap between the two is the rise in prices.**

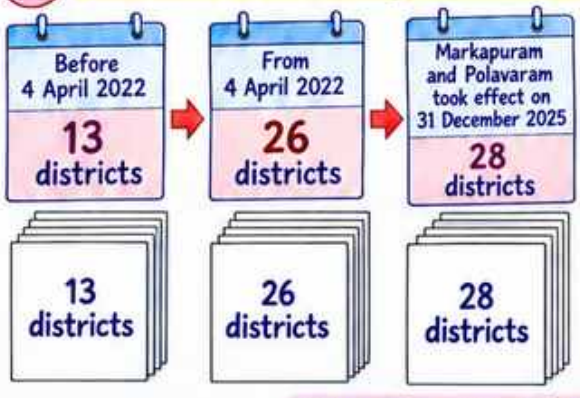


Sources: Source Index, Topic 164 | Coverage: section 3

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Three common exam traps

1 District counts change with effective dates.



Key point

26 districts: 4 April 2022 – 30 December 2025.

28 districts: from 31 December 2025.

Match the count to its effective date.

2 Use the same measurement for length and rank.

Earlier measurement

Earlier measure: 974 km (973.7 km), second after Gujarat.



Rank (old)
Second after Gujarat

National re-measurement
(promulgated on 29 April 2025)



Rank (new)
Third after Gujarat and Tamil Nadu

Key point

Earlier measure: 974 km, rank 2.

Remeasurement: 1,053.07 km, rank 3.

Length and rank must use the same measurement.

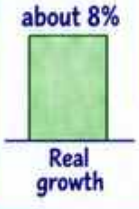
3 For 2024–25, distinguish nominal growth, real growth and estimate vintage.

First advance estimates: 2024–25



12.94% at current prices; 9.24% at constant prices.

February 2026 comparison



About 8% real growth for 2024–25.

Key point

- Nominal growth includes price changes; real growth uses constant prices.
- Estimates may be revised.
- Compare matching price bases and estimate vintages.

Sources: Source Index, Topic 164 | Coverage: section 4

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One economy, three views

Output, expenditure and income measure the same production from three angles: value added by producers, final spending on goods and services, and income earned in production.

Valuation, depreciation and tax adjustments connect the measures.



Goods and services produced by firms



Simple two-sector circular flow: firms pay households for productive services; households spend this income on firms' goods and services. The same aggregate can be measured as output, spending or factor income.

Connecting the measures

GDP at market prices = total GVA at basic prices + taxes on products − subsidies on products.
Factor-cost convention: National Income = NNP at factor cost
= GDP at market prices − depreciation + net factor income from abroad (NFIA) − net indirect taxes.

Output, expenditure and income agree in concept when scope and valuation are consistent. Independently estimated data can leave a statistical discrepancy; reconciliation brings the estimates together.

Comparing the three methods

Point	Product or value added method	Expenditure method	Income method
Point of the circular flow	Production by firms	Spending on final goods and services	Payments to the factors of production
What is added	Value added of every producer	Final expenditure, not spending on intermediate goods	Wages, profits, interest and rent
Simplified model identity	GDP ≡ sum of GVA of all firms	GDP ≡ C + I + G + X − M	GDP ≡ W + P + In + R
Approach	Production approach	Expenditure approach	Income approach

The displayed simplified identities assume zero depreciation and zero net taxes on production and products. Full accounts include consumption of fixed capital and the relevant net taxes in GDP at market prices. W + P + In + R alone is not the complete market-price formula.

Sources: Day 18 Source Index | Topic 174 | 1; 2.1; 2.2

Day 18 | T174 · P01 | 48/155

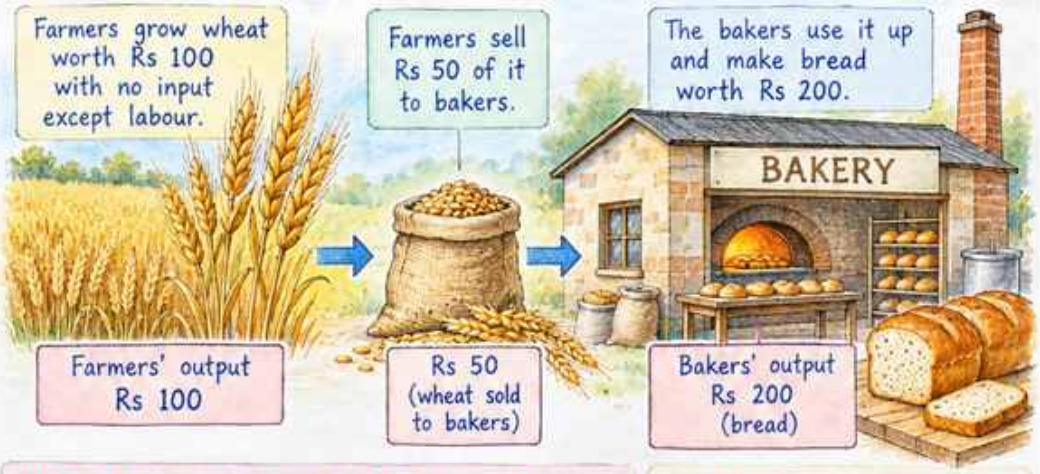
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Value added prevents duplication

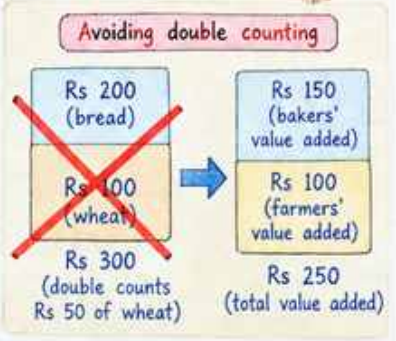
Value added:
value of output – intermediate consumption

Intermediate inputs:
Goods and services consumed as inputs in production. Fixed assets are excluded; their use is recorded as depreciation.



Worked example: avoiding double counting

farmers grow wheat worth Rs 100 with no input except labour, and sell Rs 50 of it to bakers. The bakers use it up and make bread worth Rs 200. Adding 200 and 100 gives Rs 300, which counts the Rs 50 of wheat twice. The bakers' value added is 200 – 50 = Rs 150, so the economy's output is 100 + 150 = Rs 250.



Firm level calculations

Firm	Value of production (Rs)	Value of intermediate goods used (Rs)	Value added (Rs)
Farmers (wheat)	100	0 (no input except labour)	100
Bakers (bread)	200	50 (wheat)	150 (200 – 50)
Total for economy			250

Accounting term

Intermediate consumption is the value of goods and services used up as production inputs.



Sources: Day 18 Source Index | Topic 174 | 2.3

Day 18 | T174 · P02 | 49/155

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Output and inventories

Formulas for the simplified example:

GVA = value of output − intermediate consumption.
Value of output = sales + change in inventories.
Net value added = GVA − depreciation.
With zero net product taxes: GDP = total GVA.



Inventories:

Stocks of unsold finished goods, semi-finished goods and raw materials carried from one year to the next.

In the finished-goods example below, production minus sales is the change in inventories: a flow included in investment.

Inventory stock
unsold finished goods, semi-finished goods or raw materials carried from one year to the next.



Unplanned inventory: worked example

A firm produces 1,000 shirts expecting to sell them all, but sells only 600. The 400 unsold shirts are an unplanned addition to inventories.



Produced; expected sales 1,000 shirts

Actual sales 600 shirts

400 unsold shirts are an unplanned addition to its inventories.

Stock and flow

An inventory stock is measured at a point in time. Its increase or decrease during a year is a flow. Change in inventories is included in investment.

Shirt sales and change in inventories

Item	Number of shirts
Produced; expected sales	1,000
Actual sales	600
Change in inventories (production minus sales)	400
Actual sales + unsold shirts	600 + 400 = 1,000

Output, intermediate goods and value added



Value of output = sales + change in inventories.
GVA = value of output − intermediate consumption.
Net value added = GVA − depreciation.

From firms to GDP

With zero net product taxes: GDP = total GVA.



GDP = total GVA (zero net product taxes).

Key points

- Inventories are stocks of finished goods, semi-finished goods and raw materials.
- In this example, production minus sales is the inventory change: a flow included in investment.
- Output = sales + change in inventories.
- GVA = output − intermediate consumption.
- Net value added = GVA − depreciation.
- With zero net product taxes, GDP = total GVA.

Sources: Day 18 Source Index | Topic 174 | 2.3; 2.4

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Final expenditure

The expenditure approach adds final uses of output. Only final expenditure is counted; spending on intermediate inputs is excluded to avoid double counting.

Expenditure components:

- C : private final consumption, mainly by households.
- I : gross capital formation, including private and public investment.
- G : government final consumption.
- X : exports.

Imports (M) are subtracted because they are produced abroad.

GDP = C + I + G + X − M.

The four components of final expenditure (and imports)

C Final consumption expenditure

Mostly by households on goods and services for final use.

Housing services



Gross capital formation (I)

Private and public investment in fixed assets, inventory changes and valuables.



Government final consumption (G)

Public administration and services. Public construction and other government capital formation belong in I.

New construction → I



X Exports

Goods and services produced domestically and sold to the rest of the world.



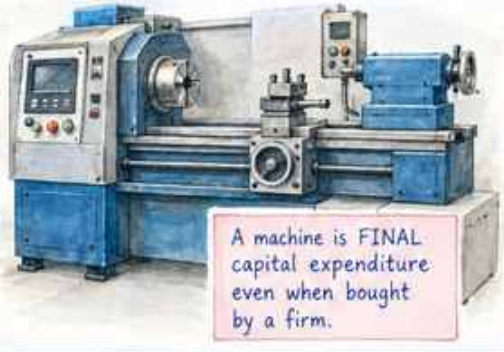
M Imports

Subtracted, because that spending is on goods produced abroad.



Final or intermediate?

A machine bought by a firm is a capital good: it is final investment expenditure (I).



Raw material that a firm uses up is an intermediate good: it is not final expenditure, and in the value added method it is subtracted from the value of output.



Sources: Day 18 Source Index | Topic 174 | 2.4

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Official spending components

MoSPI's components (expenditure statement of the GDP press notes; shares of GDP at current prices for 2025-26, Provisional Estimates of 5 June 2026):

Expenditure component	What it is	Share of GDP (per cent)
Private Final Consumption Expenditure (PFCE)	Private final consumption (C)	56.7
Government Final Consumption Expenditure (GFCE)	Government final consumption (G)	10.7
Gross Fixed Capital Formation (GFCF)	Fixed investment; part of I	31.9
Change in Stocks (CIS)	Inventory change; part of I	1.2
Valuables	Net acquisition of valuables; part of I	2.0
Exports	Exports (X)	22.2
Imports	Imports (M), subtracted	24.4
Discrepancies	GDP minus the sum of the expenditure components	−0.3

Private Final Consumption Expenditure (PFCE) 56.7%



Consumption (C)
Households' spending on goods and services.

Government Final Consumption Expenditure (GFCE) 10.7%



Consumption (G)
Government's spending on goods and services (such as administration, defence, education and health).

Gross Fixed Capital Formation (GFCF) 31.9%



Fixed investment, part of I: dwellings, other buildings and structures, machinery and equipment.

Change in Stocks (CIS) 1.2%



Inventory changes, part of I.

Valuables 2.0%



Net acquisition of valuables is part of gross capital formation (I).

Exports 22.2%



Exports (X)
Exports of goods and services.

Imports 24.4%



Imports (M), subtracted.
Imports of goods and services.

Net exports

Net exports = exports − imports
= 22.2 − 24.4
= −2.2 per cent of GDP here.

Discrepancies −0.3%

GDP minus the sum of the expenditure components.

Gross capital formation has three components: GFCF, change in stocks and net acquisition of valuables.

Net exports = exports − imports, minus 2.2 per cent of GDP here.

Sources: Day 18 Source Index | Topic 174 | 2.4

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Income example and components

In this simplified economy, value added becomes wages and returns to other factors. Assume no depreciation or net taxes. Then GDP = W + P + In + R: wages, profits, interest and rent counted consistently.

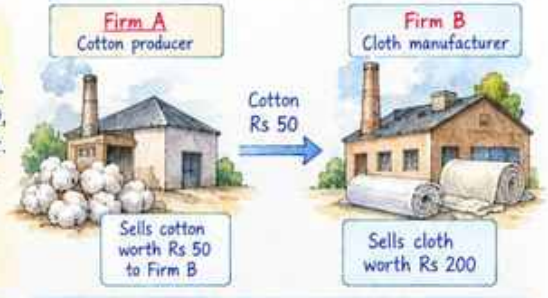
Value added distributed as factor income



Wages (W) | Profits (P) | Interest earnings (In) | Rents (R)

Worked example:

firm A sells cotton worth Rs 50 and pays Rs 20 in wages, keeping Rs 30 as profit. Firm B buys that cotton, sells cloth worth Rs 200, and pays Rs 60 in wages, keeping Rs 90 as profit. GDP by the income method = wages (20 + 60) + profits (30 + 90) = 80 + 120 = Rs 200. This equals the value added of the two firms (50 + 150).





Firm A : Cotton producer

Item	Amount (Rs)
Value of output (sales of cotton)	50
Wages paid	20
Profit (kept by firm)	30
Value added (50 − 0)	50

Firm B : Cloth manufacturer

Item	Amount (Rs)
Value of output (sales of cloth)	200
Intermediate input (purchase of cotton from A)	50
Value added (200 − 50)	150
Wages paid	60
Profit (kept by firm)	90



GDP by the income method (from the example)

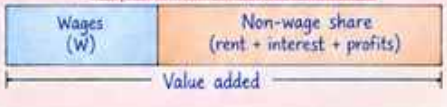
Component	Firm A (Rs)	Firm B (Rs)	Total (Rs)
Wages	20	60	80 (20 + 60)
Profits	30	90	120 (30 + 90)
GDP (W + P)			200 (80 + 120) = Rs 200

Value added of the two firms

Firm	Value added (Rs)
A (cotton)	50
B (cloth)	150
Total value added	200 (50 + 150)

In the simplified distribution shown here, the non-wage share covers rent, interest and profits. Formal accounts distinguish operating surplus, mixed income and property-income flows.

Simplified value-added distribution



Income-account components

Definitions from the System of National Accounts 2008 (SNA):

Component	Meaning
Compensation of employees (CE)	Total remuneration, in cash or in kind, payable by an enterprise to an employee for work done; including employers' social contributions. It is broader than cash wages alone.
Operating surplus (OS)	The balance after compensation of employees and net taxes on production. Gross OS includes consumption of fixed capital; net OS excludes it. The formula and worked examples below use net OS, so CFC is added separately.
Mixed income (MI)	The same balancing item in unincorporated enterprises owned by households; it contains the reward for the work of the owner or family members, which cannot be separated from the owner's return as entrepreneur.

Sources: Day 18 Source Index | Topic 174 | 2.5

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Gross/net and two tax adjustments

Operating surplus (OS)

The balance after compensation of employees and net taxes on production. Gross OS includes consumption of fixed capital; net OS excludes it. The formula and worked examples below use net OS, so CFC is added separately.



Production taxes and subsidies → Net taxes on production (taxes less subsidies) included in GVA at basic prices

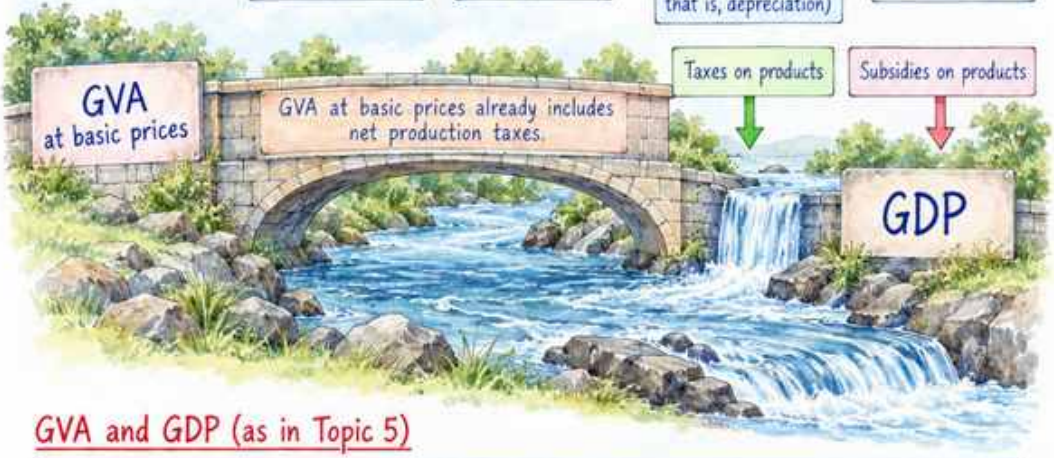
Product taxes and subsidies → Taxes on products less subsidies added after GVA to reach GDP

Income formula for GVA at basic prices

Using net operating surplus and net mixed income, the income formula is:
GVA at basic prices = CE + net OS + net MI + CFC (consumption of fixed capital, that is, depreciation) + production taxes less production subsidies.



CE (compensation of employees) + net OS (net operating surplus) + net MI (net mixed income) + CFC (consumption of fixed capital, that is, depreciation) + production taxes less production subsidies



GVA and GDP (as in Topic 5)

GVA at basic prices + taxes on products − subsidies on products = GDP.
GVA at basic prices already includes net production taxes.

Sources: Day 18 Source Index | Topic 174 | 2.5; 2.6

Day 18 | T174 · P07 | 54/155

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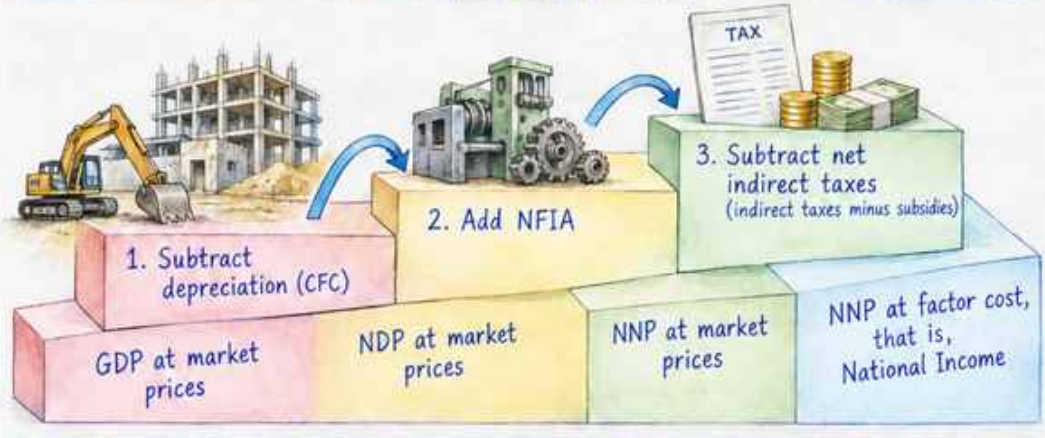
GDP to National Income

GVA and GDP (as in Topic 5):

GVA at basic prices + taxes on products − subsidies on products = GDP.

GVA at basic prices already includes net production taxes.





Step	Start from	Adjustment	Result
1	GDP at market prices	Subtract depreciation (CFC)	NDP at market prices
2	NDP at market prices	Add NFIA	NNP at market prices
3	NNP at market prices	Subtract net indirect taxes (indirect taxes minus subsidies)	NNP at factor cost, that is, National Income

Depreciation (CFC)

Subtract depreciation (CFC) to allow for the wear and tear of capital assets used in production.



Net Factor Income from Abroad (NFIA)

Add NFIA, the net income from factors of production (such as wages, interest, profit) between residents and the rest of the world.



Net Indirect Taxes

Subtract net indirect taxes (indirect taxes minus subsidies) to move from market prices to factor cost.



Adding NFIA before or after subtracting depreciation gives the same NNP at market prices. Both routes use the same accounting period and definitions.

Sources: Day 18 Source Index | Topic 174 | 2.6

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Who compiles and how



Agency: the National Accounts Division (NAD) of the National Statistics Office (NSO), MoSPI. NSO was formed in 2019 by merging the Central Statistics Office (CSO) and the National Sample Survey Office (NSSO).

Central Statistics Office (CSO) + National Sample Survey Office (NSSO) → Merged in 2019 → National Statistics Office (NSO) MoSPI

Production side carries GDP.

NSO compiles GVA industry by industry and institution by institution, adds net product taxes, and reports GDP.

GVA industry by industry → GVA institution by institution → Add net product taxes → GDP

The method differs by segment:

Agriculture

Direct (bottom-up) estimation, value of output minus intermediate consumption.



Value of output — Intermediate consumption

General government (such as public administration)

There is no market price for its output, so it is valued at cost: compensation of employees + intermediate consumption + CFC.
Its net value added is taken as compensation of employees, so here value added is measured from the income side.



Value of output at cost: compensation of employees + intermediate consumption + CFC

↓

Net value added = compensation of employees (value added measured from the income side)

Unincorporated enterprises

(all industries except agriculture and construction, in the 2022-23 series):
A labour input method, that is,
GVA per worker multiplied by the number of workers.



GVA per worker × Number of workers

Construction

Commodity flow, tracking the supply and use of construction materials.



Supply of construction materials → Use of construction materials

Sources: Day 18 Source Index | Topic 174 | 2.7

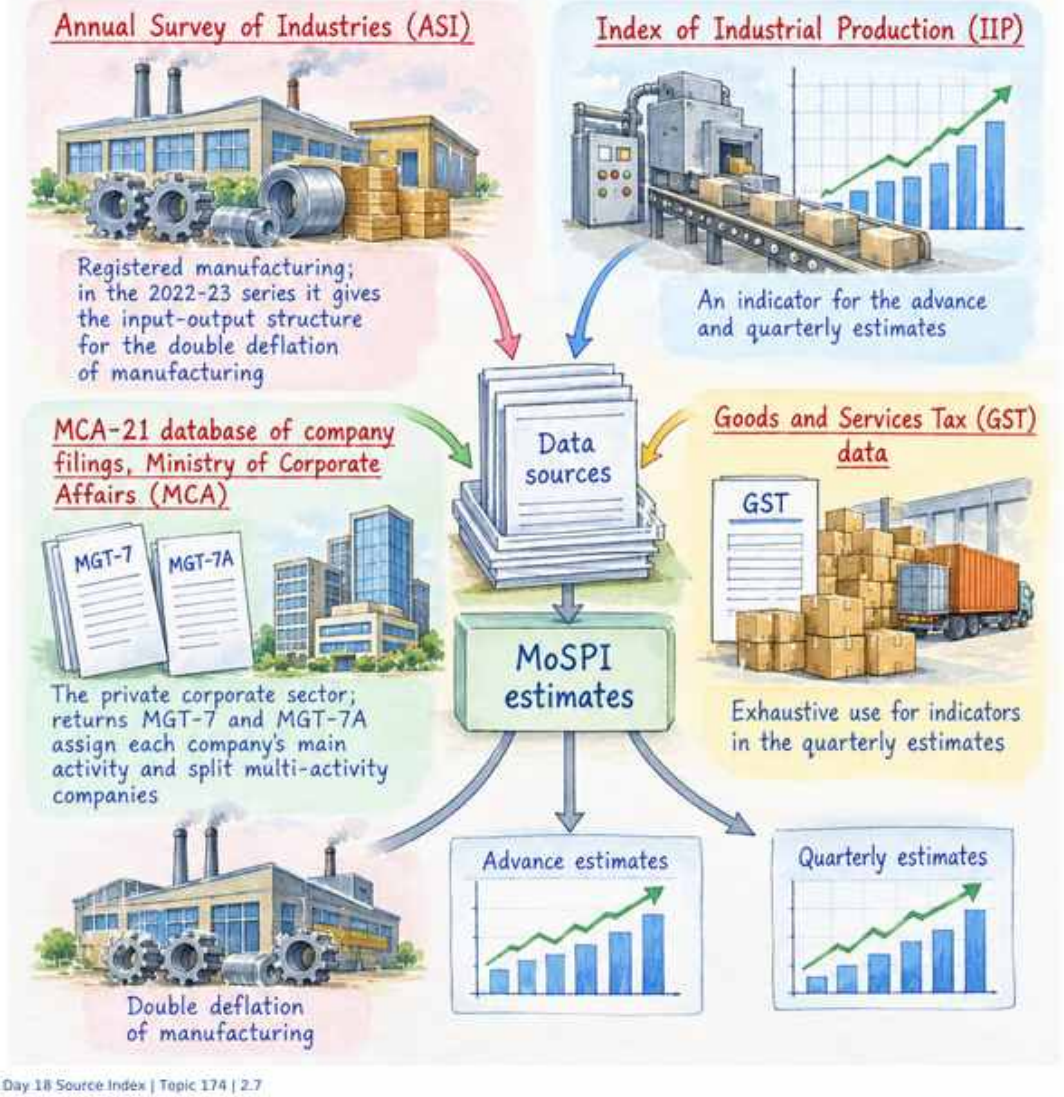
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Data sources I

Data source	What MoSPI uses it for
Annual Survey of Industries (ASI)	Registered manufacturing; in the 2022-23 series it gives the input-output structure for the double deflation of manufacturing
Index of Industrial Production (IIP)	An indicator for the advance and quarterly estimates
MCA-21 database of company filings, Ministry of Corporate Affairs (MCA)	The private corporate sector; returns MGT-7 and MGT-7A assign each company's main activity and split multi-activity companies
Goods and Services Tax (GST) data	Exhaustive use for indicators in the quarterly estimates



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Data sources II and discrepancies

The expenditure side is a cross-check. The statistical discrepancy is the gap between GDP estimated through the production and expenditure approaches.



In the 2022-23 series the annual estimates at current prices are integrated with Supply and Use Tables (SUT), and the discrepancy is eliminated by reconciling the two sides at the final stage.



The early estimates still show it: minus 0.3 per cent of GDP for 2025-26 in the Provisional Estimates.



Data source	What MoSPI uses it for
Periodic Labour Force Survey (PLFS)	Number of workers for the labour input method
MoSPI's Annual Survey of Unincorporated Sector Enterprises (ASUSE)	GVA per worker for the labour input method
Agricultural statistics	Crop estimates of the Ministry of Agriculture and Farmers Welfare (advance estimates of crop production for the quarterly figures); prices from the State Directorates of Economics and Statistics
Household Consumption Expenditure Survey (HCES)	Private final consumption expenditure

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Release calendar

The calendar.

The First Advance Estimates come in early January (for 2025-26, on 7 January 2026) and the Second Advance Estimates at the end of February (27 February 2026). These are indicator based: the previous year's estimates are extended with indicators (the benchmark-indicator method).





The First Advance Estimates come in early January (for 2025-26, on 7 January 2026).



The Second Advance Estimates at the end of February (27 February 2026).



The Provisional Estimates came on the last working day of May until 2025; from 2026 they come on 7 June, or the working day before it if 7 June is a holiday (5 June 2026 for 2025-26).



Quarterly estimates follow each quarter by about two months:

- April to June 2026 on 31 August 2026;
- July to September 2026 is due on 30 November 2026.

These are indicator based: the previous year's estimates are extended with indicators (the benchmark-indicator method).



Extended estimates (the benchmark-indicator method).

because company results and the March government accounts are complete only about two months after the year ends.

From 2026 they come on 7 June, or the working day before it if 7 June is a holiday (5 June 2026 for 2025-26).

Revisions.

An annual revision adds updated data with no change of concept.



A base year revision changes the structure, sources, methods and coverage.



3. "Provisional Estimates come out at the end of May, and they are final."

From 2026 MoSPI releases them on 7 June, or the working day before it if that is a holiday (5 June 2026 for 2025-26), and they are revised: the 2025-26 figures were updated in the National Accounts Statistics 2026 on 31 August 2026. The First Advance Estimates come in January and the Second in February.



Sources: Day 18 Source Index | Topic 174 | 2.8; 4

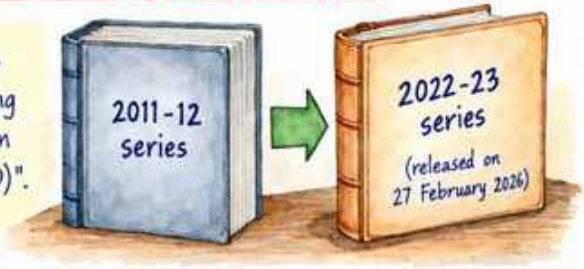
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New base and dated estimates

The new series (base year 2022-23) was released on 27 February 2026, replacing the 2011-12 series. 2022-23 was chosen as "a recent normal year (after COVID)".



The changes:

integration with Supply and Use Tables for better match between the production and expenditure sides



double deflation in agriculture and manufacturing



extensive use of GST and other administrative data for quarterly estimates



the labour input method for unincorporated enterprises.



GDP for 2025-26 (MoSPI, base year 2022-23):

Estimate	Released on	GDP at current prices	Growth	GDP at constant (2022-23) prices	Growth
Second Advance Estimates	27 February 2026	Rs 345.47 lakh crore	8.6 per cent	Rs 322.58 lakh crore	7.6 per cent
Provisional Estimates	5 June 2026	Rs 3,46,35,638 crore	8.9 per cent	Rs 3,23,12,034 crore	7.7 per cent
Provisional Estimates, updated in NAS 2026	31 August 2026	Rs 3,45,36,796 crore	8.6 per cent	Rs 3,24,70,100 crore	7.8 per cent

The last row is the latest annual figure as on 18 October 2026.



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Worked economy: output

The figures are illustrative round numbers for one year, in crore rupees.
They are not real data. OS and MI in this worked example are net of consumption of fixed capital.

Product or value added method

Sector	Value of output (crore rupees)	Intermediate consumption (crore rupees)	GVA at basic prices (crore rupees)
Agriculture	500	100	400
Manufacturing	900	400	500
Services	600	100	500
Total	2,000	600	1,400



Adding the outputs (2,000) instead of the value added would count the 600 of intermediate consumption twice.



Taxes on products 120 and subsidies on products 20, so net product taxes = 100.



GDP at market prices = 1,400 + 100 = 1,500.



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Worked economy: income and spending

The figures are illustrative round numbers for one year, in crore rupees.
They are not real data. OS and MI in this worked example are net of consumption of fixed capital.

Income method

Component	Amount (crore rupees)
CE	600
OS	400
MI	250
CFC	120
net production taxes	30

= 1,400 = GVA at basic prices.

Adding net product taxes of 100 gives GDP = 1,500.







Expenditure method

Component	Amount (crore rupees)
PFCE	900
GFCE	180
GFCF	350
CIS	30
valuables	20
exports	270
imports	− 250

= 1,500.

There is no discrepancy in this example.









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Worked economy: NI and traps

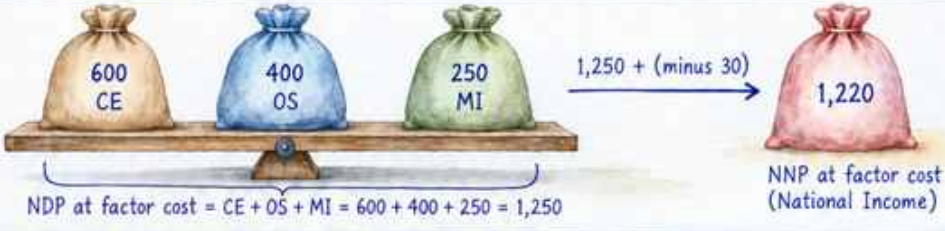
The figures are illustrative round numbers for one year, in crore rupees. They are not real data. OS and MI in this worked example are net of consumption of fixed capital.

From GDP to National Income (NFIA = minus 30)

Step	Working	Result
NDP at market prices	1,500 − 120	1,380
NNP at market prices	1,380 + (minus 30)	1,350
Net indirect taxes	net product taxes 100 + net production taxes 30	130
NNP at factor cost (National Income)	1,350 − 130	1,220



Cross-check from the income side: NDP at factor cost = CE + OS + MI = 600 + 400 + 250 = 1,250, and 1,250 + (minus 30) = 1,220.



1. India's published GDP is the same by the production and the expenditure approach.

In concept the methods agree, but MoSPI's expenditure statement carries a line called "discrepancies", the gap between the two. The headline GDP comes from the production side. Only when a year's estimates are reconciled through Supply and Use Tables is the discrepancy eliminated.



2. The earnings of a self-employed shopkeeper are operating surplus.

Mixed income is the balancing item for unincorporated household enterprises when the owner's labour reward cannot be separated from the entrepreneurial return. Operating surplus and mixed income are measured after compensation of employees and net production taxes. Pay to hired workers is compensation of employees.



3. Provisional Estimates come out at the end of May, and they are final.

From 2026 MoSPI releases them on 7 June, or the working day before it if that is a holiday (5 June 2026 for 2025-26), and they are revised: the 2025-26 figures were updated in the National Accounts Statistics 2026 on 31 August 2026. The First Advance Estimates come in January and the Second in February.



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Income groups: measure first, label second

World Bank income classification uses GNI per person in US dollars, converted by the Atlas method.



FY2027 classification:
1 July 2026 – 30 June 2027.
Reference income year: 2025.

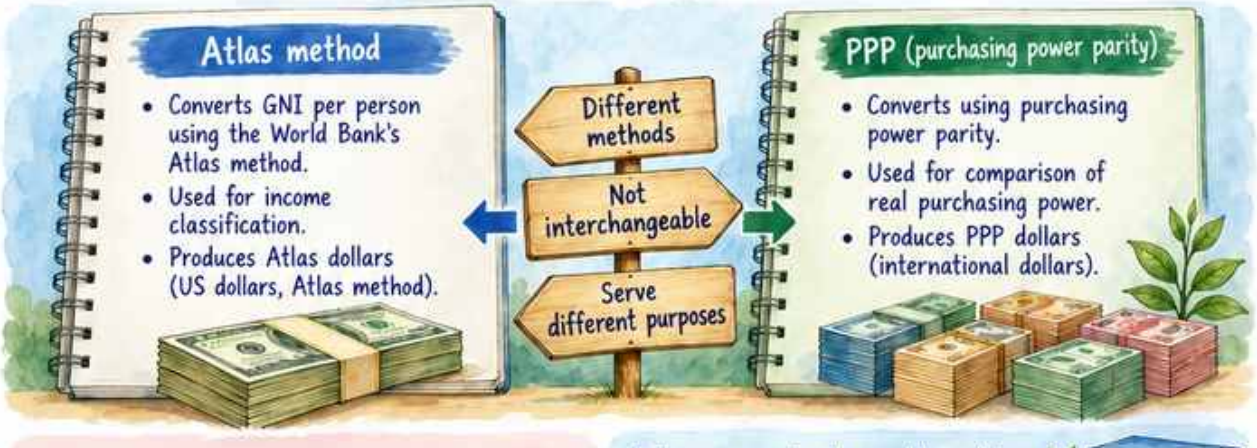




GNI is Gross National Income.

Atlas conversion and purchasing power parity are different methods; their dollar values are not interchangeable.

Before comparing figures, ask:
which income measure, which year, which price basis and which conversion method?



India is in the lower-middle-income group.

An income group is not a complete verdict on development.

Health, education, job quality and distribution also matter.



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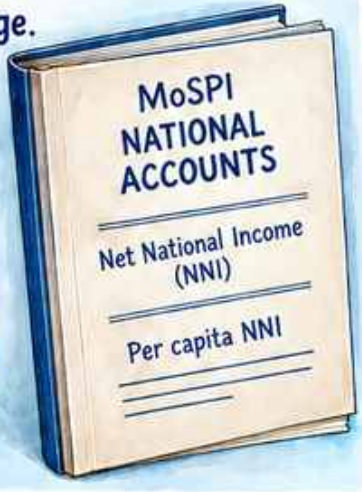
Per person is not the same as equally shared

Per capita income is an average.
In MoSPI's national accounts, per capita income refers to per capita Net National Income (NNI).

2025–26 per capita NNI at current prices: ₹2,08,090.

2024–25: ₹1,92,774.

Source: MoSPI, 5 June 2026 estimates; 2025–26 is provisional.



CURRENT PRICES include the effect of changing prices.



CONSTANT PRICES use a fixed price basis to study changes in real activity.



Worked illustration, not country data:

A total income of ₹500 shared by 5 people gives an average of ₹100.

₹500 ÷ 5 = ₹100

Distribution A: ₹100, ₹100, ₹100, ₹100, ₹100.

Distribution B: ₹20, ₹20, ₹20, ₹20, ₹420.



Both averages are ₹100, but living conditions can differ greatly.

Always distinguish total GDP, GDP per person and NNI per person.

Total GDP

Value of final goods and services produced within the domestic territory during a period.



GDP per person

Total GDP divided by the population.



NNI per person

Net National Income divided by the population (as used in MoSPI's per capita income).

NNI ÷ population



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Agriculture: many workers, a productivity challenge

PLFS 2025: agriculture accounted for **43.0%** of workers in usual status.

WORKER SHARE (PLFS 2025)	
Agriculture	43.0%
Non-agriculture	57.0%

The reference period is **January – December 2025**, not a July – June survey year.

PLFS 2025
Reference period: January – December 2025
Not a July – June survey year.

Employment share and output share answer different questions:

WORKER SHARE: where do people work?

Sector	Share of workers (PLFS 2025)
Agriculture	43.0%
Non-agriculture	57.0%

GVA SHARE: where is value added produced?

OUTPUT (Value Added)

A sector with a high worker share relative to its output share tends to have **lower average output per worker.**

Average output per worker

DISGUISED UNEMPLOYMENT: more labour is engaged than the task needs; some workers could move without reducing output.

Illustrative farm: several people share a small plot and none gets enough productive work. It is possible to be counted as employed but remain underutilised.

Structural change needs productive non-farm opportunities, skills, infrastructure and higher farm productivity.

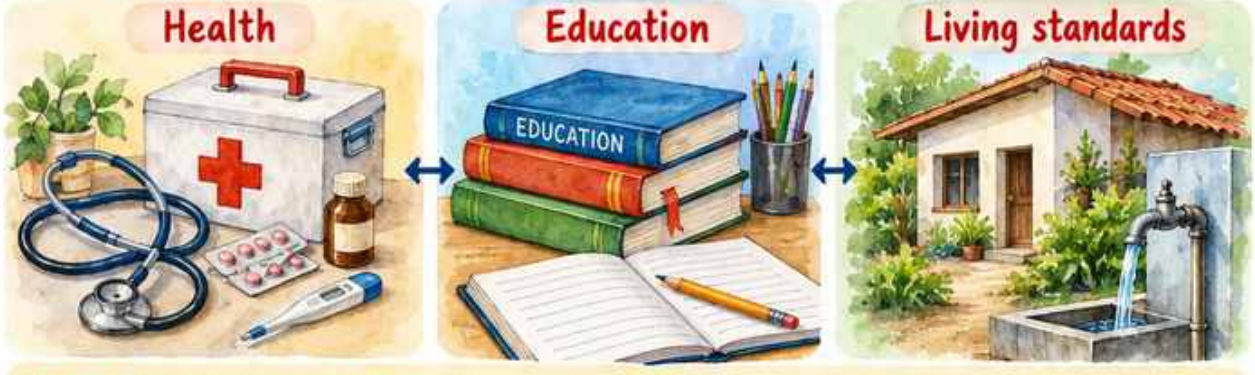
Higher farm productivity + Productive non-farm opportunities + Skills and infrastructure → Better livelihoods

Do not treat a calendar-year worker share and a financial-year output share as a perfectly matched productivity estimate.

Calendar-year worker share (PLFS 2025) ≠ Financial-year output share (GVA)

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Poverty and human development: beyond income



MULTIDIMENSIONAL POVERTY captures overlapping deprivations in health, education and living standards.

NITI Aayog's January 2024 discussion paper estimated:



These two headcount ratios are projected estimates, not direct survey observations for those years.

A fall in poverty does not mean all deprivation has disappeared. Examine nutrition, schooling, housing, sanitation and access to services.

UNDP Human Development Report 2025, data for 2023:



Inequality reduced India's HDI by **30.7%**.

Keep the measures distinct: MPI tracks multiple deprivation; HDI summarises achievements in health, education and income. Neither is simply GDP per person.

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Employment: count jobs and examine their quality

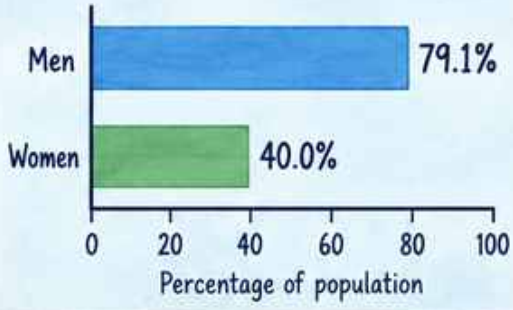
PLFS 2025, usual status:

Unemployment rate, age 15+: 3.1%.

Youth unemployment rate, age 15–29: 9.9%.

Labour force participation rate, age 15+:
Men: 79.1% | Women: 40.0%.

Labour force participation rate (LFPR), age 15+



What do these rates mean?



The unemployment rate is the unemployed share of the labour force, not of the total population.

LFPR is the labour force as a share of the relevant population. It includes people employed and unemployed.

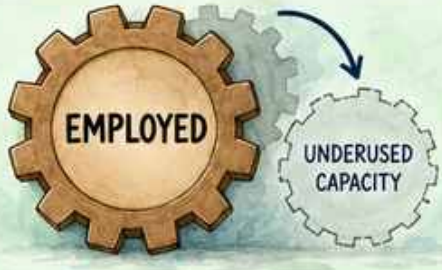
A low rate can mask job quality issues

A low unemployment rate can coexist with inadequate hours, low earnings or insecure work.



Disguised unemployment

Disguised unemployment is not fully captured by an open-unemployment rate: a worker may be employed but underused.



Ask three questions to examine quality



Source: PLFS Annual Report 2025; calendar year 2025.

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Investment and skills make capacity productive

Gross Fixed Capital Formation (GFCF) adds fixed assets such as buildings, machinery and infrastructure to production capacity.

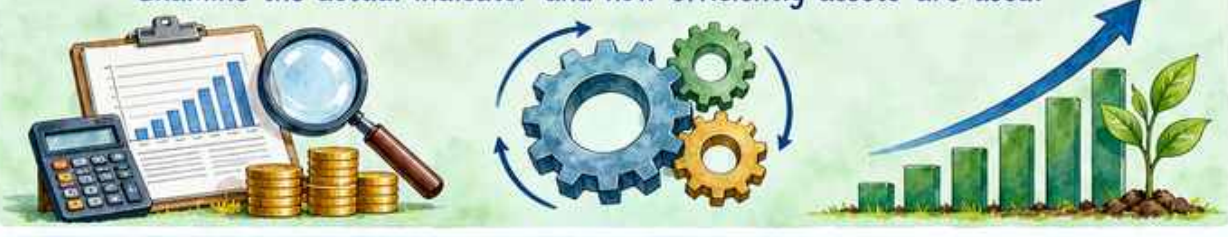


MoSPI's 5 June 2026 provisional estimates:

GFCF was 31.9% of GDP at current prices in 2025–26.



Do not automatically describe all developing economies as having low investment. Examine the actual indicator and how efficiently assets are used.



Physical capital works with human capital:



EDUCATION builds knowledge.

HEALTH supports capability.

TRAINING develops practical skills.

A demographic dividend is a potential gain from a favourable working-age population structure, not an automatic reward.

It requires productive jobs, health, education and participation. Ageing also requires preparation.





Investment → productive capacity



skills and institutions → effective use



employment → wider benefits

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Employment status is not the same as formality

PLFS 2025 employment status, usual status:

Self-employed: 56.2%.



Regular wage or salaried: 23.6%.



Casual labour: 20.2%.



These categories describe a worker's employment relationship. They do not by themselves prove whether a job has formal protection.

Organised enterprises generally operate within registration and regulatory systems.



Organised enterprise

Unorganised activity includes many small and dispersed production units.



Unorganised activity

Job quality also depends on:

- written terms
- predictable earnings
- social security
- working conditions

Do not equate every self-employed worker with poverty, or every salaried job with full security.



India's economic dualism

means modern, high-productivity activity coexists with lower-productivity and insecure work.



Modern, high-productivity activity ↔ Lower-productivity and insecure work

Development requires

productivity growth alongside wider access to protection, finance, skills and markets.



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A changing economy with unfinished development

COLONIAL LEGACY:

production and trade were shaped around imperial interests, including raw-material supply and markets for manufactured goods. Agriculture carried a large labour burden with low productivity.



STRUCTURAL CHANGE:

services have become the largest producing sector, while agriculture remains a major source of employment.



MIXED ECONOMY:

public and private sectors coexist. Ownership and development level are different classifications.



DEVELOPMENT IS MORE THAN SIZE:

Income per person, health and education, productive work, distribution and sustainability matter alongside total output.

A balanced answer recognises progress without ignoring remaining gaps.



REVISION CHAIN:



IMPORTANT NOTE:

When quoting a rank or growth rate, state its source, year, measure and estimate status. A projection is not an achieved outcome.



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Green Revolution: a package, not a seed

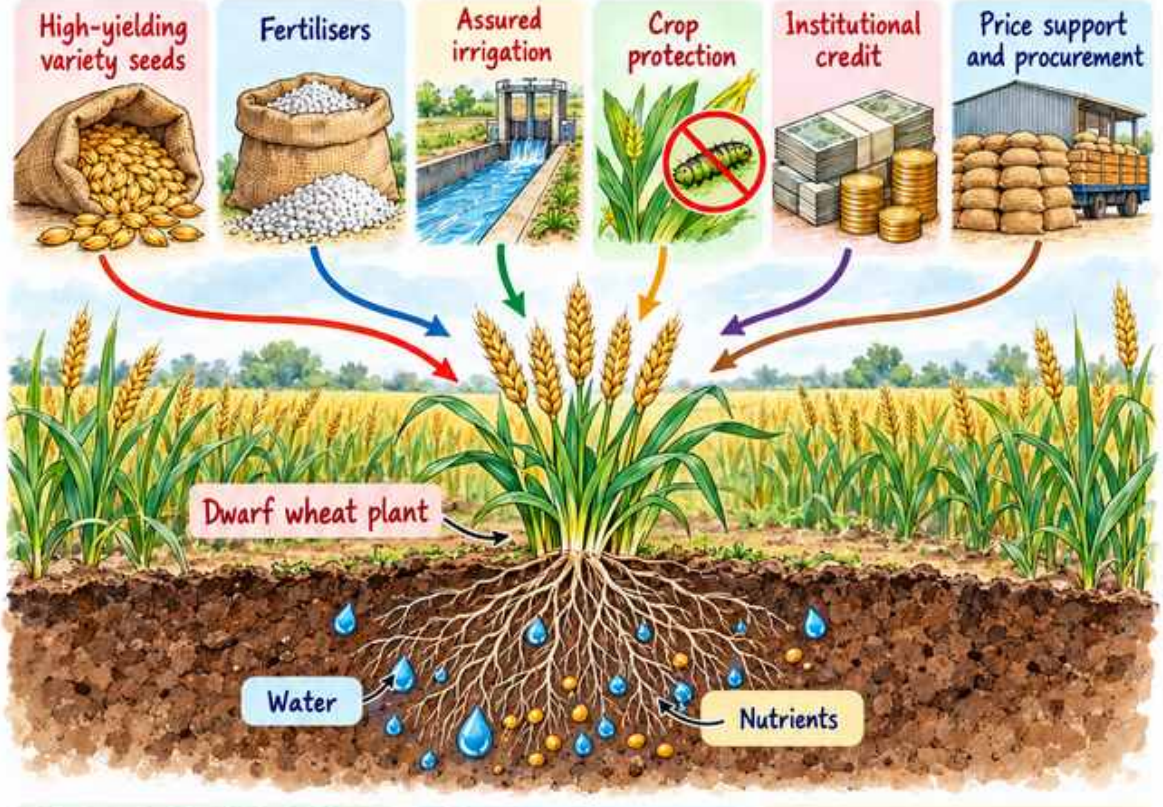
India's mid-1960s food crisis

India's mid-1960s food crisis encouraged a new strategy for raising grain output. Drought reduced foodgrain production sharply in 1965–66; dependence on concessional imports exposed food-security risks.



THE PACKAGE

High-yielding variety seeds + fertilisers + assured irrigation + crop protection + institutional credit + price support and procurement.



WHY A PACKAGE?

A responsive seed cannot reach its potential without nutrients and water. Credit finances inputs; assured prices reduce marketing uncertainty.

GOAL

Raise productivity and marketed surplus, strengthen domestic supplies and reduce dependence on grain imports.

KEY IDEA

Technology and institutions worked together. Naming HYV seeds alone is an incomplete explanation.

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From selected districts to HYV expansion

1960-61 Intensive Agricultural District Programme (IADP) began with selected districts and concentrated inputs.



1963-64 Mexican dwarf wheat varieties were tried on a selected basis.



1964-65 Intensive Agricultural Area Programme (IAAP) extended the intensive approach to wider areas.



1965 Taichung Native-1 paddy was introduced. The Agricultural Prices Commission and Food Corporation of India were established.



Kharif 1966 A full-fledged High Yielding Varieties Programme (HYVP) began.



FIVE HYVP CROPS



EXPANSION

HYV area reached 6.04 million hectares in 1967-68 and an estimated 9.2 million hectares in 1968-69.



TARGET ≠ ACHIEVEMENT

The Fourth Plan targeted 25 million hectares for 1973-74.



Source:
Fourth Five Year Plan, Agriculture chapter.



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Science and policy had different roles

NORMAN BORLAUG

Developed high-yielding dwarf wheat; worked with partners in India.
Nobel Peace Prize, 1970.
Affiliation at the award: CIMMYT, Mexico.



M.S. SWAMINATHAN

Led and supported agricultural research and adaptation in India.
Associated with IARI, ICAR and IRRI.
First World Food Prize, 1987; Bharat Ratna, 2024 (posthumous).



C. SUBRAMANIAM

As Union Food and Agriculture Minister, helped enable the new agricultural strategy through public policy.
Bharat Ratna, 1998.



MEXICAN DWARF WHEAT

Wheat varieties associated with Borlaug's work.



IR8

A semi-dwarf rice variety developed at IRRI in the Philippines.
Rice, NOT wheat.



REMEMBER:

Scientific breeding, Indian adaptation, farm inputs and policy support were complementary contributions.



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Price support completed the technology

SUPPORT PRICES

Price assurance reduced uncertainty over the sale of output.



AGRICULTURAL PRICES COMMISSION

Established in 1965 to advise on agricultural prices; renamed CACP in 1985.



FOOD CORPORATION OF INDIA

Established in 1965; procurement and storage helped support the food system.



FLOW

Inputs → higher output → marketed surplus → procurement and storage → supplies during shortages.



MARKETED SURPLUS

The portion of farm produce sold in the market. It is not total output; part is retained for the household and other farm needs.



CREDIT

Institutional loans helped farmers meet the upfront cost of seeds, fertilisers and irrigation.



EQUITY

Low-interest loans, fertiliser support and agricultural research could reduce barriers faced by small farmers.





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Why gains differed across regions

EARLY PHASE:

From the mid-1960s to mid-1970s, HYV use was concentrated in better-endowed states such as Punjab, Andhra Pradesh and Tamil Nadu. Wheat-growing regions benefited especially.



LATER PHASE:

From the mid-1970s to mid-1980s, the technology spread to more states and more crops.



Better-endowed region (Irrigated, higher inputs)




Assured water


Access to credit


Input supply


Infrastructure


Procurement

Less-endowed region (Rainfed, fewer inputs)




Rainfed conditions


Fewer inputs

NORTH-WESTERN SUCCESS:

Punjab, Haryana, western Uttar Pradesh and parts of Rajasthan combined favourable conditions for strong gains.



ANDHRA PRADESH LINK:

Andhra Pradesh appears among the early HYV-adopting states. Do not describe the Green Revolution as confined entirely to north-western India.



WHY UNEVEN?

Assured water, access to credit, input supply, infrastructure and procurement shaped adoption.



IMPORTANT:

Higher national output does not mean every crop, region or farm gained equally.



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Yield data: wheat gained faster at first



YIELD PER HECTARE (kg)

Year	Foodgrains	Rice	Wheat
1960–61	710	1,013	851
1970–71	872	1,123	1,307
1980–81	1,023	1,336	1,630
1990–91	1,380	1,740	2,281



2025–26: Third Advance Estimates

Foodgrains: 3765.63 lakh tonnes.
Rice: 1540.24 lakh tonnes.
Wheat: 1206.57 lakh tonnes.
Foodgrains in 2024–25: 3577.32 lakh tonnes.

Source: Agriculture Ministry / PIB, 27 May 2026.
These are dated estimates, not final production figures.



READ THE EVIDENCE:

Between 1960–61 and 1970–71, wheat yield rose more strongly than rice yield.



DO NOT CONFUSE:

A higher yield does not automatically imply equal income gains for all farmers. Costs, prices and landholding size matter.



Yield means output per unit of area. Production depends on both area and yield.



Source: Economic Survey 2006–07, Table 1.14; Directorate of Economics and Statistics, Agriculture Ministry.

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More grain, but important trade-offs

GAINS

- Higher yields increased foodgrain availability.
- A larger marketed surplus supported procurement and stocks against shortages.
- Farm output stimulated demand for inputs and services.



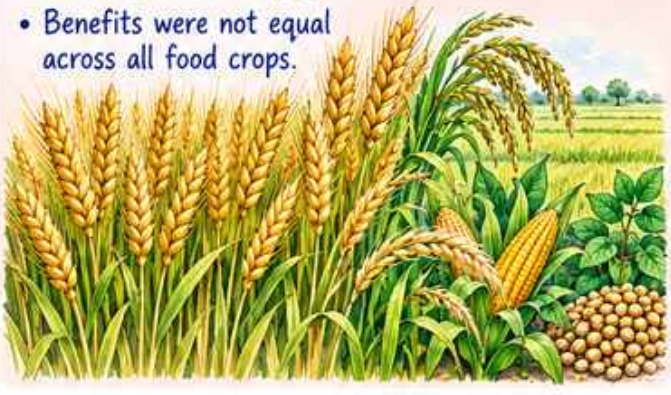
DISTRIBUTION

- Irrigated regions and farmers able to finance the package could benefit sooner.
- Small farmers faced input costs and credit risks; supportive institutions mattered.



CROP BALANCE

- Wheat gained strongly.
- Benefits were not equal across all food crops.



GROUNDWATER

- Intensive irrigation can lower water tables when extraction exceeds replenishment.



SOIL AND ECOSYSTEMS

- Excessive or imbalanced chemical use can harm soil health, pollute water and reduce biodiversity.



BALANCED ASSESSMENT

- The achievement in food production must be considered alongside unequal access and ecological costs.



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Evergreen Revolution: sustain the gains

M.S. Swaminathan's Evergreen Revolution

M.S. Swaminathan's Evergreen Revolution emphasises sustained agricultural productivity without associated ecological harm.

THE NEXT STEP

Keep the food-security gains while protecting the resources that make production possible.



PRODUCTIVITY + ECOLOGY

Efficient irrigation, soil health, balanced nutrients, integrated pest management and crop diversity can work together.



INCLUSION

Research, extension, affordable credit and reliable markets must reach small and marginal farmers.

REVISION CHAIN



FINAL DISTINCTIONS

- HYV package ≠ seeds alone.
- IR8 rice ≠ Mexican dwarf wheat.
- Marketed surplus ≠ total production.
- A target ≠ an achieved result.



ANSWER FRAME

Explain causes, inputs and policy; assess gains and limits; conclude with sustainable and inclusive farming.



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2.1 What Andhra Pradesh produces

Gross State Domestic Product (GSDP) measures the value of the goods and services produced within Andhra Pradesh in a year. The exam asks for its size and growth at current and constant prices, the per capita income, the sectoral shares of Gross State Value Added (GSVA) and the State's place among the States, each with its year and the estimate it comes from.

From Topic 164, the residuary State began on **2 June 2014** with a GSDP of **Rs 5.25 lakh crore** at current prices in 2014-15. Its economy has an unusually large share of agriculture and allied sectors.

Definition (Survey 2024-25)
State Domestic Product is "the aggregate of the economic value of all goods and services produced within the geographical boundaries of the state".



Agriculture and allied activities
Crops, livestock, forestry and fisheries produce goods and services.

Fisheries and aquaculture
Part of agriculture and allied
Fish and shrimp farming add to the State's output of goods and services.

Industry
Manufacturing and other industrial activities produce goods and services.

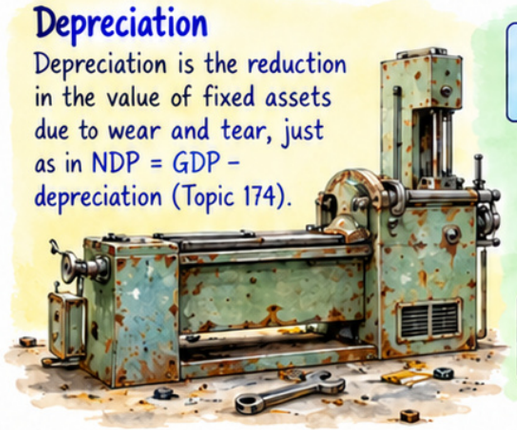
Services
Trade, transport, finance, real estate, public administration and other services contribute a large part of the State's output.

GSDP = GSVA at basic prices + taxes on products − subsidies on products

GSDP and GSVA, as in Topic 174 for India:
GSDP = GSVA at basic prices + taxes on products − subsidies on products.
Sectoral shares are worked out on GSVA.

Depreciation

Depreciation is the reduction in the value of fixed assets due to wear and tear, just as in NDP = GDP − depreciation (Topic 174).



GSDP
Less: depreciation
↓
NSDP
÷ Population
Per capita NSDP (PCI (NSDP))

Per capita income is per capita Net State Domestic Product (NSDP): the Survey's table labels it "PCI (NSDP)". NSDP is GSDP less depreciation, just as NDP is GDP less depreciation (Topic 174). Per capita GSDP is a different and larger figure.



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Concept illustrations; institutional buildings are schematic.

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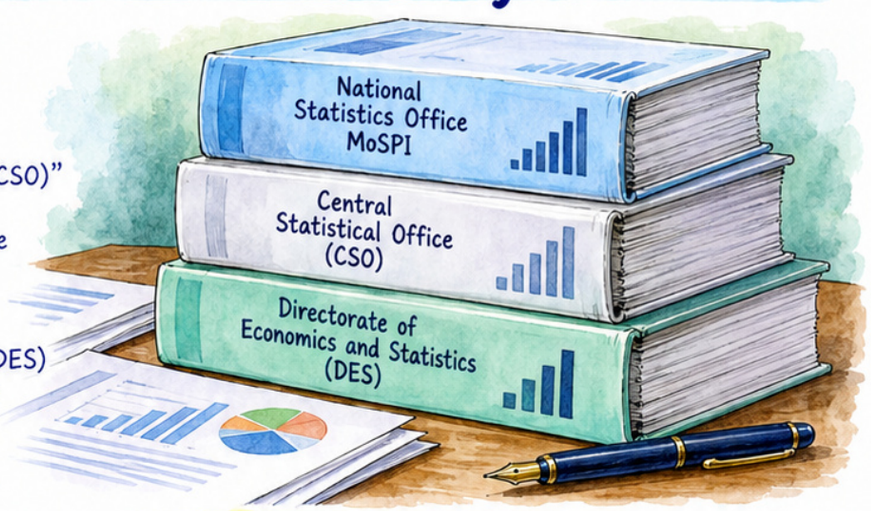
2.1 How estimates and base years work

1. Method

The State's estimates are "arrived at as per the methodology given by the Central Statistical Office (CSO)" (Survey 2018-19).

The CSO is now part of the National Statistics Office of MoSPI (Topic 174).

The State's Directorate of Economics and Statistics (DES) releases the district income estimates every year.



2. Base year

The CSO shifted the base year of the estimates from 2004-05 to 2011-12, and the State's estimates follow its methodology (Survey 2018-19).

The constant-price figures in the Socio-Economic Survey 2024-25 and in the Budget 2026-27 are at 2011-12 prices.

India's GDP series moved to the base year 2022-23 on 27 February 2026 (Topic 174), so the State's real growth and the new national real growth are on different bases.



State's estimates use 2011-12 as the base year (for constant prices).



India's GDP series moved to the base year 2022-23 on 27 February 2026.

The State's real growth and the new national real growth are on different bases.

3. Vintages

The Advance Estimates for every financial year are being compiled in the month of February (Survey 2018-19). They are revised later as the First and then the Second Revised Estimates. These are stages of the statistical estimate.

Stages of the statistical estimate



Advance Estimates (compiled in the month of February) → First Revised Estimates → Second Revised Estimates

A Budget also has a "Revised Estimate" (RE): the government's updated figure for the current year, set beside the Budget Estimate (BE) given a year earlier.

Budget estimates (government's budget document)



Rs 17,62,357 crore

Statistical estimates (official FRBM statement)



Rs 17,62,357 crore

The same 2025-26 figure of Rs 17,62,357 crore appears in the Budget Revised Estimate column and as the statistical First Advance Estimate in the official FRBM statement for 2026-27.

These labels describe different contexts, not different values here.

Concept illustrations; institutional buildings are schematic.

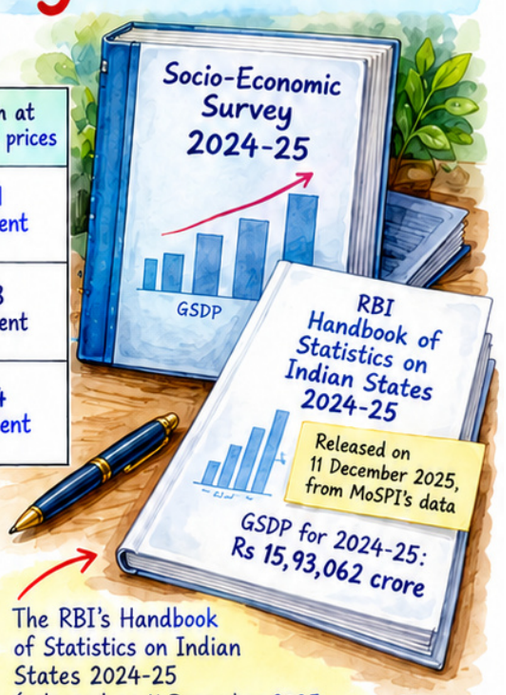
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2.2 The Survey 2024-25 growth record

GSDP, Socio-Economic Survey 2024-25:

Year (estimate)	GSDP at current prices	Growth at current prices	GSDP at constant (2011-12) prices	Growth at constant prices
2022-23 (Second Revised Estimates)	Rs 13.09 lakh crore	15.71 per cent	Rs 7.53 lakh crore	6.51 per cent
2023-24 (First Revised Estimates)	Rs 14.22 lakh crore	8.60 per cent	Rs 7.99 lakh crore	6.18 per cent
2024-25 (First Advance Estimates)	Rs 16,06,109 crore	12.94 per cent	Rs 8,73,142 crore	9.24 per cent



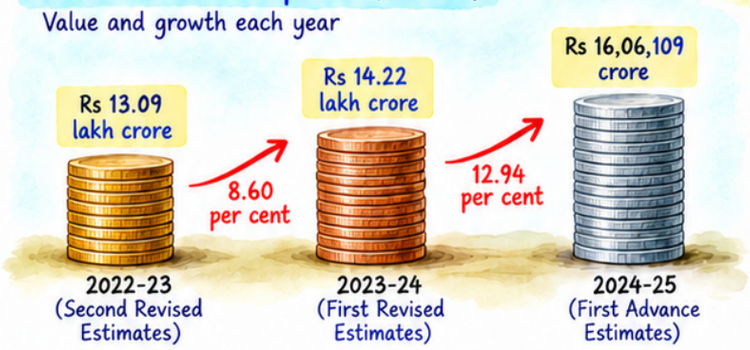
The RBI's Handbook of Statistics on Indian States 2024-25 (released on 11 December 2025, from MoSPI's data) gives **Rs 15,93,062 crore** for 2024-25, a third figure for the same year.

Reading the table:

- At current prices growth was 15.71 per cent in 2022-23, fell to 8.60 per cent in 2023-24 and rose to 12.94 per cent in 2024-25.
- At constant prices 2023-24 was also the slowest of the three years (6.18 per cent).
- The gap between the two growth rates of a year is roughly the rise in prices.

GSDP at current prices (nominal)

Value and growth each year



Current prices (nominal)

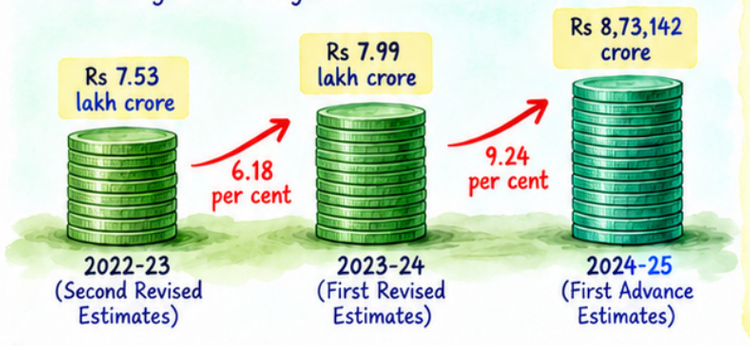
- Values are at the prices of each year.
- Growth at current prices shows the combined effect of higher production and higher prices.

Constant (2011-12) prices (real)

- Values are at constant (2011-12) prices, so the effect of price changes is removed.
- Growth at constant prices shows the increase in real production.

GSDP at constant (2011-12) prices (real)

Value and growth each year



Nominal and real growth together

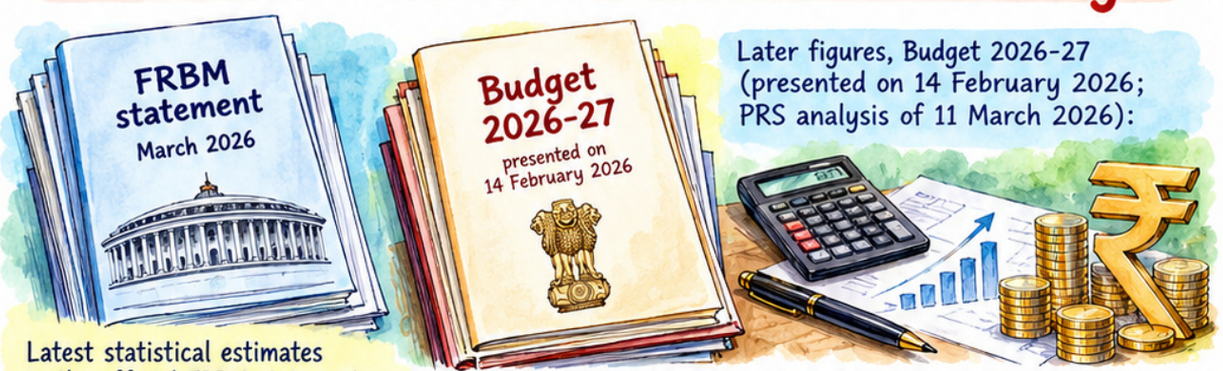
Year	Nominal (growth at current prices)	Real (growth at constant prices)
2022-23	15.71 per cent	6.51 per cent
2023-24	8.60 per cent	6.18 per cent
2024-25	12.94 per cent	9.24 per cent

Concept illustrations; institutional buildings are schematic.

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2.2 Latest official estimates and the Budget



Later figures, Budget 2026-27 (presented on 14 February 2026; PRS analysis of 11 March 2026):

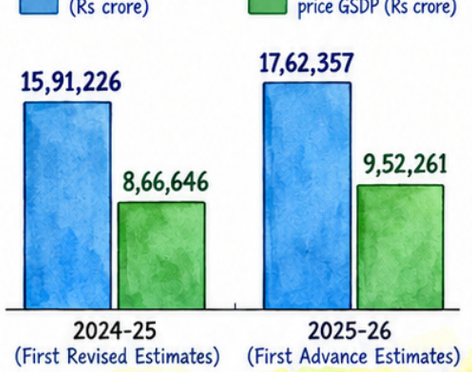
Latest statistical estimates in the official FRBM statement, March 2026: the statement supplies both current and constant (2011-12) price estimates for 2025-26. The older Survey 2024-25 figures above remain valid for that named vintage.

Year (estimate)	GSDP at current prices	Growth
2024-25 (figure in the Budget 2026-27)	Rs 15,91,226 crore	Real growth about 8 per cent, at 2011-12 prices
2025-26 (Budget Revised Estimate)	Rs 17,62,357 crore	About 10.8 per cent over 2024-25 at current prices (worked out); the Budget Estimate for 2025-26 was Rs 18,25,000 crore
2026-27 (Budget Estimates)	Rs 19,75,073 crore	12 per cent

Year and statistical estimate	Current-price GSDP	Nominal growth	Constant (2011-12) price GSDP	Real growth
2024-25 (First Revised Estimates)	Rs 15,91,226 crore	11.75 per cent	Rs 8,66,646 crore	8.27 per cent
2025-26 (First Advance Estimates)	Rs 17,62,357 crore	10.75 per cent	Rs 9,52,261 crore	9.88 per cent

Current vs constant prices

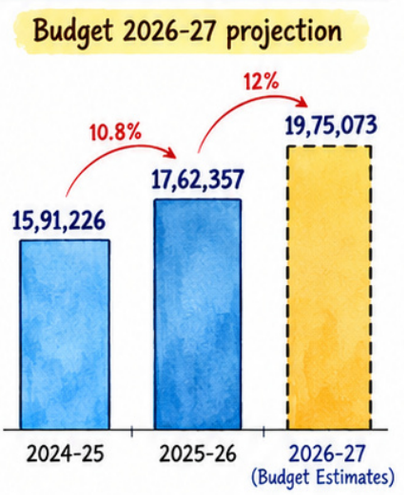
Current prices show GSDP at the prices of each year. Constant (2011-12) prices remove the effect of price changes and show real growth.

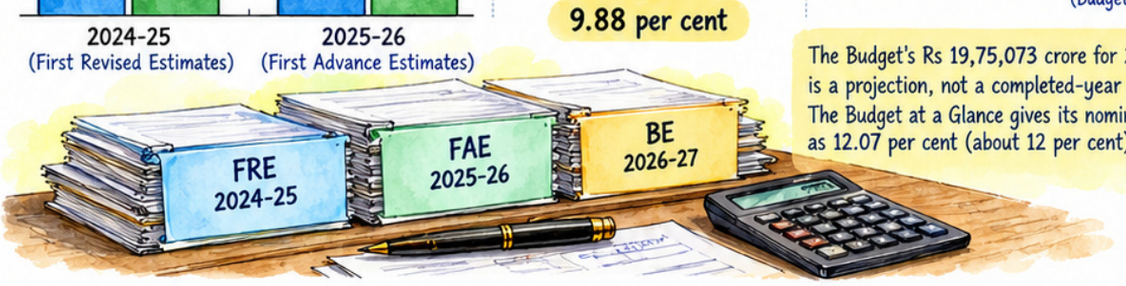


Real growth in constant (2011-12) prices



Budget 2026-27 projection





The Budget's Rs 19,75,073 crore for 2026-27 is a projection, not a completed-year outturn. The Budget at a Glance gives its nominal growth as 12.07 per cent (about 12 per cent).

Concept illustrations; institutional buildings are schematic.

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2.3 Income per person is net income

Income per person is net income, not total output. It is based on Net State Domestic Product (NSDP), which is Gross State Domestic Product (GSDP) minus depreciation, and then divided by the population.

$$\text{Per capita income} = \frac{\text{NSDP}}{\text{Population}}$$

NSDP = GSDP − Depreciation (consumption of fixed capital)



Depreciation is the wear and tear of machines, buildings and other fixed assets. It is subtracted from GSDP to arrive at NSDP, so that income per person reflects net income.

2.3 Per capita income at current prices

Year	Andhra Pradesh	India	Andhra Pradesh as a multiple of India
2022-23	Rs 2,19,917	Rs 1,69,496	About 1.30
2023-24	Rs 2,37,951	Rs 1,84,205	About 1.29
2024-25 (First Advance Estimates)	Rs 2,68,653	Rs 2,00,162	About 1.34

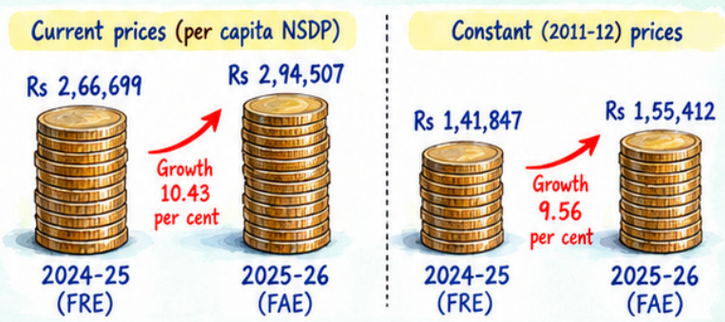
Source: Socio-Economic Survey 2024-25 (per capita NSDP); the multiples are worked out.

In 2024-25, Andhra Pradesh's per capita income is about 1.34 times that of India.



Later FRBM vintage (revised Andhra Pradesh figures)

- Per capita NSDP at current prices is Rs 2,66,699 for 2024-25 (FRE) and Rs 2,94,507 for 2025-26 (FAE), growth 10.43 per cent.
- At constant (2011-12) prices it is Rs 1,41,847 and Rs 1,55,412 respectively, growth 9.56 per cent.

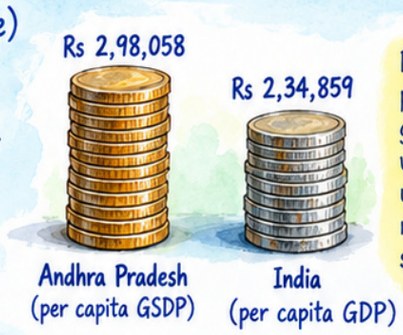


- Do not mix these revised Andhra Pradesh figures with the older Survey comparison table.

Per capita GSDP (not per capita income)

- Per capita GSDP for 2024-25 is Rs 2,98,058 (PRS, from the Budget 2026-27).
- India's per capita GDP is Rs 2,34,859 (PRS).

Do not mix it with per capita income.



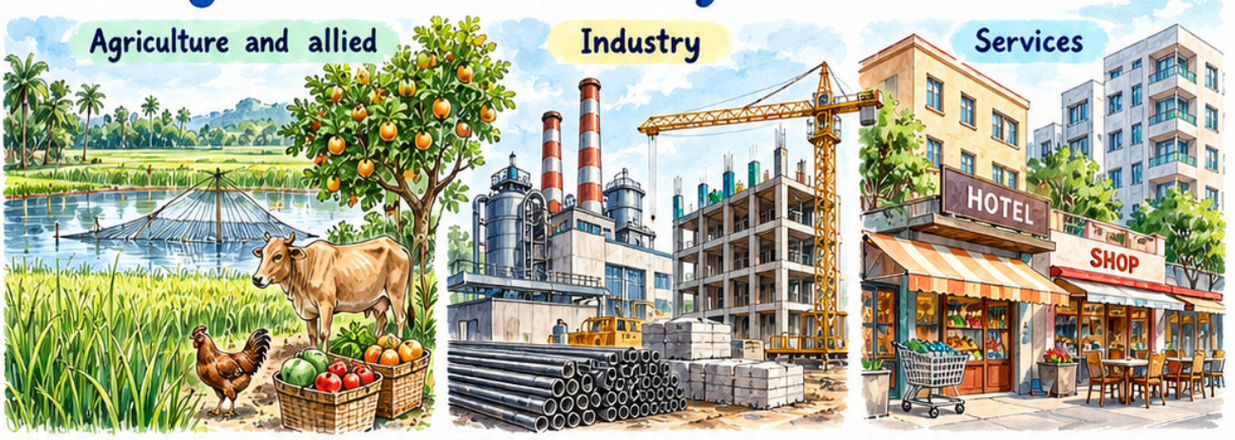
Per capita GSDP and per capita GDP measure gross output per person, whereas per capita income uses NSDP and reflects net income after subtracting depreciation.

Concept illustrations; institutional buildings are schematic.

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2.4 Agriculture industry and services



This sector includes crops, livestock, forestry and logging, fishing and aquaculture, and horticulture.

This sector includes mining and quarrying, manufacturing, electricity, gas, water supply and other utility services, and construction.

This sector includes trade, hotels and restaurants, transport, storage and communication, financial, real estate and ownership of dwellings, professional services and other personal services.

2.4 Sectoral shares of GSVA

Sector	Share at current prices, 2014-15 (worked out from the Survey's values)	Share at current prices, 2024-25 (First Advance Estimates)	Growth at constant prices, 2024-25	Largest sub-sectors by GVA at constant prices, 2024-25
Agriculture and allied	About 30.4 per cent	35.29 per cent	10.70 per cent	Fishing and aquaculture Rs 77,085 crore; livestock Rs 66,456 crore; horticulture Rs 60,527 crore; crops Rs 25,584 crore
Industry	About 25.5 per cent	23.18 per cent	6.58 per cent	Manufacturing Rs 1,06,281 crore; construction Rs 75,801 crore
Services	About 44.1 per cent	41.53 per cent	8.53 per cent	Trade, hotels and restaurants Rs 69,836 crore; real estate and ownership of dwellings Rs 62,845 crore

The 2014-15 shares are not printed as percentages. The Survey 2024-25 gives the GVA of 2014-15 at current prices as Rs 1.48, 1.24 and 2.15 lakh crore for the three sectors, out of Rs 4.87 lakh crore.

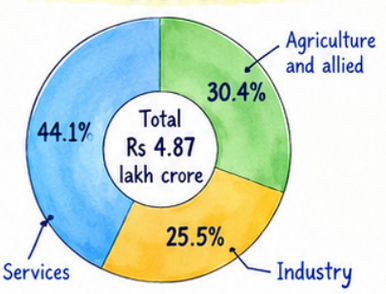
Sectoral shares for 2014-15
(worked out from the Survey's values)

Agriculture and allied:
1.48 ÷ 4.87 × 100 ≈ **30.4** per cent

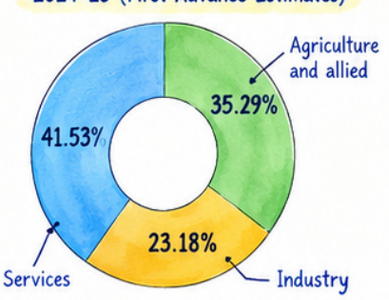
Industry:
1.24 ÷ 4.87 × 100 ≈ **25.5** per cent

Services:
2.15 ÷ 4.87 × 100 ≈ **44.1** per cent

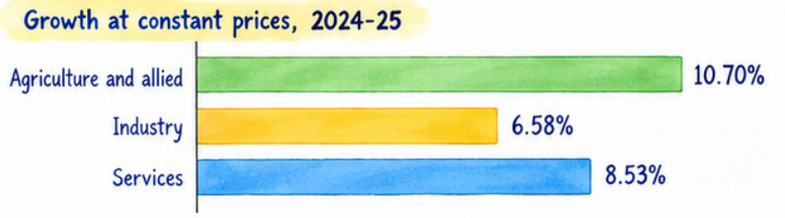
Sectoral shares at current prices 2014-15



Sectoral shares at current prices 2024-25 (First Advance Estimates)



Growth at constant prices, 2024-25



Concept illustrations; institutional buildings are schematic.

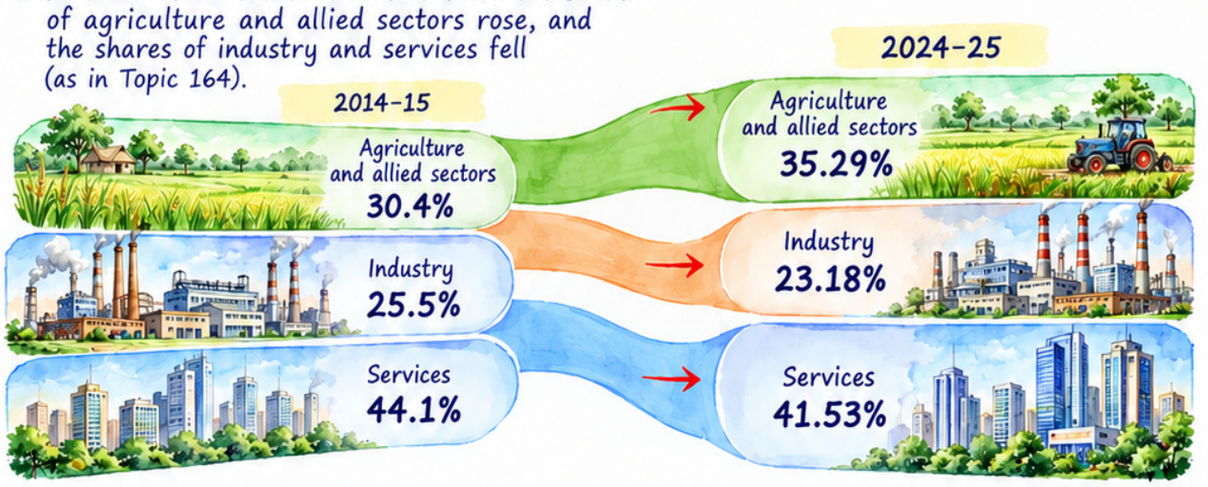
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2.4 Sector change and the latest snapshot

2.4 Sectoral shares and growth

- Direction: from 2014-15 to 2024-25 the share of agriculture and allied sectors rose, and the shares of industry and services fell (as in Topic 164).



Fastest growing at constant prices, 2024-25 (in order of growth)


Crops (14.99 per cent)



Banking and insurance (14.25 per cent)


Transport by other means and storage (12.47 per cent)


Fishing and aquaculture (11.29 per cent)

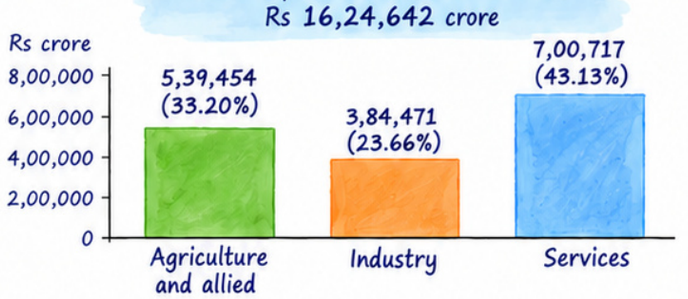
Construction grew 9.55 per cent and manufacturing 5.32 per cent.



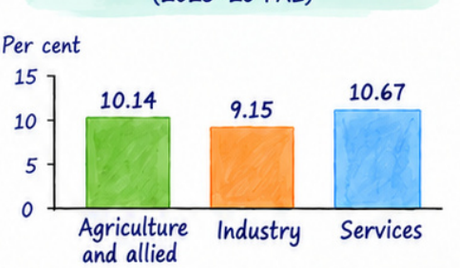
2025-26 FAE in the FRBM statement

- Current-price GSVA is Rs 16,24,642 crore: agriculture and allied Rs 5,39,454 crore (33.20 per cent), industry Rs 3,84,471 crore (23.66 per cent), services Rs 7,00,717 crore (43.13 per cent).

Current-price GSVA (2025-26 FAE)
Rs 16,24,642 crore



Real sector growth at 2011-12 prices (2025-26 FAE)



- Shares are calculated and may sum to 99.99 because of rounding.
- Compare like vintages; these are not the Survey 2024-25 FAE shares.
- Real sector growth at 2011-12 prices is 10.14, 9.15 and 10.67 per cent respectively.

Concept illustrations; institutional buildings are schematic.

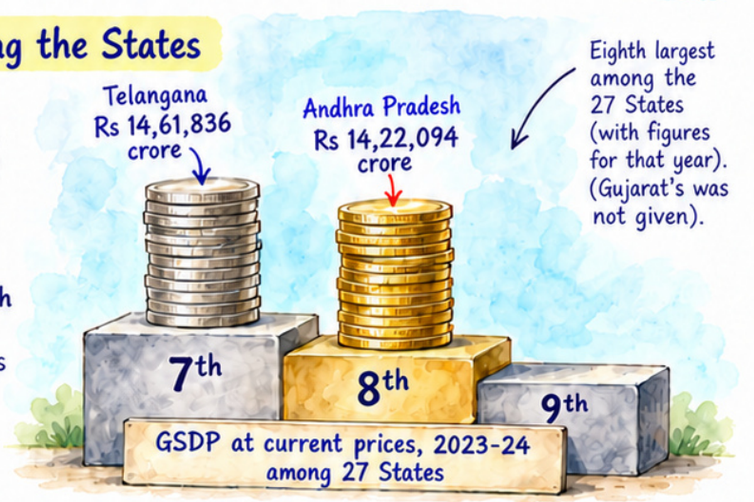
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2.5 and 2.6 Size rank and the 2047 vision

2.5 Andhra Pradesh among the States

- **By size:** in the RBI's Handbook of Statistics on Indian States 2024-25 (released on 11 December 2025, from MoSPI's data), Andhra Pradesh's GSDP at current prices for 2023-24, **Rs 14,22,094 crore**, was the **eighth largest** among the 27 States with figures for that year (Gujarat's was not given), just behind Telangana (**Rs 14,61,836 crore**).



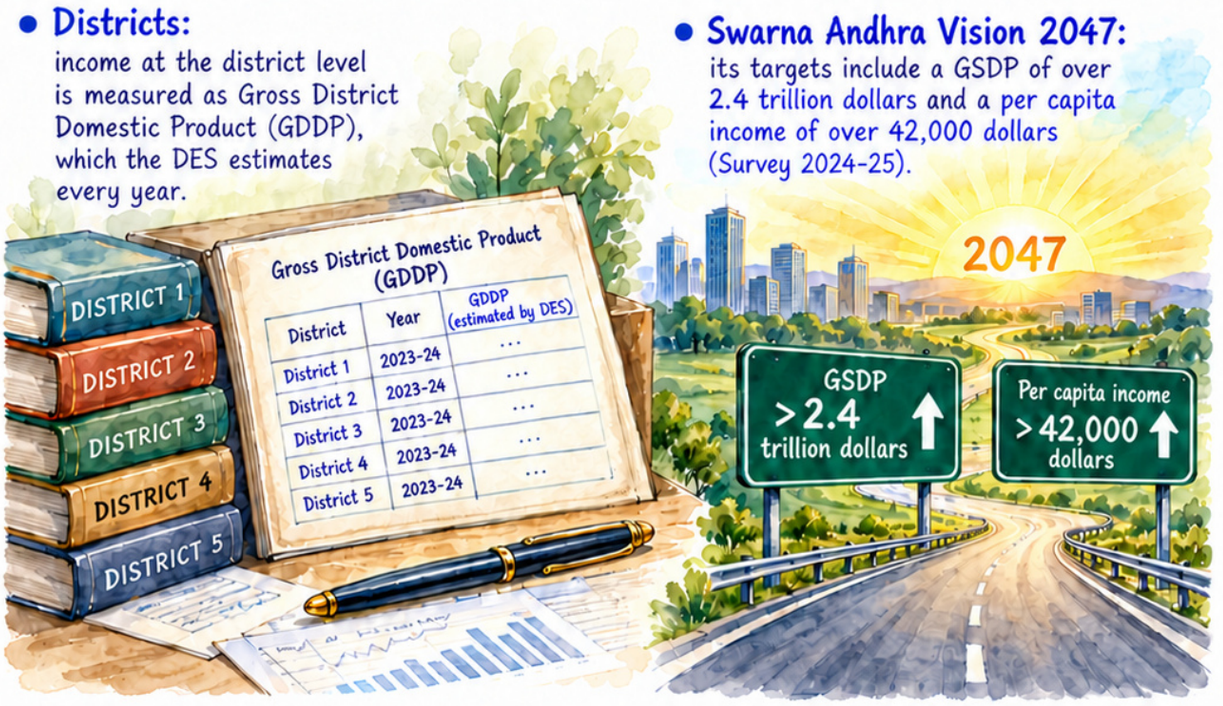
- **By per capita income:** in the same Handbook, Andhra Pradesh's per capita NSDP for 2023-24, **Rs 2,37,951**, was tenth among the 27 States. Sikkim and Goa lead; among the southern States, Telangana (Rs 3,47,714), Karnataka (Rs 3,39,813), Tamil Nadu (Rs 3,13,329) and Kerala (Rs 2,81,269) are ahead of Andhra Pradesh.



2.6 Districts and the Swarna Andhra Vision 2047

- **Districts:** income at the district level is measured as Gross District Domestic Product (GDDP), which the DES estimates every year.

- **Swarna Andhra Vision 2047:** its targets include a GSDP of over 2.4 trillion dollars and a per capita income of over 42,000 dollars (Survey 2024-25).



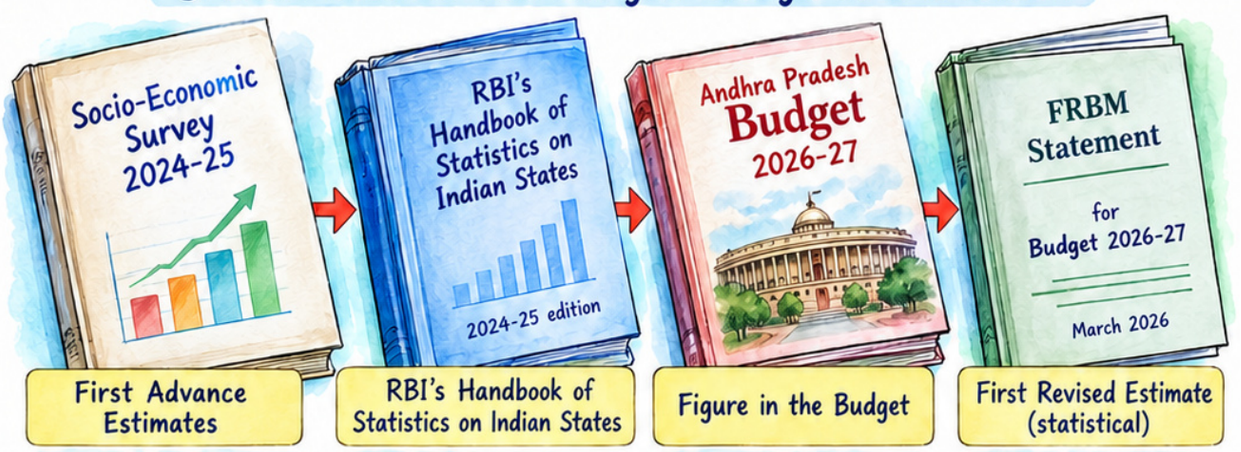
Concept illustrations; institutional buildings are schematic.

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3 Why one year has several GSDP figures

3 Extra section: how one year changes as it is revised



First Advance Estimates

Where it appears: Socio-Economic Survey 2024-25

GSDP of 2024-25 at current prices: Rs 16,06,109 crore; growth 12.94 per cent at current prices and 9.24 per cent at constant prices.

What changes: Compiled in February.

RBI's Handbook of Statistics on Indian States

Where it appears: 2024-25 edition, released on 11 December 2025 (MoSPI's data).

GSDP of 2024-25 at current prices: Rs 15,93,062 crore.

What changes: Differs from both the Survey and the Budget.

Figure in the Budget

Where it appears: Budget 2026-27, presented on 14 February 2026.

GSDP of 2024-25 at current prices: Rs 15,91,226 crore; real growth about 8 per cent.

What changes: Lower than the First Advance Estimate by Rs 14,883 crore (worked out).

First Revised Estimate (statistical)

Where it appears: FRBM statement for Budget 2026-27, March 2026.

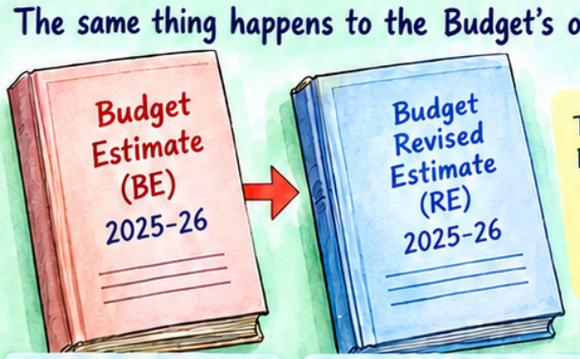
GSDP of 2024-25 at current prices: Rs 15,91,226 crore; nominal growth 11.75 per cent and real growth 8.27 per cent.

What changes: The same 2024-25 figure used in the Budget is explicitly labelled FRE in the FRBM statement.

Difference between the First Advance Estimate and the Budget figure:

16,06,109 − 15,91,226 = 14,883

The same thing happens to the Budget's own figure



Rs 18,25,000 crore

Rs 17,62,357 crore

The Budget Revised Estimate was about 3 per cent lower.

How to use this

Before comparing two figures, check the:

1. year
2. price basis (current or constant)
3. stage of the estimate.

A figure from an earlier stage is not wrong; it is older.

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Subtopics 3

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Concept illustrations; institutional buildings are schematic.

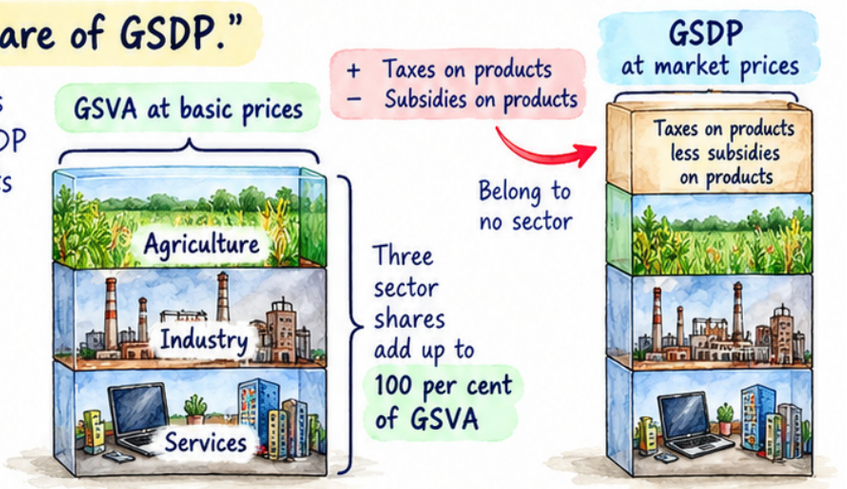
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4 Three GSDP traps to avoid

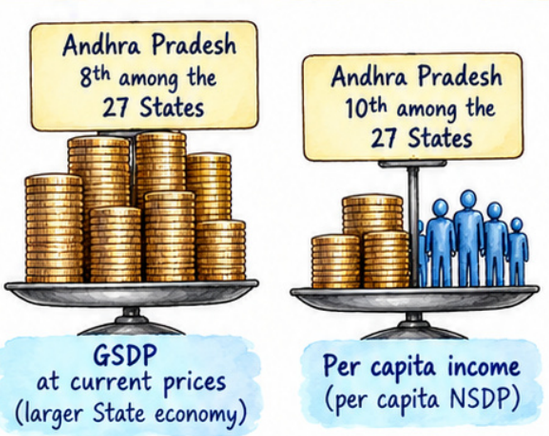
1. "Agriculture's share of GSDP."

The sectoral shares are shares of GSVA at basic prices. GSDP also contains taxes on products less subsidies on products, which belong to no sector. So the three sector shares add up to 100 per cent of GSVA, not of GSDP.



2. "A large State economy means a high income per head."

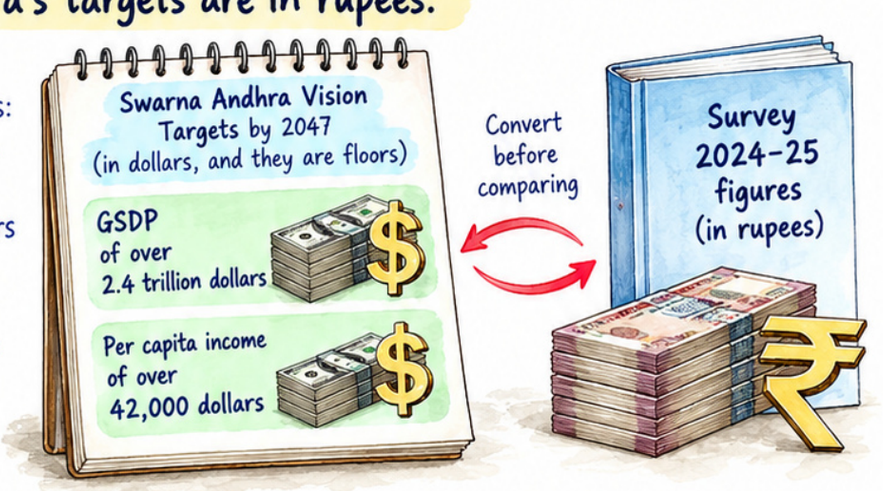
In 2023-24 Andhra Pradesh was eighth among the 27 States with figures by GSDP at current prices but tenth by per capita income (RBI Handbook). Gujarat's GSDP figure is missing from that table, so the eighth place is not a rank among all the States.



Per capita income is per capita NSDP, that is, NSDP divided by the population, so a populous State can rank higher by size than by income per head, and the two questions can have different answers.

3. "Swarna Andhra's targets are in rupees."

The Vision's targets are in dollars, and they are floors: a GSDP of over 2.4 trillion dollars and a per capita income of over 42,000 dollars by 2047, as the Survey 2024-25 states them. They cannot be set beside the rupee figures of the Survey without converting them.



Concept illustrations; institutional buildings are schematic.

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Nominal and real GDP: the bread economy

Nominal GDP values output at current-year prices. Real GDP uses a constant set of base-year prices, separating output change from price change.

NCERT illustration: an economy makes only bread; base year 2000.

Year	Quantity of bread (units)		Price per unit (Rs)		Nominal GDP (current-year prices) (Rs)
2000	100	x	10	=	1,000
2001	110	x	15	=	1,650

Real GDP: 2001 at 2000 prices

Quantity of bread (units)		Price per unit (2000 prices) (Rs)		Real GDP (2000 prices) (Rs)
110	x	10 (base year price held constant)	=	1,100

Nominal growth = 65%; real output growth = 10%. Higher nominal GDP does not by itself establish higher physical output.

India's National Statistics Office, within MoSPI, compiles national accounts. The 2022-23 base series replaced 2011-12 on 27 February 2026.

Remember: the bread numbers illustrate a concept; they are not India's GDP.

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The GDP deflator: an implicit price index

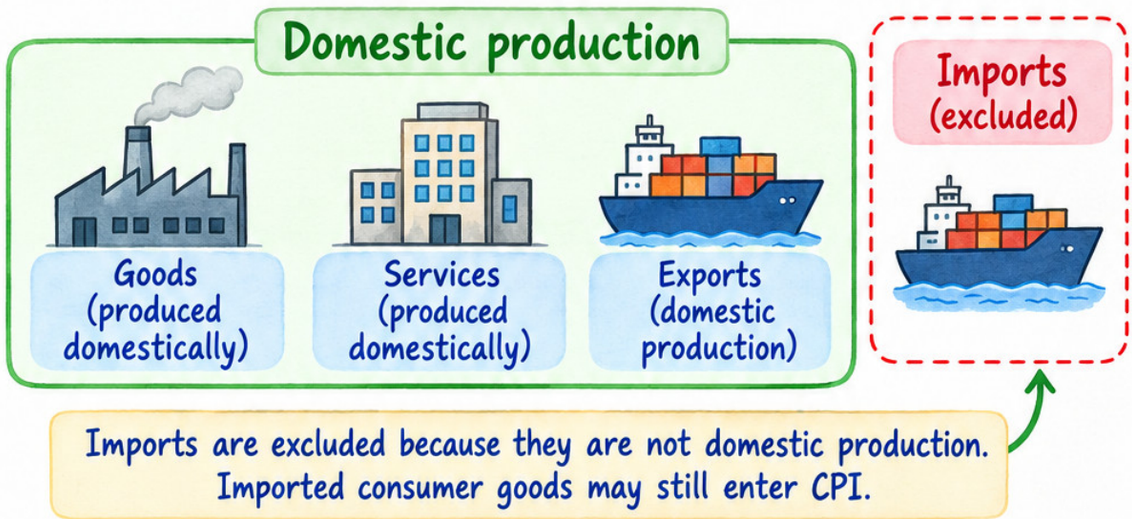
$$\text{GDP deflator} = \frac{\text{nominal GDP}}{\text{real GDP}} \times 100.$$

nominal GDP: current-price GDP
real GDP: constant-price GDP

Bread example: 1,650 ÷ 1,100 × 100 = 150.

Index 150 means prices are 1.5 times the base-year level: 50% above it. It does **NOT** mean 150% inflation.

Coverage: goods and services produced domestically, including investment goods, exports and government services.



Imports are excluded because they are not domestic production. Imported consumer goods may still enter CPI.

The deflator is **implicit**: it is derived from current-price and constant-price GDP rather than by directly pricing a separate fixed basket.

In the base year, nominal GDP = real GDP, so the deflator = 100.

The deflator's **weights** reflect the changing composition of production.

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Deflator, CPI and WPI: compare the coverage

GDP deflator



All domestic final output, including goods and services, investment and government services.

→ Imports excluded; production weights change.

CPI



A representative household's consumption basket of goods and services.

→ Includes imported goods if households buy them;

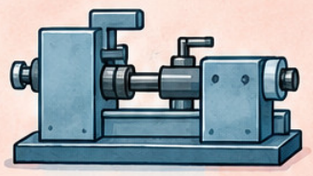
→ uses fixed basket weights.

WPI



Wholesale-price measure for goods traded in bulk;

→ services are excluded from this goods-based index.



Investment machinery belongs in GDP's output coverage but not in a household consumption basket.

→ **Do not assume the three measures show identical inflation: coverage, weights and price concepts differ.**

Dated-method note



The supplied comparison explains traditional CPI/WPI concepts.
MoSPI's 31 August 2026 GDP update incorporated new PPI, IIP and Banking Services Price Index series released in June 2026.
WPI must not be presented as the unchanged current input everywhere.

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Growth rates: exact division versus shortcut

1. Relationship between nominal GDP, real GDP and the deflator

Nominal GDP = real GDP × deflator ÷ 100.

2. Growth rate identity (multiplicative)

Therefore (1+ nominal growth) = (1+real growth) × (1+deflator growth), with rates written as decimals.

1 + nominal growth	=	1 + real growth	×	1 + deflator growth
Nominal growth factor		Real growth factor		Deflator growth factor

3. Exact calculation of real growth

Exact real growth = (1+nominal growth) ÷ (1+deflator growth) −1.

4. Example

Nominal growth 12%, deflator growth 5%.

Real growth = 1.12 ÷ 1.05 − 1 ≈ 6.67% (rounded).

5. Shortcut

Shortcut: 12−5 = 7%; useful approximation, not the exact answer.

6. Index points are not percentage growth

A deflator rising from 200 to 210 gains 10 index points, but its growth is 10 ÷ 200 × 100 = 5%.

200 (earlier index) —— +10 index points, +5% ——→ 210 (later index)

7. Important reminder

Always divide the change by the earlier index.
Do not divide by 100 unless the earlier index actually is 100.

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India's GDP: one source, three estimate vintages

MoSPI, National Accounts Statistics 2026, released 31 August 2026.
Base 2022–23.

2023–24 FINAL

Current-price GDP (Rs crore)	Constant-price GDP (Rs crore)
Rs 2,90,73,287 crore	Rs 2,80,94,358 crore
Nominal growth (per cent)	**Real growth (per cent)**
11.1%	7.3%

2024–25 FIRST REVISED

Current-price GDP (Rs crore)	Constant-price GDP (Rs crore)
Rs 3,17,98,524 crore	Rs 3,01,15,428 crore
Nominal growth (per cent)	**Real growth (per cent)**
9.4%	7.2%

2025–26 PROVISIONAL

Current-price GDP (Rs crore)	Constant-price GDP (Rs crore)
Rs 3,45,36,796 crore	Rs 3,24,70,100 crore
Nominal growth (per cent)	**Real growth (per cent)**
8.6%	7.8%

Note 1: Do not mix these August estimates with earlier advance-estimate releases or with the 2011–12 base series.

Note 2: The new price/volume indicators incorporated in August can revise earlier GDP estimates; a revision is not automatically evidence that previous estimates were erroneous.

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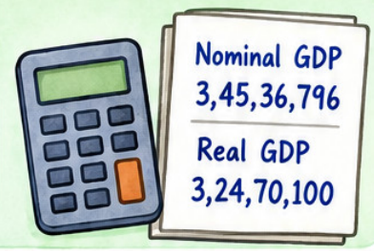
India's implied deflator: calculated, not quoted

Derived from the preceding MoSPI GDP figures; these rounded deflator columns are calculations, not figures directly quoted from MoSPI.

2023-24	2024-25	2025-26
103.48	105.59	106.36
Deflator growth about 3.5%.	Deflator growth about 2.0%.	Deflator growth about 0.7%.

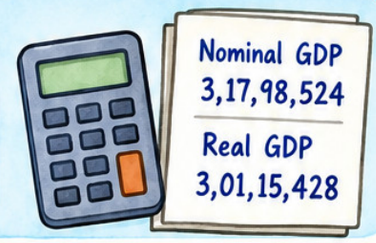
2025-26 calculation:

$$\frac{3,45,36,796}{3,24,70,100} \times 100 \approx 106.36$$



Compare with 2024-25:

$$\frac{3,17,98,524}{3,01,15,428} \times 100 \approx 105.59$$



Growth in the deflator:

$$(106.36 \div 105.59 - 1) \times 100 \approx 0.7\%$$

The shortcut 8.6 – 7.8 = 0.8% differs slightly.
Exact calculation uses unrounded values before reporting the rounded result.

A small positive deflator increase can coexist with faster real output growth.
It need not match CPI inflation.



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The base year: benchmark and structural revision

A base year supplies the price set used to value real output throughout a constant-price series.

In 2022–23, both current-price and constant-price GDP equal Rs 2,61,77,001 crore in NAS 2026. Therefore its deflator is 100.

Current-price GDP (nominal)
Rs 2,61,77,001 crore (2022–23)

=

Constant-price GDP (real, base year)
Rs 2,61,77,001 crore (2022–23)

→

GDP deflator

$$= \frac{\text{Nominal GDP}}{\text{Real GDP}} \times 100$$

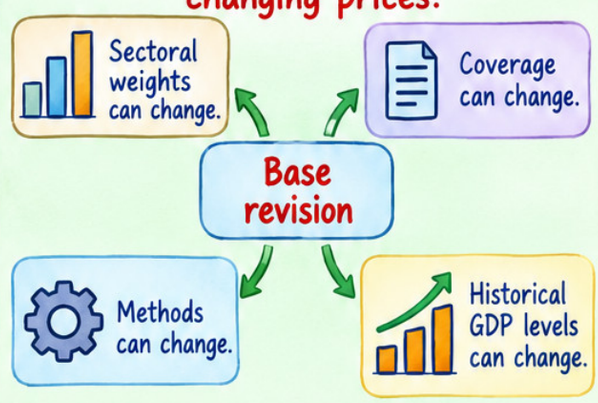
$$= \frac{2,61,77,001}{2,61,77,001} \times 100$$

$$= 100$$

Why revise?

- Capture structural changes.
- Incorporate newer data sources.
- Improve methods and widen coverage.

A base revision is more than changing prices:



Annual revision vs base revision

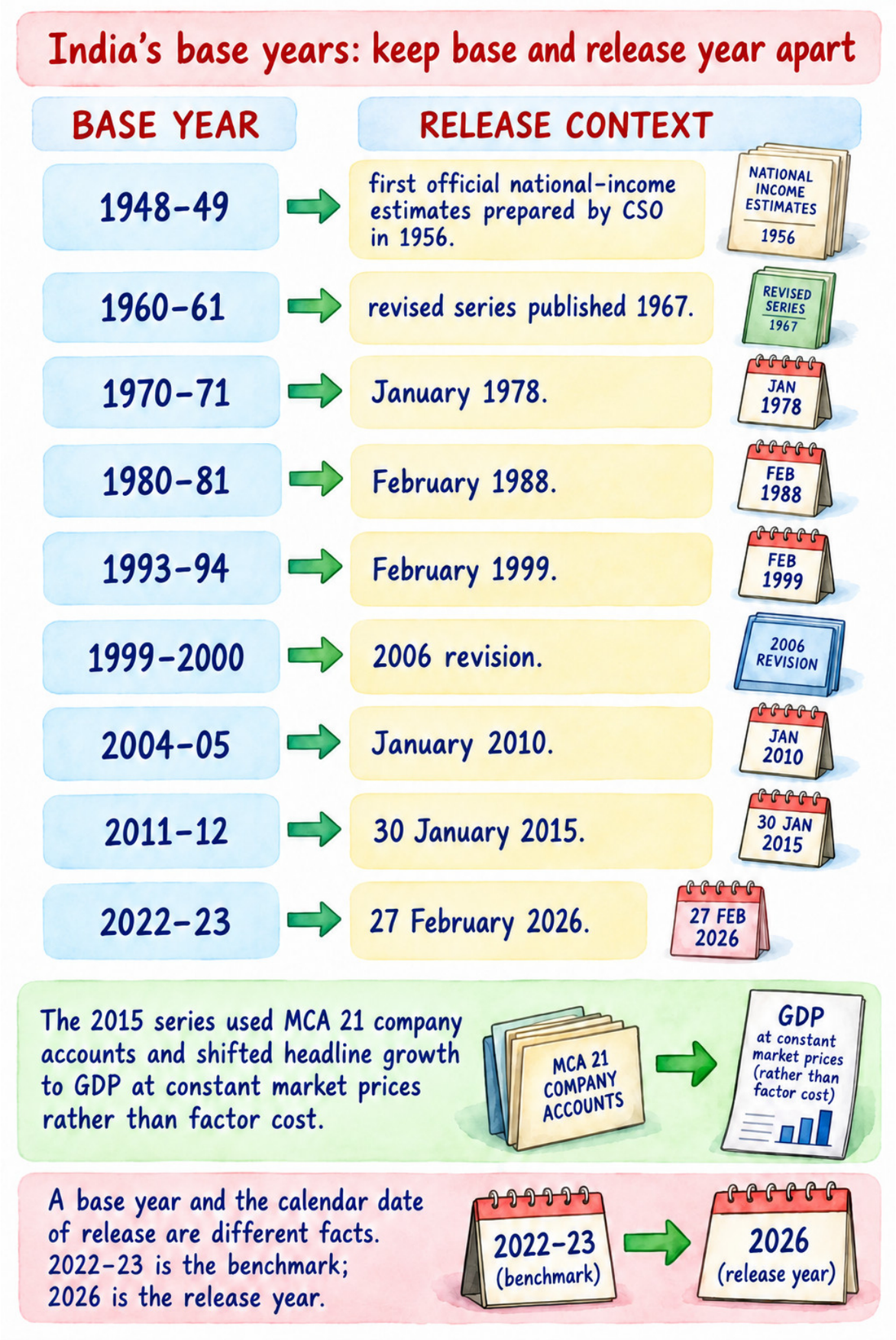
Annual revision	Base revision
Updates available data without changing the underlying conceptual framework in the same way.	Can change sectoral weights, coverage, methods and historical GDP levels, in addition to prices.

MoSPI described 2022–23 as a recent normal year after COVID, with robust data availability.

Do not assume rebasing leaves all past growth rates unchanged.

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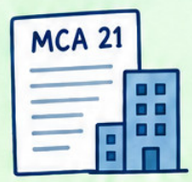
The 2022-23 framework: new data and methods

February 2026 framework:

GST data: extensive quarterly use and allocation of private-corporate estimates across States.



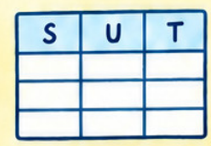
MCA 21: company filings; separate activities of multi-activity enterprises.



PLFS and ASUSE: annual surveys improve household/ unincorporated-sector estimates.



Supply and Use Tables: improve consistency between production and expenditure estimates.



National accounts (2022-23 framework)

Proportional Denton benchmarking replaces the pro-rata quarterly method.



Private consumption: COICOP 2018 classification, Household Consumption Expenditure Survey and administrative data such as e-Vahan.



Double deflation: agriculture and manufacturing.

Volume/single extrapolation: other sectors.



June/August 2026 update:

new 2022-23 base PPI, IIP and Banking Services Price Index became available and were incorporated in August estimates.

New 2022-23 base PPI



New 2022-23 base IIP



New Banking Services Price Index



Incorporated in August estimates

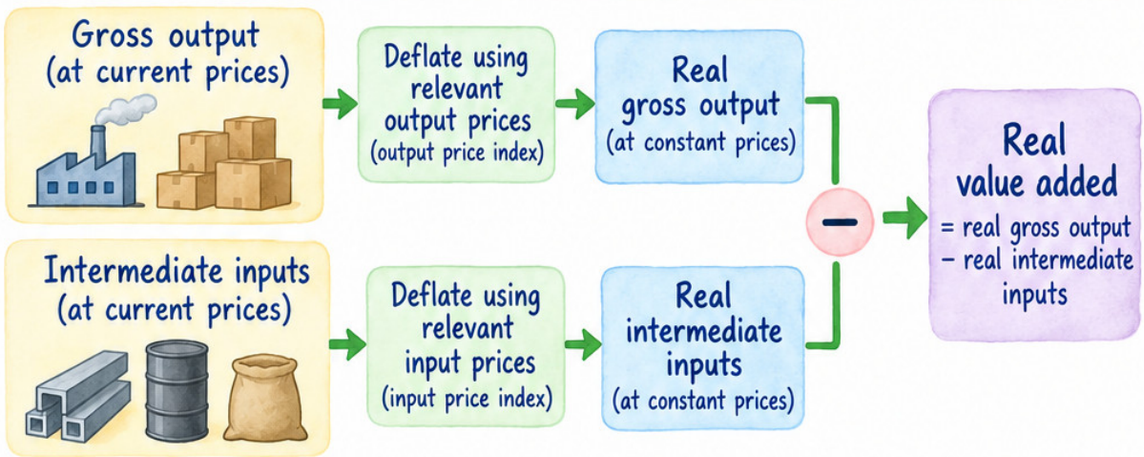
Keep methodological descriptions dated; do not silently combine release versions.

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DOUBLE DEFLATION

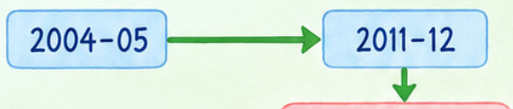
- Deflate gross output using the relevant output prices.
- Separately deflate intermediate inputs using relevant input prices.
- Real value added = real gross output − real intermediate inputs.
- This differs from deflating value added by a single price index.



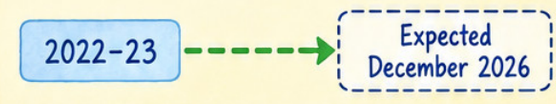
BACK SERIES

Re-estimate earlier years on the new framework so comparisons do not splice incompatible levels blindly.

The 2011-12 base back series from 2004-05 was released 28 November 2018.

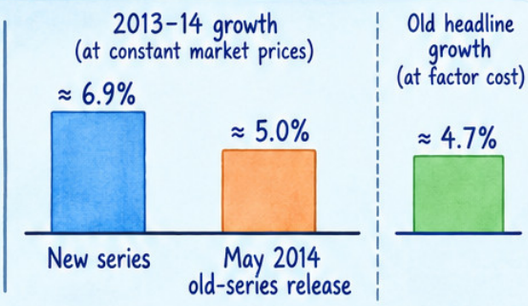


For the 2022-23 base, official guidance expected the back series by December 2026; that is an expected release, not a completed one.



The 2015 debate:

- 2013-14 growth was 6.9% in the new series versus 5.0% in the May 2014 old-series release, both at constant market prices.
- Old headline factor-cost growth was 4.7%; do not mix valuation bases.



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Worked example: wheat and machines

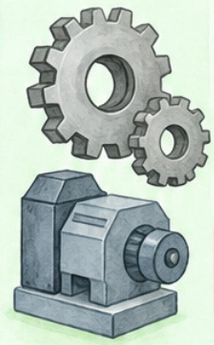
ILLUSTRATIVE ECONOMY; Year 1 is the base.

Wheat



	Year 1 (base)	Year 2
Quantity	100 quintals	110 quintals
Price	Rs 20	Rs 22
Value	Rs 2,000	
Nominal value		Rs 2,420
At base prices (real value)		Rs 2,200

Machines



	Year 1 (base)	Year 2
Quantity	10	12
Price	Rs 200	Rs 210
Value	Rs 2,000	
Nominal value		Rs 2,520
At base prices (real value)		Rs 2,400

GDP calculations

Item	Year 1 (base)	Year 2 nominal	Year 2 real (at base prices)
Wheat	Rs 2,000	Rs 2,420	Rs 2,200
Machines	Rs 2,000	Rs 2,520	Rs 2,400
Total GDP	Rs 4,000	Rs 4,940	Rs 4,600

GDP deflator

$$\text{Deflator} = 4{,}940 \div 4{,}600 \times 100 \approx 107.39 \text{ (rounded)}.$$

Growth rates

$$\text{Nominal growth} = \frac{4{,}940 - 4{,}000}{4{,}000} \times 100 = 23.5\%.$$

$$\text{Real growth} = \frac{4{,}600 - 4{,}000}{4{,}000} \times 100 = 15.0\%.$$

Deflator growth

Deflator growth ≈ 7.39%, from 1.235 ÷ 1.150 − 1.

The shortcut 23.5 − 15.0 = 8.5% is less close when rates are large.

CPI versus GDP coverage

A household CPI basket here prices wheat, not investment machines. Imported phones bought by households could enter CPI but not domestic-output GDP.

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DAY 22 | TOPIC 213 | Economy | Unit C-1 | 213.01

Economic growth: count output, not just prices

GROWTH = an increase in an economy's output and income.
To identify a change in the volume of production, compare REAL values, not only current-price money values.



REAL GDP: value the output of different years at the prices of a fixed base year. Changes then reflect quantities produced.



NOMINAL GDP: value output at current prices. It can rise because prices rise, even if production does not.



PER CAPITA INCOME = total income ÷ total population.
It is an average, not the actual income of every person.

Total income ÷ Total population = Per capita income

A **growth rate** expresses the percentage change over a period, usually a year:

Growth rate = [(new real value − old real value) ÷ old real value] × 100.

ILLUSTRATIVE PRICE CHECK: 100 units at Rs 10 = Rs 1,000. Next year, the same 100 units at Rs 12 = Rs 1,200. Nominal output rises 20%; at unchanged base-year prices, real output stays Rs 1,000. Real growth is zero.

	Year 1	Year 2	Change
Nominal output (current prices)	Rs 10 per unit; 100 units; Rs 1,000	Rs 12 per unit; 100 units; Rs 1,200	Nominal output rises 20%. (Rs 1,200 − Rs 1,000) ÷ Rs 1,000 × 100 = 20%
Real output (base-year prices)	Rs 10 per unit; 100 units; Rs 1,000	Rs 10 per unit; 100 units; Rs 1,000	At unchanged base-year prices, real output stays Rs 1,000. 0% Real growth is zero.

Read real GDP growth and real income per person together. Total production and production per person are different measures. Averages also hide how the gains are distributed.

Recall: Topic 205 distinguishes current prices and base-year prices; Topics 5 and 174 cover national income.

Concept illustrations are schematic.

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DAY 22 | TOPIC 213 | Economy | Unit C-1 | 213.02

Development: income plus a better life

Economic development is wider than economic growth. It includes quantitative gains and qualitative improvements in people's lives. Industrial transformation is one historical description; human development focuses on people's opportunities and choices.

GROWTH:
more real output or real income per person; normally expressed as an annual percentage rate.



DEVELOPMENT:
income together with health, education, living conditions, equity, freedom, security and respect. No single income growth rate captures all of these.

DIFFERENT PEOPLE, DIFFERENT GOALS (NCERT):

A landless rural labourer may want more days of work, better wages, a good local school and an end to discrimination.



A prosperous Punjab farmer may want better support prices, higher family income and opportunities for the children.

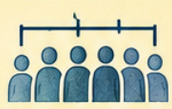


A rural woman may want the same freedom as her brother and the right to choose her own path.



Goals can conflict. What benefits one person may harm another. Development therefore cannot be judged simply by adding incomes.

NATIONAL DEVELOPMENT:
evaluate whether an idea is fair and just for all, and whether it helps many people or only a few.



Income is a means to development, not its complete definition. Equal treatment and dignity matter even when they are hard to measure.

Concept illustrations are schematic.

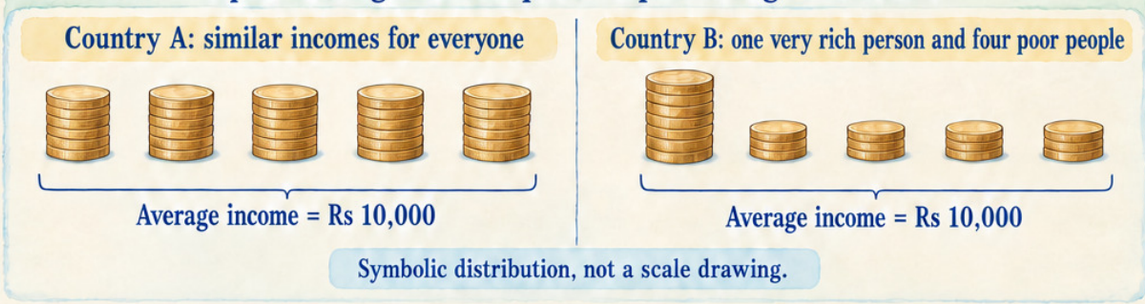
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Average income can hide unequal gains

An average gives total income divided by population.
It does not show the spread of incomes.

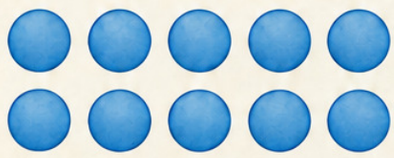
NCERT CLASS X: two countries with five citizens each can both have average income of Rs 10,000. One may have similar incomes for everyone; the other may have one very rich person and four poor people. Equal averages do not prove equal living conditions.



WORKED EXAMPLE – NCERT CLASS XII:

Year 2000: 100 people earn Rs 10 each.
GDP = 100 × 10 = Rs 1,000.

Each circle represents 10 people.



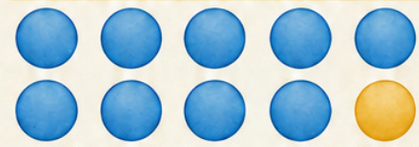
100 people
Each earns Rs 10

GDP = 100 × 10 = Rs 1,000

Aggregate gain = Rs 10.
GDP growth = (10 ÷ 1,000) × 100 = 1%.

Year 2001: 90 people earn Rs 9 each;
10 people earn Rs 20 each.
GDP = (90 × 9) + (10 × 20) = 810 + 200 = Rs 1,010.

Each circle represents 10 people.



BLUE: 9 circles
90 people
Each earns Rs 9
(90 × 9 = 810)

GOLD: 1 circle
10 people
Each earns Rs 20
(10 × 20 = 200)

GDP = 810 + 200 = Rs 1,010

But 90 of 100 people – 90% – lose income. Each falls from Rs 10 to Rs 9, a decline of 10%.
Only the other ten people gain.
10% income fall for majority

Aggregate gain = Rs 10.
GDP growth = (10 ÷ 1,000) × 100 = 1%.
1% aggregate rise in GDP

LESSON: positive GDP growth can coexist with falling welfare for most people. Distribution matters.

Inclusive growth asks who participates in and benefits from growth.
The Eleventh Plan approach paper (December 2006) was titled
"Towards Faster and More Inclusive Growth".

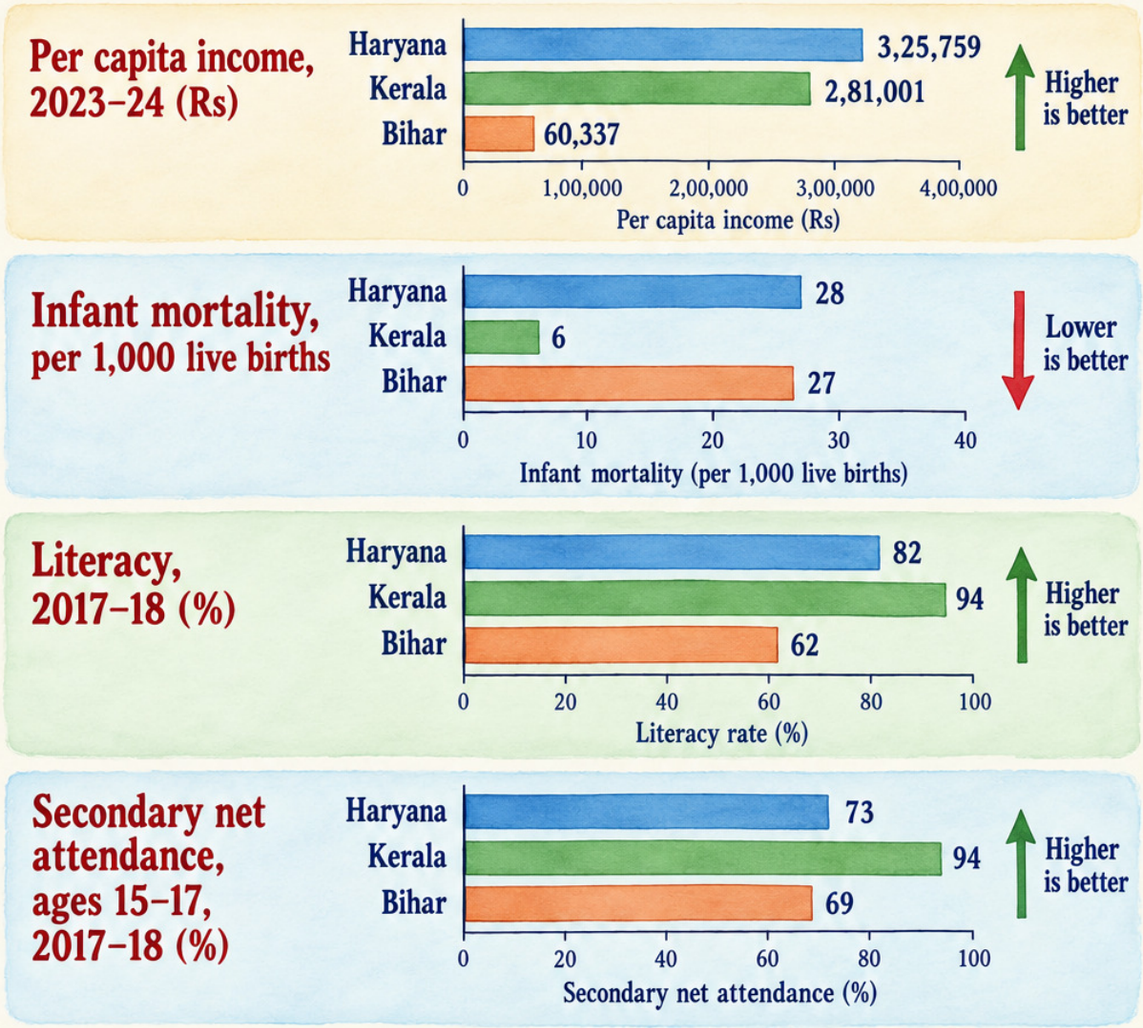
Concept illustrations are schematic.

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DAY 22 | TOPIC 213 | Economy | Unit C-1 | 213.04

Three States: four different tests

NCERT'S DATED COMPARISON — not a table of today's live figures.



RANK THE INDICATORS:

Income: Haryana → Kerala → Bihar.
Infant survival, using lower mortality: Kerala → Bihar → Haryana.
Literacy and attendance: Kerala → Haryana → Bihar.

Always compare like indicators, retain their dates and units, and distinguish a lower-is-better measure from a higher-is-better one.

- Haryana leads in income, but Kerala leads on the three social indicators. Bihar's income is about 0.19 of Haryana's (60,337 ÷ 3,25,759), yet their infant mortality figures are close.
- NCERT links Kerala's outcomes to adequate basic health and educational facilities. Public provision matters: schooling, health care and security can often be supplied more effectively collectively.
- At attendance of 69%, about 31% of Bihar's 15–17 age group is not attending secondary school in this comparison.

Concept illustrations are schematic.

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GDP and welfare: three limits

NCERT gives three reasons why GDP is not a complete welfare index.

1. DISTRIBUTION:

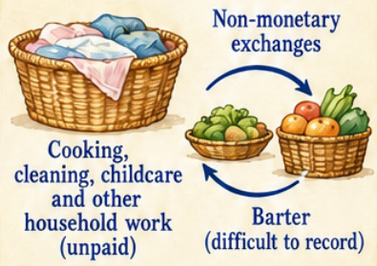
GDP may increase while most people lose income if the gains go to a small group. Total income does not reveal who receives it.



Total GDP can be the same, but the distribution is unequal.

2. NON-MONETARY ACTIVITY:

unpaid domestic services are not included in GDP. NCERT also discusses non-monetary exchanges and difficult-to-record barter. Valuable activity need not appear as a market sale.



Unpaid domestic services are excluded; some non-monetary exchanges are difficult to record.

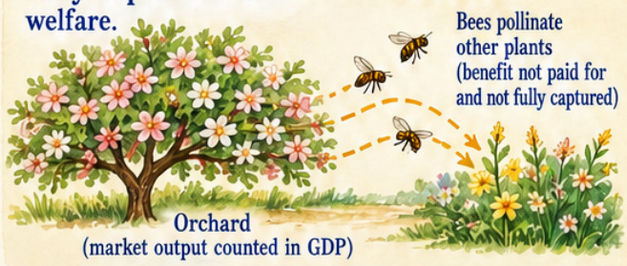
3. EXTERNALITIES:

a producer can impose a cost or confer a benefit on others without paying or being paid for it.



In this case, GDP OVERSTATES welfare.

For a beneficial externality, an uncompensated benefit is not fully captured: GDP UNDERSTATES welfare.



THE DIRECTION MATTERS:

Harmful externality → counted output without deducted harm

Beneficial externality → benefit beyond the measured market transaction.

GDP is useful for measuring production.
The error is treating it as a full measure of health, fairness, security, environmental quality or happiness.
Development therefore needs several indicators alongside income, not the abandonment of economic measurement.

Concept illustrations are schematic.

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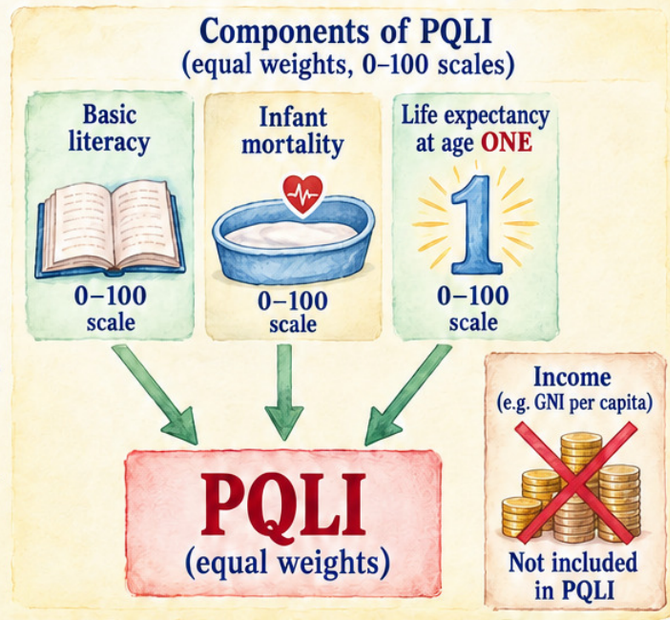
PQLI and HDI: do not exchange the components

PHYSICAL QUALITY OF LIFE INDEX (PQLI)

Morris David Morris developed the PQLI for the Overseas Development Council; his book *Measuring the Condition of the World's Poor* appeared in 1979.

Its three components are basic literacy, infant mortality and life expectancy at age **ONE**. They are transformed to 0–100 scales and given equal weights. There is NO INCOME component.

Its health indicators overlap, one limitation of the index. The central lesson is that quality of life cannot be read from income alone.



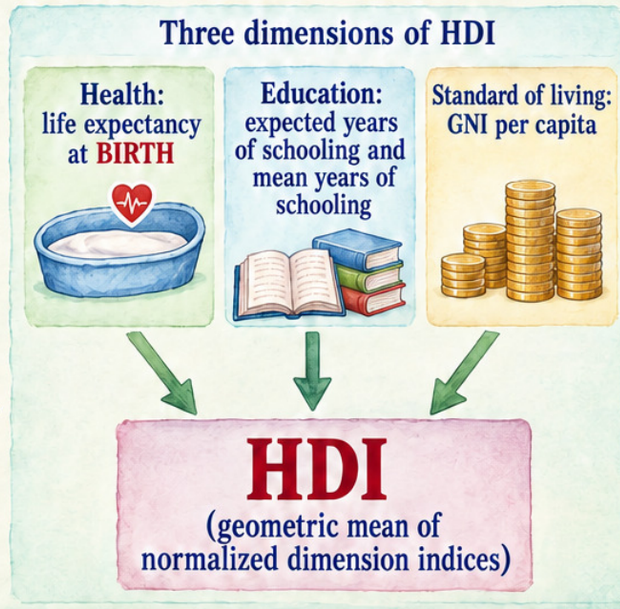
HUMAN DEVELOPMENT INDEX (HDI)

UNDP introduced the HDI in the first Human Development *Report*, 1990. Mahbub ul Haq's approach drew on Amartya Sen's work on capabilities.

Three dimensions:

- **Health:** life expectancy at **BIRTH**.
- **Education:** expected years of schooling and mean years of schooling.
- **Standard of living:** GNI per capita.

The HDI combines normalized dimension indices using a geometric mean. It includes income, but is still not a complete account of inequality, poverty, security or freedom.



REMEMBER:

PQLI = literacy + infant mortality + life expectancy at age one.
HDI = life expectancy at birth + schooling + GNI per capita.
Neither index is simply the GDP growth rate.

Concept illustrations are schematic.

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HDI: keep the data year visible

HUMAN DEVELOPMENT REPORT 2025 – DATA FOR 2023

India: HDI value 0.685; rank 130 among 193 countries; medium human development group. The high group begins at 0.700.



The report year and data year are different. "HDR 2025" does not mean that 0.685 measures conditions in 2025.

HDI VALUE AND GROUP THRESHOLD

India: 0.685
Medium human development

<

High group begins: 0.700

0.700 – 0.685 = 0.015

India's 2023 component figures in UNDP's release include life expectancy of 72.00 years and GNI per capita of about 9,047 in 2021 PPP dollars.

Life expectancy 72.00 years

GNI per capita about 9,047 in 2021 PPP dollars.

NCERT'S NEIGHBOUR COMPARISON, using HDR 2025:

Country	GNI per capita (in 2021 PPP dollars)	Life expectancy (years)	HDI rank (among 193 countries)
Bangladesh	about 8,498	74.7	130
India	about 9,047	72	130
Sri Lanka	—	—	89

Sri Lanka: HDI rank 89 and ahead of India on the indicators in that table.

The comparison illustrates why a higher average income need not produce a higher life expectancy or a better overall development outcome.

PPP dollars compare purchasing power; they are not a conversion at the market exchange rate.

Interpret an index with its name, data period, scale and components. Equal ranks do not imply that two countries have identical values on every underlying indicator.

Concept illustrations are schematic.

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National MPI: deprivation, not just income

NITI AAYOG'S NATIONAL MULTIDIMENSIONAL POVERTY INDEX looks at overlapping deprivation in health, education and standard of living.

The national measure uses 12 indicators. A person can face several disadvantages at once, even if one money-income measure misses them.

Three dimensions of deprivation



Do not confuse the MPI value with the percentage of people who are multidimensionally poor. The headcount ratio is the share of people identified as poor; the index also reflects the intensity of deprivation.

DATED INDIA FIGURES

Two different evidence types

Headcount ratio (share of people multidimensionally poor)

2019–21	2022–23
14.96%	11.28%
(based on NFHS-5 survey data)	(an EXTRAPOLATED ESTIMATE in NITI Aayog's January 2024 discussion paper)
Survey-based estimate (observed)	Projection (not a fresh survey)

Extrapolated using the rate of reduction observed between 2015–16 and 2019–21.

WHY THIS HELPS: income is one resource; public health, education, nutrition, sanitation and other services affect the actual conditions in which people live.



A good revision answer distinguishes the measure, the year and the evidence type. A survey-based estimate and an extrapolation must not be drawn as if both were directly observed in the same way.

Recall Topic 93 for the detailed national MPI methodology.

Concept illustrations are schematic.

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DAY 22 | TOPIC 213 | Economy | Unit C-1 | 213.09

SDG India Index: scores are not percentages of goals

SDG INDIA INDEX 2023–24

NITI Aayog released the fourth edition on 12 July 2024. It uses 113 indicators across 16 Sustainable Development Goals, with qualitative treatment of Goal 17.





INDIA'S COMPOSITE SCORE



A score of 71 is an index score out of 100. It does NOT mean that 71% of all SDGs have been achieved.

STATE COMPARISON, 2023–24

State scores range from 57 to 79. Kerala and Uttarakhand lead with 79 each. Andhra Pradesh scores 74, up from 72 in 2020–21.

State	Score (2023–24)
Kerala	79
Uttarakhand	79
Andhra Pradesh	74
Gujarat	74
Telangana	74

Eight States have scores above Andhra Pradesh's 74, placing AP joint ninth among States, alongside Gujarat and Telangana. This rank is calculated from the published scores.

FRONT RUNNER CATEGORY

Scores from 65 to 99; 32 States and Union Territories fall in this category.

65 ≤ score ≤ 99

Front Runner category: scores from 65 to 99

GOAL 14 EXCLUDED FROM COMPOSITE



Goal 14, Life Below Water, applies to the nine coastal States and is excluded from the overall composite calculation.

USE IT WELL



Compare progress across goals as well as totals. The composite score can conceal uneven performance between sectors. Preserve edition dates rather than calling an older edition "today's score".

Concept illustrations are schematic.

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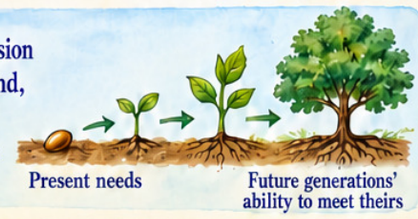
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Sustainable development: do not borrow the future

Growth can increase income today while exhausting the resources needed tomorrow.



OUR COMMON FUTURE (1987), the report of the World Commission on Environment and Development chaired by Gro Harlem Brundtland, set out the familiar idea of sustainable development: meet present needs without undermining future generations' ability to meet theirs.

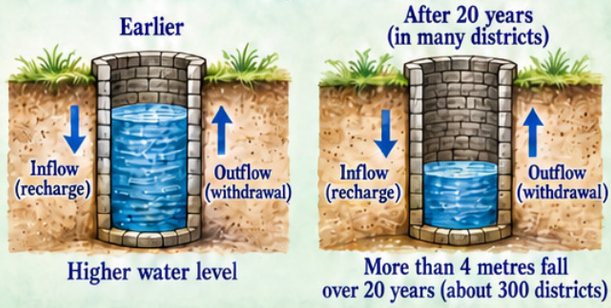


The issue is not simply producing more. It is whether production, consumption and resource use can continue without unacceptable damage or depletion.



NCERT'S GROUNDWATER EXAMPLE:

the textbook reports about 300 districts with a fall of more than 4 metres over 20 years, and nearly one-third of the country overusing groundwater. These are textbook evidence, not a live 2026 groundwater census.



NCERT'S OIL EXAMPLE:

its table based on 2017 reserves gives about 47 years at the stated extraction rate; the surrounding discussion rounds this to about 50 years.



That is a reserves-to-production illustration, not a fixed prediction that all oil will vanish in a particular calendar year. Reserves, technology, discoveries and use can change.

DEVELOPMENT TEST:

current benefits + distribution + future resource security.



Public health and schooling matter now; clean water and a viable resource base matter to present and future generations alike.



Topic 335 develops the sustainability framework.



Concept illustrations are schematic.

Concept illustrations are schematic; not historical reconstructions.

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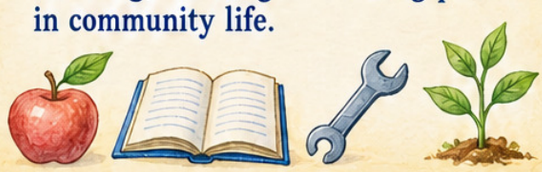
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Capabilities and freedom: what people can actually do

AMARTYA SEN'S CAPABILITY APPROACH shifts attention from resources alone to the real opportunities people have to lead lives they value. Martha Nussbaum also developed the approach.

FUNCTIONINGS

are achieved "beings and doings": being healthy or well nourished, learning, working and taking part in community life.



CAPABILITIES

are the real alternatives available: the combinations of functionings a person is genuinely able to achieve.



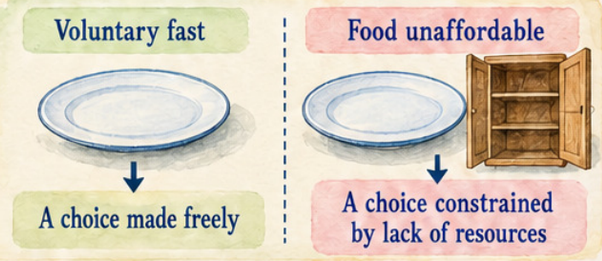
RESOURCES → OPPORTUNITIES → ACHIEVEMENTS



Income may buy a textbook, but meaningful educational opportunity also needs access, skills, safety and freedom from exclusion. Possessing resources and being able to use them are different.

FREEDOM OF CHOICE matters.

A person who freely fasts and a person who cannot afford food may both be hungry, but their capabilities differ.



Sen's *Development as Freedom* appeared in 1999.
He received the 1998 Nobel Prize in Economic Sciences for contributions to welfare economics.

FINAL CONNECTION:

Growth asks how much real production and income rise.

Development asks whether health, knowledge, dignity, freedom and opportunities improve, and whether gains are shared and sustainable.

PQLI, HDI, MPI and the SDG India Index

illuminate different parts of that wider picture.
Never substitute one index's components, units or years for another's.

PQLI
- Life expectancy at age ONE
- Infant mortality rate
- Literacy rate

HDI
- Health
- Education
- Income



MPI
- Health
- Education
- Living standards

SDG India Index
- A wider set of sustainable development goals

Concept illustrations are schematic.

Concept illustrations are schematic; not historical reconstructions.

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DAY 22 | TOPIC 214 | Economy | Unit C-3 | 214.01

Food security: three links, not just a full granary

AVAILABILITY

Food must exist: domestic production, imports and stocks carried over from earlier years supply the country.



ACCESSIBILITY

Food must be within every person's reach. Transport, distribution and access to a shop matter, even when a warehouse is full.



AFFORDABILITY

People need purchasing power to obtain enough safe, nutritious food for their dietary needs.



ALL PEOPLE, AT ALL TIMES

NCERT connects all three dimensions. The FAO's 1996 World Food Summit definition also stresses physical and economic access, food preferences and an active, healthy life.



A HISTORICAL WARNING

The Bengal famine of 1943 killed about thirty lakh people in NCERT's account. Agricultural labourers, fishermen, transport workers and casual labourers were particularly badly affected as rice prices rose.

The lesson is not simply to count tonnes: a food supply can coexist with hunger when vulnerable groups lose access or purchasing power.



A DATED NUTRITION INDICATOR

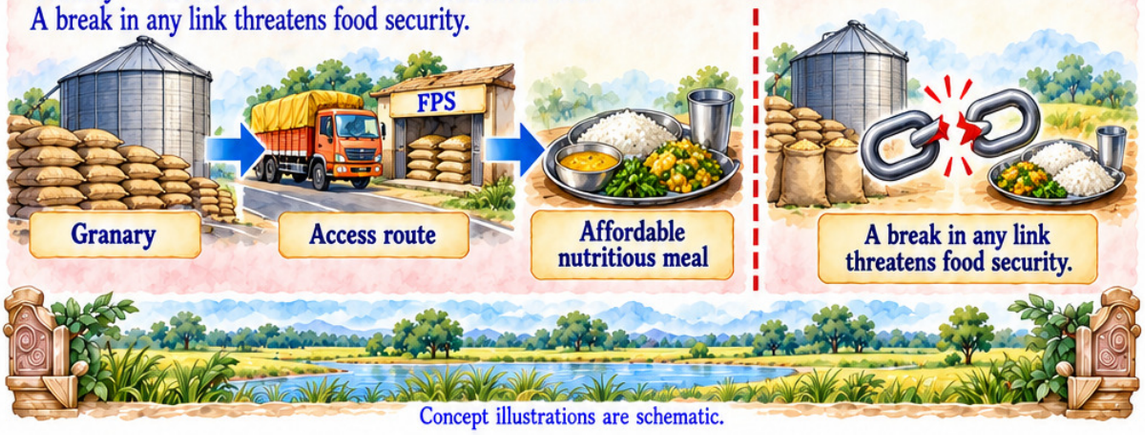
The Global Hunger Index publisher's 2026 edition reports India at rank 100 of 122, score 24.1, classified as serious. This index is not a count of ration cards or a measure of grain stocks.

India rank 100 of 122 score 24.1 classified as **serious**



REVISION ANCHOR

Granary → access route → affordable nutritious meal.
A break in any link threatens food security.



Concept illustrations are schematic.

Concept illustrations are schematic; not historical reconstructions.

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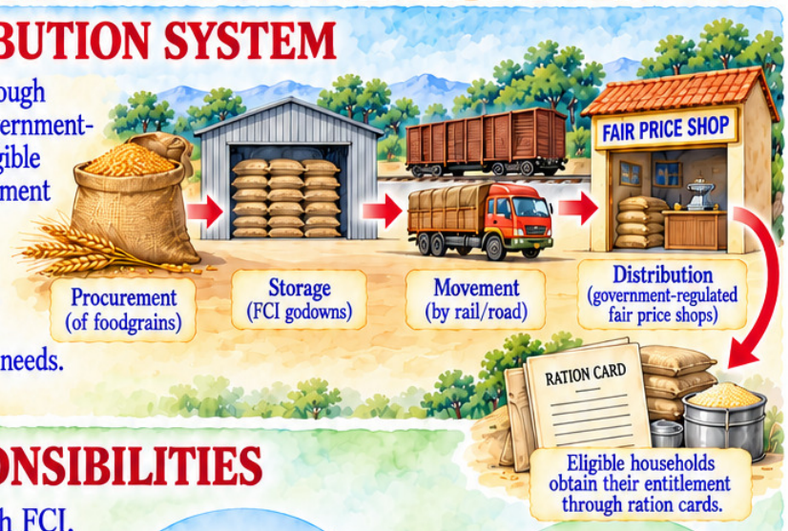
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The PDS chain and the two FCI dates

PUBLIC DISTRIBUTION SYSTEM

Procured foodgrains move through storage and distribution to government-regulated fair price shops. Eligible households obtain their entitlement through ration cards.

PDS supplements food access; it does not promise to provide every commodity a household needs.



SHARED RESPONSIBILITIES

The Centre, chiefly through FCI, handles procurement, storage, movement and bulk allocation.

States and UTs identify eligible households, issue ration cards, allocate within the State and supervise fair price shops.

Centre (through FCI)
- Procurement
- Storage
- Movement
- Bulk allocation

States and UTs
- Identify eligible households
- Issue ration cards
- Allocate within the State
- Supervise fair price shops

FCI: KEEP LEGAL AND INAUGURATION DATES DISTINCT



- Food Corporations Act, 1964: dated 10 December 1964; the Act commenced on 17 December 1964.
- Section 3's notified establishment date for FCI is 1 January 1965, as recorded in the Act's footnote to G.S.R. 1809.
- PIB records FCI's inauguration at Thanjavur on 14 January 1965. The latter is also widely cited as its foundation date.
- Do not label 1 January merely as the Act's commencement: that was 17 December 1964.

WHAT FCI DOES

Price-support procurement protects producers; storage and movement support distribution; operational and buffer stocks support food security.



THE LAST MILE

A warehouse stock becomes a household benefit only when the right quantity reaches the eligible recipient.



FOUR IMPORTANT DATES

Food Corporations Act, 1964 (date of the Act)	Act commenced on	Notified establishment date for FCI (Section 3; G.S.R. 1809)	FCI's inauguration (Thanjavur, as per PIB)
10 December 1964	17 December 1964	1 January 1965	14 January 1965

Concept illustrations are schematic.

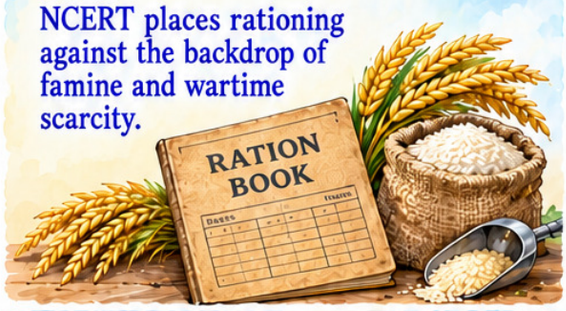
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DAY 22 | TOPIC 214 | Economy | Unit C-3 | 214.03

From rationing to a legal entitlement

1940s: RATIONING

NCERT places rationing against the backdrop of famine and wartime scarcity.



1960s: REVIVAL AND EXPANSION

Acute food shortages gave the PDS a stronger role before the Green Revolution. Later its reach extended beyond urban scarcity areas.



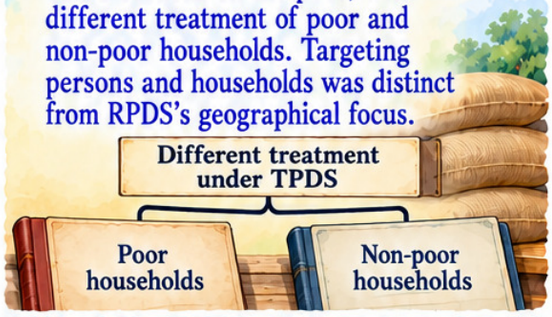
JUNE 1992: REVAMPED PDS

RPDS focused on far-flung, hilly, remote and inaccessible areas. The key was an area-based improvement in access.



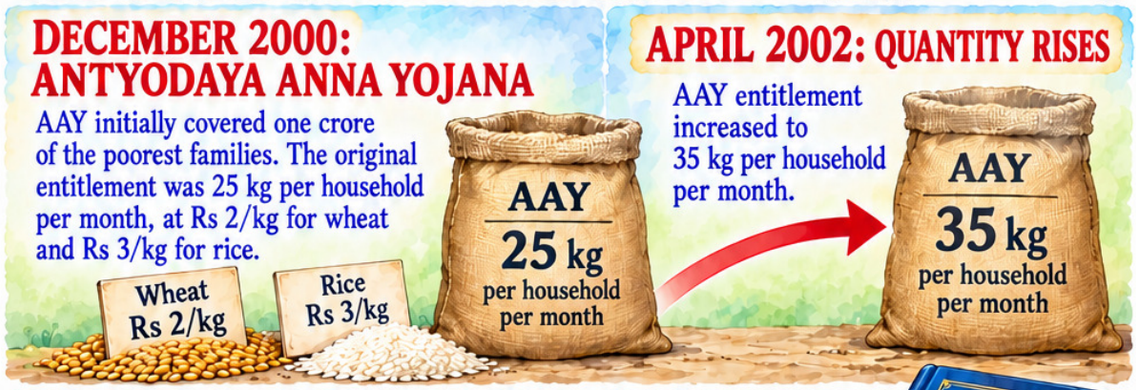
JUNE 1997: TARGETED PDS

TPDS focused on the poor, with different treatment of poor and non-poor households. Targeting persons and households was distinct from RPDS's geographical focus.



DECEMBER 2000: ANTYODAYA ANNA YOJANA

AAY initially covered one crore of the poorest families. The original entitlement was 25 kg per household per month, at Rs 2/kg for wheat and Rs 3/kg for rice.



APRIL 2002: QUANTITY RISES

AAY entitlement increased to 35 kg per household per month.

2013: NFSA

Food support became a statutory entitlement with specified beneficiaries, quantities, nutrition support and grievance mechanisms.



FOLLOW THE LOGIC

Scarcity management → Reach to remote areas → Targeting poorer households → Focus on the poorest → Rights-based food security

Historical AAY prices must not be mistaken for today's zero price under the free-grain decision.

Concept illustrations are schematic.

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DAY 22 | TOPIC 214 | Economy | Unit C-3 | 214.04

NFSA grain entitlements: person versus household

LEGAL IDENTITY

National Food Security Act, 2013:
Act 20 of 2013, dated 10 September 2013. It is deemed to have commenced on 5 July 2013, except where otherwise provided.



SECTION 3: TWO ELIGIBLE CATEGORIES

Priority household (PHH):
5 kg of foodgrains per person per month.



Antyodaya Anna Yojana (AAY):
35 kg per household per month.

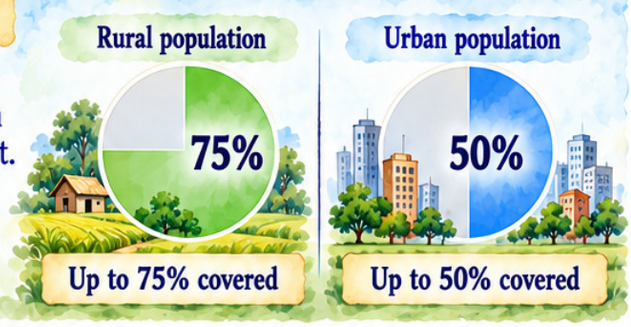


The bases are different. Never turn AAY's 35 kg into a per-person entitlement or PHH's 5 kg into a fixed household total.

COVERAGE CEILINGS

Up to 75% of the rural population and up to 50% of the urban population are covered through TPDS under the Act.

Census 2011-based intended national coverage is 81.35 crore persons, roughly two-thirds of that population.



WHO IDENTIFIES BENEFICIARIES?

Section 9: the Centre determines State-wise rural and urban coverage.

Section 10: State Governments identify AAY and priority households within that coverage.

The Act's categories are AAY and PHH, not APL and BPL.

ILLUSTRATIVE QUANTITY CHECK

A PHH with four eligible members: 4 × 5 = 20 kg each month.

An AAY household: 35 kg each month, not 4 × 35 kg.

A zero issue price changes cost, not these quantity rules.



Concept illustrations are schematic.

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DAY 22 | TOPIC 214 | Economy | Unit C-3 | 214.05

Nutrition support across the life cycle

4. Pregnancy and lactation

The Act provides a free meal through the local anganwadi during pregnancy and for six months after childbirth, according to nutritional standards.

It also provides a maternity benefit of not less than **Rs 6,000**, in instalments under the prescribed scheme.



The statutory proviso excludes women in regular Central/State Government or public-sector employment, and those receiving similar benefits under another law, from this maternity-benefit provision.



5. Children

Six months to six years

An age-appropriate free meal through the local anganwadi.



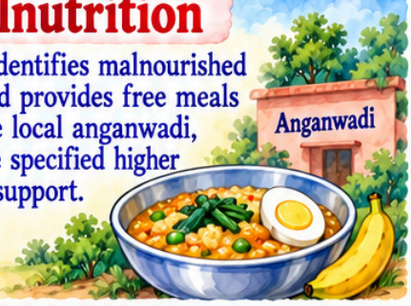
Up to class VIII or ages six to fourteen, as applicable

One free mid-day meal on school days in local-body, government and government-aided schools, excluding school holidays.



6. Malnutrition

The State identifies malnourished children and provides free meals through the local anganwadi, meeting the specified higher nutritional support.



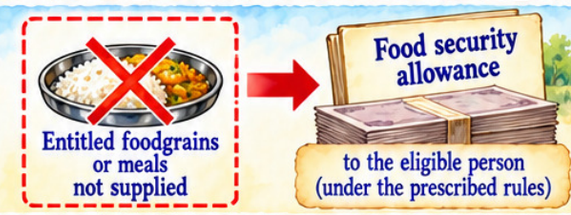
7. Implementation

State Governments implement the schemes for sections 4, 5 and 6.



8. Non-supply

If entitled foodgrains or meals are not supplied, the State must pay the eligible person a food security allowance under the prescribed rules.



Remember The **NFSA** is not only a grain-ration law: it also creates **life-cycle nutrition entitlements** and a **remedy for non-supply.**

Concept illustrations are schematic.

IAS WITH DR RAVI
AIM. PREPARE. ACHIEVE

APPSC GROUP 1 | 1,000 TOPICS IN 100 DAYS
DAY 22 | TOPIC 214 | Economy | Unit C-3 | 214.06

Ration-card leadership and grievance redressal

SECTION 13: HOUSEHOLD HEAD

For ration-card issue, the eldest woman aged at least eighteen years in every eligible household is the head.



If the household has no adult woman but has a female below eighteen, its eldest male member is head until that female reaches eighteen; she then becomes head for this purpose.

No adult woman, but a female below 18 → Eldest male member is head until she reaches 18 → 18 years → She then becomes head for this purpose.

SECTION 14: INTERNAL MECHANISM

Every State must establish an internal grievance-redressal mechanism. It may include call centres, helplines, nodal officers or other prescribed arrangements.

Call centres | Helplines | Nodal officers | Other prescribed arrangements

SECTION 15: DISTRICT OFFICER

The District Grievance Redressal Officer addresses grievances concerning distribution of entitlements. An appeal against the officer's order lies to the State Food Commission.

Grievances concerning distribution of entitlements → District Grievance Redressal Officer → Appeal to State Food Commission

SECTION 16: STATE FOOD COMMISSION

Composition:
Chairperson, five other Members and a Member-Secretary not below Joint Secretary rank.



At least two members must be women; at least one SC member and one ST member must be included.

These category requirements can overlap.

Role: Monitor and evaluate implementation, inquire into violations, advise, and hear appeals as provided by the Act.

THE PRACTICAL SEQUENCE

Internal redressal → District grievance officer → Appeal to State Food Commission

Do not confuse the District Grievance Redressal Officer with the Food Corporation of India. FCI's supply-chain role is different from the statutory grievance forum.

Concept illustrations are schematic.

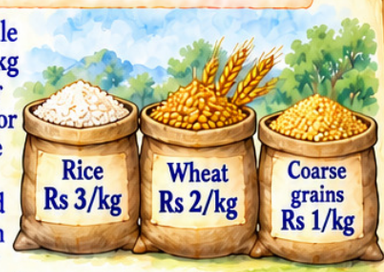
IAS WITH DR RAVI
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APPSC GROUP 1 | 1,000 TOPICS IN 100 DAYS
DAY 22 | TOPIC 214 | Economy | Unit C-3 | 214.07

Four Schedules and public accountability

I. SCHEDULE I: ISSUE PRICES

The original Schedule set ceilings of Rs 3/kg for rice, Rs 2/kg for wheat and Rs 1/kg for coarse grains for the initial three years. Later prices are fixed by the Centre within statutory limits.
Current free-grain policy must be read separately from these original prices.



II. SCHEDULE II: NUTRITIONAL STANDARDS

It specifies nutritional standards for the meals covered by the Act.



III SCHEDULE III: ADVANCING FOOD SECURITY

It sets broader objectives: agriculture, procurement, storage, movement, drinking water, sanitation, health care and support to vulnerable groups. Section 31 calls for their progressive realisation.



IV SCHEDULE IV: STATE-WISE ALLOCATION

It protects a State's allocation if the Act's allocation would fall below its average annual offtake during the preceding three years.



WHO SUPPLIES AND WHO WATCHES?

Section 22

the Centre allocates foodgrains from the central pool to States for section 3 entitlements.



Section 28

periodic social audits of fair price shops and TPDS.



Section 29

Vigilance Committees at State, district, block and fair price shop levels.

State level
↓
District level
↓
Block level
↓
Fair price shop level

REVISION ANCHOR

I = price; II = nutrition; III = wider objectives; IV = State allocation.
Four Schedules, not three.
Transparency mechanisms complement, rather than replace, grievance redressal.

Concept illustrations are schematic.

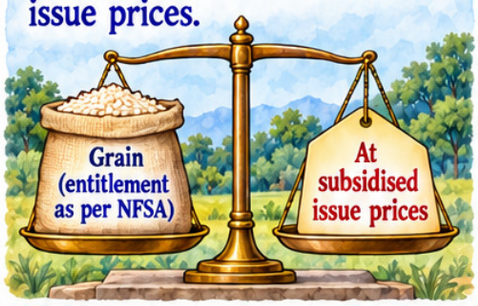
IAS WITH DR RAVI
AIM. PREPARE. ACHIEVE

APPSC GROUP 1 | 1,000 TOPICS IN 100 DAYS
DAY 22 | TOPIC 214 | Economy | Unit C-3 | 214.08

Free grain: the entitlement stayed, the price changed

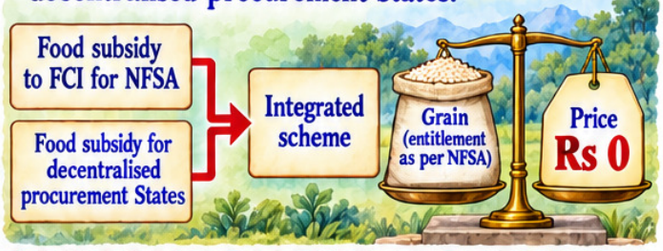
BEFORE 2023

Eligible NFSA households received grain at subsidised issue prices.



1 JANUARY 2023

The Centre made NFSA grain free for one year. The integrated scheme combined the food subsidy to FCI for NFSA with the food subsidy for decentralised procurement States.



29 NOVEMBER 2023 CABINET DECISION

Free grain under PMGKAY was approved for five years from 1 January 2024 for about 81.35 crore beneficiaries.

The estimated food-subsidy cost was approximately Rs 11.80 lakh crore over five years.



READ THE FIVE YEARS CORRECTLY



Thus the approved five-year period runs through **31 December 2028**; it does not mean the whole calendar year 2029 is included.

WHAT DID NOT CHANGE?

- PHH entitlement remains 5 kg per person per month.
- AAY entitlement remains 35 kg per household per month.
- Beneficiary categories remain those under NFSA. A new parallel beneficiary list is not created by changing the price to zero.

DO NOT MIX PROGRAMME PHASES

The current free-NFSA-grain arrangement is not the same as the earlier pandemic-era additional-grain phase also called PMGKAY.

Current free-NFSA-grain arrangement
≠
Earlier pandemic-era additional-grain phase (also called PMGKAY)

REMEMBER

Quantity, price, eligibility and duration are four separate facts.



Concept illustrations are schematic.

IAS WITH DR RAVI
AIM. PREPARE. ACHIEVE

APPSC GROUP 1 | 1,000 TOPICS IN 100 DAYS
DAY 22 | TOPIC 214 | Economy | Unit C-3 | 214.09

One Nation One Ration Card: portability, not a new card

THE PROBLEM IT ADDRESSES

A beneficiary may move for work or other reasons while their ration entitlement remains linked to a home location.



ONORC SOLUTION

The existing ration card can be used to lift entitled foodgrains from an enabled fair price shop elsewhere, using the electronic point-of-sale system and the prescribed authentication process.

The entitlement travels; a separate new ONORC card is not required.



INTRA-STATE AND INTER-STATE

Portability can be within the same State or across State boundaries. Both are counted in aggregate portability transactions.



TIMELINE

Inter-State portability started in August 2019 with four States.
Assam joined in June 2022, completing rollout across all 36 States and Union territories.
A 2025 statement confirming all-India coverage is not the initial completion date.



DATED SCALE

DFPD's 31 December 2025 review reported around 79.8 crore NFSA beneficiaries on the platform and more than 195.9 crore cumulative portability transactions since August 2019.

Transcriptions are repeated uses, not unique people. Do not compare 195.9 crore transactions directly with 79.8 crore beneficiaries as though both counted persons.



CORE DISTINCTION

NFSA defines eligibility and grain entitlement.
ONORC makes that entitlement portable.



Concept illustrations are schematic.

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APPSC GROUP 1 | 1,000 TOPICS IN 100 DAYS
DAY 22 | TOPIC 214 | Economy | Unit C-3 | 214.10

Coverage and technology: always retain the date

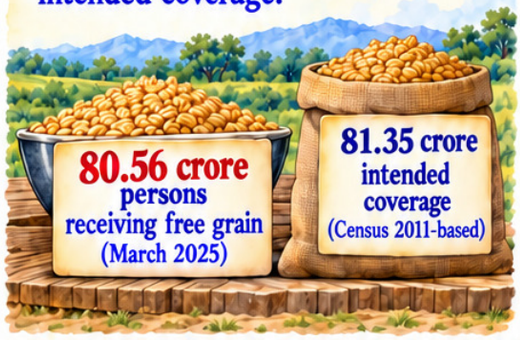
Coverage ceiling is not live enrolment

81.35 crore is the Census 2011-based intended maximum national coverage. A dated count of identified or digitised beneficiaries may be lower.



March 2025 snapshot

The Government reported about 80.56 crore persons receiving free grain, against the 81.35 crore intended coverage.



December 2025 review

DFPD reported almost 20.55 crore ration cards covering around 79.8 crore beneficiaries on State/UT transparency portals.



More than 99.9% of ration cards had Aadhaar seeding for at least one member.

About 99.8% of fair price shops, 5.50 lakh of 5.51 lakh, were automated with ePoS devices.

Do not mix denominators

A ration card is a household document. Beneficiaries are persons. Aadhaar-seeded cards and eKYC-completed beneficiaries are different indicators.



Modernisation sequence

IM-PDS began in April 2018.

SMART-PDS covered April 2023 – March 2026 with an outlay of about Rs 349.9 crore.

27 May 2026: SARTHAK-PDS
The Cabinet integrated transport/handling and FPS-dealer-margin assistance with SMART-PDS.
The umbrella scheme runs to 31 March 2031, with Rs 25,530 crore Central share.



Technology supports delivery and monitoring; an announced platform is not proof that every beneficiary faced no access problem.

Concept illustrations are schematic; not historical reconstructions.

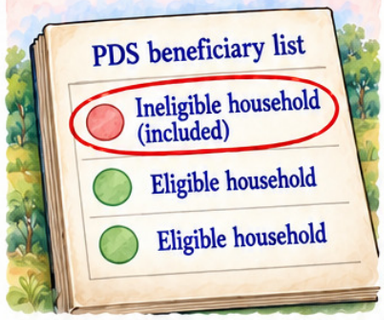
IAS WITH DR RAVI
AIM. PREPARE. ACHIEVE

APPSC GROUP 1 | 1,000 TOPICS IN 100 DAYS
DAY 22 | TOPIC 214 | Economy | Unit C-3 | 214.11

PDS performance: diagnose the kind of failure

INCLUSION ERROR

An ineligible household is included. It is a targeting error, not the same as theft during transport.



EXCLUSION ERROR

An eligible household is left out. A fixed Census 2011-based coverage ceiling can become an important policy issue as population and needs change.



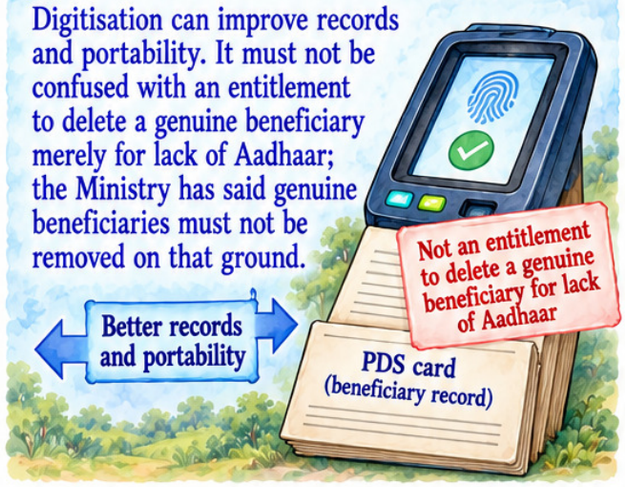
LEAKAGE

Grain does not reach the intended recipient. Estimates depend on the datasets, reference periods and calculation method; disputed estimates must be attributed, not presented as uncontested official totals.



AUTHENTICATION AND ACCESS

Digitisation can improve records and portability. It must not be confused with an entitlement to delete a genuine beneficiary merely for lack of Aadhaar; the Ministry has said genuine beneficiaries must not be removed on that ground.



STORAGE AND FISCAL COST

Stocks above operational and buffer norms create carrying costs, while public procurement and food subsidy also serve price support and food security. More stock is not automatically better nutrition.



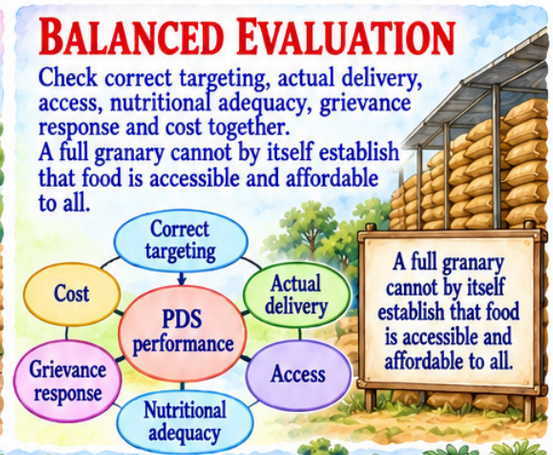
REFORM PROPOSALS ARE NOT CURRENT LAW

The Shanta Kumar Committee's 2015 proposal for narrower coverage was a recommendation. It did not replace section 3's rural and urban coverage provisions.



BALANCED EVALUATION

Check correct targeting, actual delivery, access, nutritional adequacy, grievance response and cost together.
A full granary cannot by itself establish that food is accessible and affordable to all.



Concept illustrations are schematic.

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APPSC GROUP 1 | 1,000 TOPICS IN 100 DAYS
DAY 22 | TOPIC 214 | Economy | Unit C-3 | 214.12

Andhra Pradesh: cards, persons and procurement

ANDHRA PRADESH NFSA PORTAL

The DFPD State page, checked 25 October 2026, displayed 89,24,640 ration cards:

- AAY cards: 9,08,000.
- PHH cards: 80,16,640.

These sum to 89,24,640 cards. They are not 89,24,640 individual beneficiaries.

AAY cards 9,08,000

PHH cards 80,16,640

Total cards (on 25 October 2026) 89,24,640



EARLIER DATED SNAPSHOT

The October 2025 table reported 88,37,973 cards and 2,68,23,200 beneficiaries, with 93% beneficiary eKYC completion. It appeared in the Rajya Sabha reply of 16 December 2025, reproduced by PRS.

October 2025 (snapshot)

Ration cards	Beneficiaries	Beneficiary eKYC completion
88,37,973	2,68,23,200	93%



The differing card totals are dated snapshots. Do not silently combine the 2026 card count with an earlier beneficiary total as if both were measured together.

DECENTRALISED PROCUREMENT

Andhra Pradesh is a decentralised procurement State for rice. The State undertakes procurement and distribution under the approved arrangement, instead of every operation being performed directly by FCI.



LINK TO THE NATIONAL RULES

- PHH remains a per-person entitlement.
- AAY remains a per-household entitlement.
- ONORC permits portability of the existing NFSA entitlement.



READ A TABLE CAREFULLY

Identify the geography, category, unit and date before using a number.

- Ration cards ≠ persons
- eKYC percentage ≠ coverage percentage
- procurement responsibility ≠ the power to rewrite statutory quantities.



Concept illustrations are schematic.

IAS WITH DR RAVI
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APPSC GROUP 1 | 1,000 TOPICS IN 100 DAYS
DAY 22 | TOPIC 214 | Economy | Unit C-3 | 214.13

Food security: the revision timeline and four contrasts



iaswithdrravi.com
@iaswithdrravi
Day 22 | 214.13 | Revision pictographs
DAY 22 | Page 53 of 125
Concept illustrations are schematic; not historical reconstructions.

IAS with Dr Ravi App

A Budget is an estimate — not a result

A Budget is a forward-looking estimate of the government's expected receipts and planned expenditure for a financial year. It is **not** the actual money received or actually spent. Actual outcomes are known only after the financial year is over.



From estimate to Parliamentary authorization

Finance Ministry prepares the Budget using revenue projections and expenditure needs.



Annual Financial Statement



- Estimated receipts (revenue + capital)
- Estimated expenditure (spending)

Article 112

The President causes the annual statement to be laid before both Houses for every financial year.



Parliament authorizes spending and taxes through the applicable legislative process.

Demands for grants

Ministry-wise demands for expenditure are discussed and voted in the Lok Sabha.



Appropriation Bill

Seeks Parliament's authorization to withdraw funds from the Consolidated Fund of India.



Finance Bill

Seeks to impose, amend or repeal taxes and related provisions.



Key terms and timing

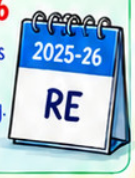
Budget Speech

Presented on 1 February 2026.



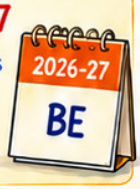
RE 2025-26

Revised Estimates for the financial year then running.



BE 2026-27

Budget Estimates for the coming financial year.



Actuals

Recorded outcomes after the period.



Always retain the **year** AND the **estimate label**.

Three funds mentioned in the Constitution

Consolidated Fund of India

Holds government revenues, borrowings and loan recoveries. Expenditure from this Fund requires Parliamentary authorization.



Public Account of India

Holds money received in trust, such as provident funds, small savings and other similar deposits.



Contingency Fund of India

Provides advances for urgent, unforeseen spending, pending Parliamentary approval.



Sources: Constitution, Articles 112–117; Union Budget 2026–27.

Four budget heads: follow the money

Revenue receipts

Tax revenue net to Centre + non-tax revenue.



BE 2026-27
₹35,33,150 crore

Capital receipts

Loan recoveeries + other receipts + borrowings and other liabilities.



BE 2026-27
₹18,14,165 crore

Revenue expenditure

Expenditure not creating assets for the Union. Interest, subsidies and grants.

BE 2026-27
₹41,25,494 crore



Capital expenditure

Acquiring assets, investments, loans and advances.

BE 2026-27
₹12,21,821 crore



Key comparisons to remember

Loan RECOVERED



Capital receipt.

Loan GIVEN



Capital expenditure.

Borrowing



Capital receipt, not revenue income.

Union grant → State builds school



Grant from Union (Government of India)

State builds school (Government of State)

The State owns the asset. The Union classifies its grant as **REVENUE** expenditure.

Grants for creation of capital assets:
₹4,92,702 crore in BE 2026-27.

Classify by the nature of the transaction—not by whether it sounds useful.

Source: Budget at a Glance 2026-27.

Receipts: separate income from borrowing



Total receipts
₹ 53,47,315
(All amounts in ₹ crore, BE 2026-27)

Revenue receipts
₹ 35,33,150

- **Net tax receipts** ₹ 28,66,922
- **Non-tax revenue** ₹ 6,66,228

Capital receipts
₹ 18,14,165

- **Loan recoveries** ₹ 38,397
- **Other receipts** ₹ 80,000
- **Borrowings and other liabilities** ₹ 16,95,768

Non-debt capital receipts
= 38,397 + 80,000
= ₹ 1,18,397

From gross tax to net tax

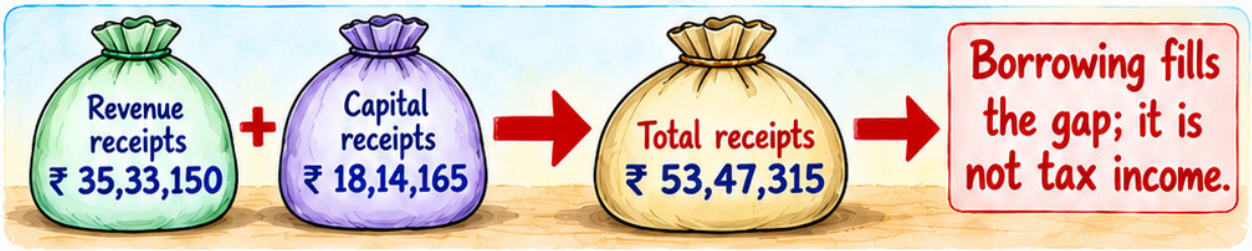
Gross tax receipts	₹ 44,04,086
− Less: States' share	₹ 15,26,255
− Less: NCCD transfer	₹ 10,910
→ Published net to Centre	₹ 28,66,922

Note: Published rounded entries differ by ₹ 1 crore when subtracted; retain the official net figure.

Disinvestment under other receipts

Disinvestment proceeds are recorded under other receipts, a capital-receipt head — not non-tax revenue.

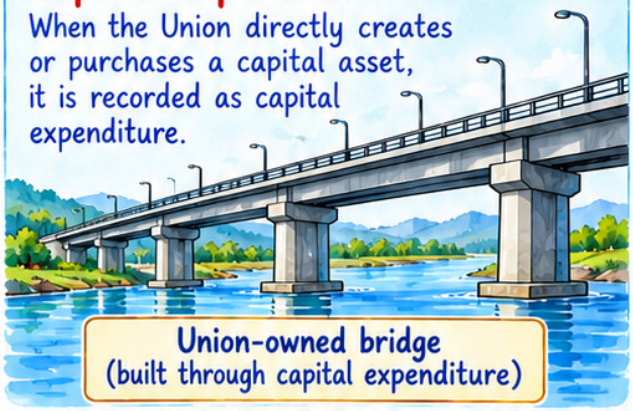




Capital spending: who owns the asset?

Union acquires asset → capital expenditure

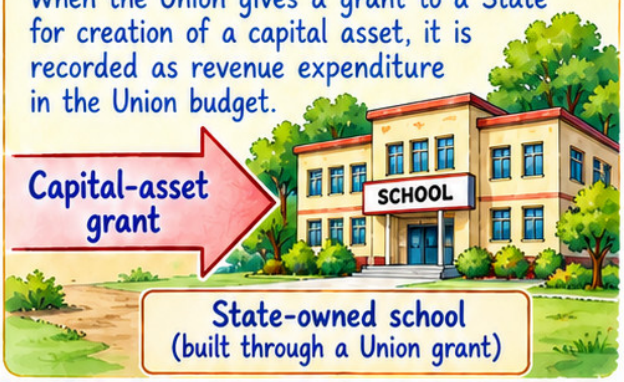
When the Union directly creates or purchases a capital asset, it is recorded as capital expenditure.



Union-owned bridge
(built through capital expenditure)

Union gives capital-asset grant → Union revenue expenditure

When the Union gives a grant to a State for creation of a capital asset, it is recorded as revenue expenditure in the Union budget.



State-owned school
(built through a Union grant)

Union expenditure in BE 2026-27

(All amounts in ₹ crore)

Revenue expenditure	+	Capital expenditure	=	Total expenditure
41,25,494		12,21,821		53,47,315

Revenue expenditure includes (among others):

Interest payments	Grants for creation of capital assets
14,03,972	4,92,702

These are parts of revenue expenditure, not the entire amount.

Effective capital expenditure

Add the asset-creation grants to direct capital expenditure to see total spending on creation of capital assets.

12,21,821	+	4,92,702	=	17,14,523
Capital expenditure		Asset-creation grants (in revenue expenditure)		Effective capital expenditure

Comparison: RE 2025-26 and BE 2026-27

(All amounts in ₹ crore)

Item	RE 2025-26	BE 2026-27
Capital expenditure	10,95,755	12,21,821
Asset-creation grants	3,08,151	4,92,702
Effective capital expenditure	14,03,906	17,14,523



Effective capex adds the asset-creation grants to direct capital expenditure; it does not change the grant's accounting classification.

Source: Budget at a Glance 2026-27.

Four deficits – one worked budget

All figures BE 2026-27 (₹ crore)

1 Revenue deficit

Gap on the revenue account.

Measures the excess of revenue expenditure over revenue receipts. It shows the gap in day-to-day operations.



Revenue expenditure: 41,25,494 − Revenue receipts: 35,33,150 =

Revenue deficit
= 41,25,494 − 35,33,150
= **5,92,344**

2 Effective revenue deficit

Removes the asset-creation grant component.

Measures the revenue deficit after adjusting for grants given for creation of capital assets. It shows the underlying gap in revenue account.

Revenue deficit: 5,92,344 − Grants for creation of capital assets: 4,92,702 =

Effective revenue deficit
= 5,92,344 − 4,92,702
= **99,642**

3 Fiscal deficit

Overall borrowing requirement.

Measures the excess of total expenditure over non-debt receipts. It shows how much the government needs to borrow.

Total expenditure: 53,47,315 − Non-debt receipts

Non-debt receipts:
- Revenue receipts: 35,33,150
- \+ Recovery of loans: 38,397
- \+ Other receipts: 80,000

Non-debt receipts = 35,33,150 + 38,397 + 80,000
= 36,51,547

Fiscal deficit
= 53,47,315 − 36,51,547
= **16,95,768**

4 Primary deficit

Deficit excluding interest on past borrowing.

Measures the fiscal deficit after removing interest payments. It shows the extent of deficit due to current operations.

Fiscal deficit: 16,95,768 − Interest payments: 14,03,972 =

Primary deficit
= 16,95,768 − 14,03,972
= **2,91,796**

Check with budget financing

Fiscal deficit (₹ crore): 16,95,768 ⟷ Should be equal to ⟷ Borrowings and other liabilities (₹ crore): 16,95,768

! Do not subtract all capital receipts: that would wrongly include borrowing.

Source: Budget at a Glance 2026-27.

Deficit is a flow; debt is a stock

Fiscal deficit: borrowing requirement over one year

Fiscal deficit is total expenditure minus total receipts excluding debt capital receipts. It measures the government's overall borrowing requirement for the year.

Debt: outstanding liabilities accumulated over time

Debt is the total outstanding liabilities of the government, built up from past borrowings. It is a stock at a point in time.



Key fiscal indicators (% of GDP)

Indicator	RE 2025-26 (% of GDP)	BE 2026-27 (% of GDP)
Fiscal deficit	4.4	4.3
Revenue deficit	1.5	1.5
Effective revenue deficit	0.6	0.3
Primary deficit	0.8	0.7
Central Government debt	56.1	55.6

Target timeline for debt ratio

Budget 2025-26 indicated target → Budget 2026-27 recalls target → 50 ± 1% of GDP by 2030-31

From 2026-27, annual fiscal deficits are set to keep the debt ratio on a declining path.

This is a target, NOT an achievement.

FRBM framework: historical statutory targets

The FRBM framework included statutory targets of:

- fiscal deficit 3% by 31 March 2021
- Central Government debt 40% by 31 March 2025.

These old target dates are NOT the current debt-anchor endpoint.

Budget GDP denominator

BE 2026-27 GDP:

₹3,93,00,393 crore

How they relate

Fiscal deficit (flow) → Adds to debt → Debt (stock)

Each year's borrowing (deficit) increases the total outstanding debt.

Keeping annual fiscal deficits under control helps put the debt ratio on a declining path towards 50 ± 1% of GDP by 2030-31.

Source: Budget Speech 2026-27 ¶92-94; FRBM 2026-27.

One rupee in; one rupee out

Where it comes from (paise)

Borrowings and other liabilities	24
Income tax	21
Corporation tax	18
GST and other taxes	15
Non-tax revenue	10
Union excise duties	6
Customs	4
Non-debt capital receipts	2
Total	**100**

Where it goes (paise)

States' share of taxes	22
Interest payments	20
Central sector schemes	17
Defence	11
Centrally sponsored schemes	8
Finance Commission and other transfers	7
Other expenditure	7
Major subsidies	6
Civil pension	2
Total	**100**

Largest incoming share:
Borrowings and other liabilities
24 paise

₹ 1 RUPEE

Largest outgoing share:
States' share of taxes
22 paise
Not interest payments (20 paise).

These paise figures are the official Budget chart.
Do not treat this chart's denominator as only Union revenue receipts.

Source: Budget at a Glance 2026-27.

Budget tools ask different questions

Gender budget lens: Who benefits?

Classifies provisions in schemes based on the extent of benefit to women and girls.

Part A
100%
provision for women and girls.



100%

Part B
30 – 99%
provision for women and girls.



30 – 99%

Part C
below 30%
provision for women and girls.



below 30%

Gender Budget allocations

BE 2026-27
₹ 5,00,878.73 crore

RE 2025-26
₹ 3,97,884.98 crore



Budget Estimate (BE) 2026-27

Revised Estimate (RE) 2025-26

Outcome chain: from spending to results

OOMF 2026-27 covers major schemes with outlay ₹ 500 crore or more; it links spending to measurable results.



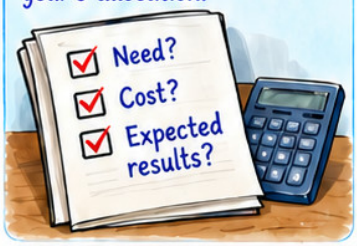
Outlay
Money allocated for a scheme.

Outputs
Goods and services delivered, e.g. schools built, books provided.

Outcomes
Changes achieved, e.g. improved learning opportunities.

Zero-based budgeting

Justify each expense afresh from a zero base. Every activity must be examined for its need, cost and expected results, rather than assuming the previous year's allocation.



Vote on account

Article 116(1)(a) provides for a vote on account, which is an advance grant for expenditure during part of a year, to meet government expenses until the full Budget is passed.



Interim budget

A temporary financial plan presented near elections to meet government expenses until a new government presents a full Budget. It is not a constitutional term.



Supplementary grant

Article 115(1)(a) provides for a supplementary grant when the authorized amount for a service is insufficient and additional funds are required during the year.



Contingency Fund

Article 267 provides for a Contingency Fund with a corpus of ₹ 30,000 crore to meet urgent and unforeseen expenditure, pending approval by the Parliament.



Urgent and unforeseen expenditure pending approval.

2017: key Budget changes

Railway and General Budgets merged
The first combined Budget of independent India.







Presentation advanced to 1 February.



Plan / Non-Plan classification discontinued.

Source: Union Budget 2026-27, Statement 13, Key to Budget Documents; Budget Speech 2017.

Bifurcation changed Andhra Pradesh's fiscal capacity

Population share was not the same as revenue share



POPULATION

Section 2(h), AP Reorganisation Act, based on Census 2011.

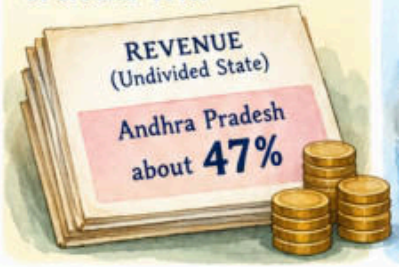
Andhra Pradesh	Telangana
58.32%	41.68%

Debt, pensions and cash balances follow the population ratio under the relevant provisions.

REVENUE

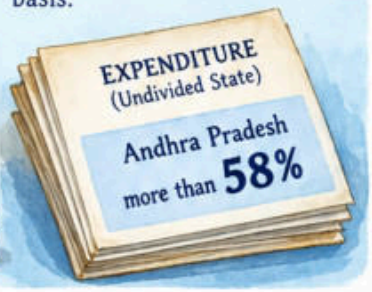
About **47%** of the undivided State's revenue, according to AP's Budget speech of 20 August 2014.

Sales tax was also estimated at around **47%**.



EXPENDITURE

More than **58%** of the undivided State's spending, according to that same speech, because debt, employees and pensioners were divided on a population basis.



Comparison bridge

About **58%** expenditure share

Roughly **11** percentage points apart

About **47%** revenue share

These are shares of DIFFERENT totals, not a direct rupee deficit calculation.

State's stated result



The State described the result as a large revenue-deficit position on the non-plan account.

It said most Ninth and Tenth Schedule institutions were in and around Hyderabad.

Important recall

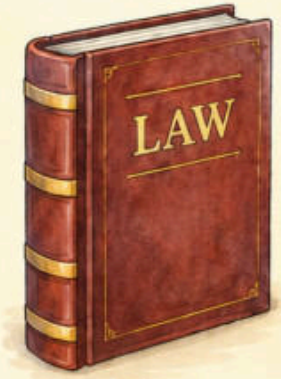
- Act received assent 1 March 2014.
- Section 54 concerns public debt.
- Section 59 pensions.
- The State's own revenue was not simply divided in 58.32:41.68.

Sources: AP Reorganisation Act, 2014; AP Budget speech, 20 August 2014.

Sections 46–49: what the Act actually says

Grants, development support, assets and balances

Section 46



46(1) The Thirteenth Finance Commission award to the existing State is apportioned on "population ratio and other parameters".
The President was to ask the Fourteenth Commission for separate awards.

→ FINANCE COMMISSION AWARD

46(2) The Centre **MAY** make appropriate grants, considering AP's available resources, and ensure a special development package for backward areas.

→ Appropriate grants and a special development package for backward areas

46(3) In that package, the Centre **SHALL** provide adequate incentives, particularly for Rayalaseema and north coastal regions.

→ Adequate incentives for Rayalaseema and north coastal regions

Section 47



Just, reasonable and equitable apportionment of assets and liabilities.

Financial disputes: mutual agreement first; failing that, Centre decides on CAG advice.

→ MUTUAL AGREEMENT → CENTRE DECISION (on CAG advice)

Section 48



Land and goods go to the State where located.

→ Land and goods → State where located

Property outside the existing State is divided by population ratio.

→ Property outside existing State → divided by population ratio

Section 49



Cash and bank balances divided by population ratio through RBI book adjustments; no physical cash transfer between treasuries.

→

RBI BOOK ADJUSTMENTS

Existing State cash and bank balances

Andhra Pradesh	Telangana
58.32%	41.68%

Population-ratio allocation, not physical cash transfer

The Act does not name a "revenue deficit grant". The 2014-15 resource gap was assessed under 46(2); later revenue-deficit grants came from Finance Commissions.

Recall: Section 94 fiscal measures and Thirteenth Schedule infrastructure are covered separately in Topic 14.

Source: AP Reorganisation Act, 2014, sections 46–49.

The first-year deficit: three different figures

Reference period: 2 June 2014 – 31 March 2015

State reported

₹ 16,078.76

(rounded 16,079)



Audited deficit

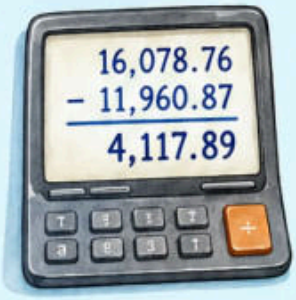
₹ 13,775.76

after accounting for ₹ 2,303.00 released by the Centre in 2014–15.



Union resource-gap assessment

₹ 4,117.89



Disallowed items (excluded by the Union)

Item	Amount (₹ crore)
Raithu Sadhikara Samastha	4,001.32
Agriculture Debt Redemption Scheme	3,068.35
DISCOM assistance for FRP bonds	1,500.00
Higher pension rates and more pensioners	3,391.20
TOTAL	**11,960.87**

How the Union's figure is derived

Resource-gap calculation (₹ crore):

16,078.76 – 11,960.87
= 4,117.89

The Union initially excluded expenditure on new schemes and pension expansion.

Key points

- The State-reported amount is about 3.9 times the Union's resource-gap figure, but they are differently assessed measures, not interchangeable estimates of one simple quantity.
- Do not subtract disallowed items from the audited figure.
- Keep rounding explicit: 16,079 is the rounded State figure; 4,117.89 is the precise assessed gap.

Source: Lok Sabha Starred Question 147, 27 July 2018.

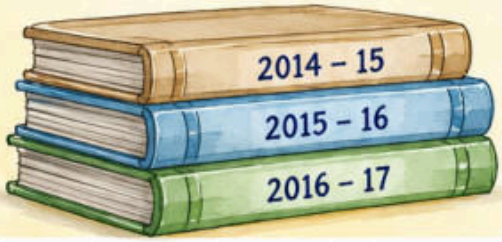
All amounts ₹ crore.

Resource-gap releases: attach the date

An assessment is not the same as a release

Year-wise releases

All amounts in Rs crore



Year	Amount released (Rs crore)
2014 – 15	2,303.00
2015 – 16	500.00
2016 – 17	1,176.50

Total released by 27 July 2018

Total released (Rs crore)	3,979.50
Balance (Rs crore)	138.39
Against assessed (Rs crore)	4,117.89

Addition of releases

2,303.00 + 500.00 + 1,176.50 = **3,979.50**

Balance against assessment

4,117.89 – 3,979.50 = **138.39**



Dated rounding note

The 29 December 2017 reply described about 3,980 released against about 4,118 assessed. Rounded figures are not additional payments.

Later confirmation

Rajya Sabha reply, 14 March 2023: the entire 4,117.89 resource gap had been released.



Separate later release

The same reply confirms 1,500.00 released on 31 March 2022 for DISCOM Financial Restructuring Plan bonds, after that initially excluded item was allowed.



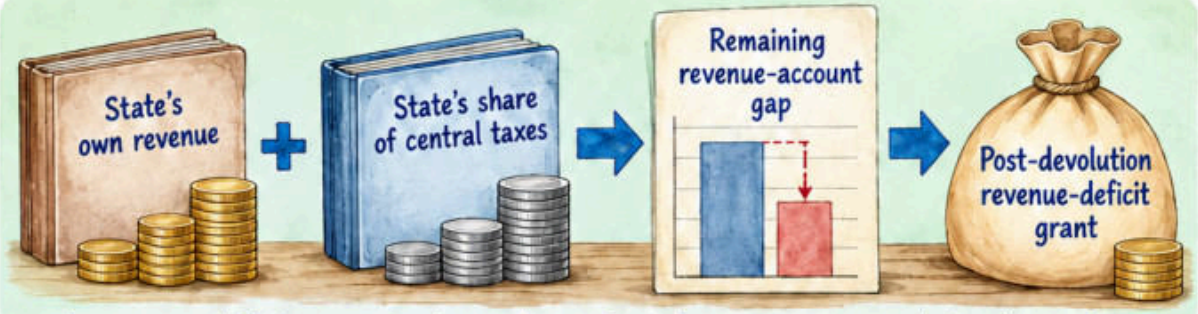
Takeaway

- Do not keep the 2018 balance as a present unpaid balance.
- Do not count the later 1,500 as part of the original 4,117.89 assessment without explaining the later decision.

Sources: Lok Sabha 27 July 2018 and 29 December 2017; Rajya Sabha USQ 1481, 14 March 2023.

Revenue-deficit grants after tax devolution

Three Finance Commissions, three award periods



A revenue-deficit grant is given after a State's own revenue and its share of central taxes, to help bridge the remaining revenue-account gap. This explains the grant, not a claim that every deficit is fully reimbursed.

14TH FINANCE COMMISSION 2015 – 20



- **Rs 22,112 crore** is the total printed in Lok Sabha reply 6 February 2019 used here.
- By 29 December 2017, releases were **6,609** (2015 – 16) + **4,930** (2016 – 17) + **3,323** (2017 – 18 so far) = **14,862 crore.**
- The 2017 – 18 amount is **PART-YEAR** as of that reply.

Read the cited reply
Rs 22,112 crore refers here to the Lok Sabha reply of 6 February 2019. The earlier 29 December 2017 reply printed Rs 22,212 crore. Keep the date and source attached to the amount.

15TH FINANCE COMMISSION Report for 2021 – 26



- **AP allocation: Rs 30,497 crore.**
- PRS places these grants in 2021 – 22 to 2023 – 24, not every year through 2025 – 26.
- **National total: Rs 2,94,514 crore for 17 States** under this report.

16TH FINANCE COMMISSION 2026 – 31



- **No revenue-deficit grants recommended to ANY State.**
- This does NOT mean no grants of any kind.
- Action memorandum dated 1 February 2026.

Sources: listed parliamentary replies; CAG; PRS 15 FC summary / AP 2021 – 22 analysis; 16 FC Action Memorandum.

Special assistance is not Special Category Status

Keep three kinds of support in separate boxes

1 FIRST-YEAR RESOURCE GAP

One-time assessment for 2 June 2014 – 31 March 2015 under section 46(2) of the AP Reorganisation Act.

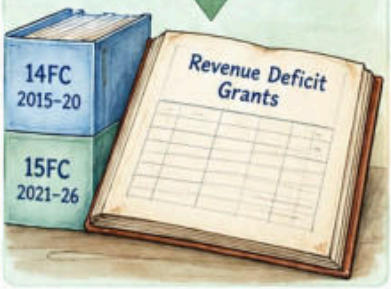
Union-assessed **4,117.89 crore.**



2 FINANCE COMMISSION GRANTS

Post-devolution revenue-deficit grants: 14FC 2015-20; 15FC allocations under its 2021-26 report.

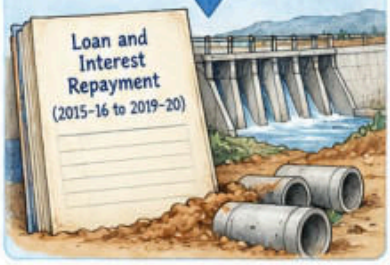
These cover assessed revenue-account gaps after tax devolution.



3 SPECIAL ASSISTANCE MEASURE

Announced September 2016; Union Cabinet approval 15 March 2017.

Assistance related to loan and interest repayment for externally aided projects for 2015-16 to 2019-20, and the Polavaram irrigation component under the approved arrangement.





Status distinction

The 2014 political promise of Special Category Status and the 2017 special-assistance measure are not the same. None of these three support routes made Andhra Pradesh a Special Category State.

Tax-devolution recall

AP share **WITHIN THE STATES' SHARE** of the divisible pool:

14FC	4.305%
15FC 2021-26	4.047%
16FC	4.217% (about 4.22%).

These are not percentages of the entire Union tax collection.

A grant, a loan-servicing arrangement, a tax-devolution share and a status label describe different things.



Sources: AP Reorganisation Act; Union Cabinet 15 March 2017; Finance Commission reports/PRS.

AP revenue receipts: compare like with like

Historical actuals, with their source and year

Amounts: Rs crore | Shares: %

Indicator	2019–20 ACTUALS	2024–25 ACTUALS
Revenue receipts	1,11,034	1,67,676
Own tax revenue	57,601	89,435
Share in central taxes	28,242	52,080
Grants from Centre	21,876	20,188
Central transfers total	50,118	72,268
Central transfers / revenue receipts	45.1%	43.1%
Own revenue / revenue receipts	54.9%	56.9%

2019–20 calculation

28,242 + 21,876 = 50,118

50,118 ÷ 1,11,034 × 100

≈ 45.1%

2024–25 calculation

52,080 + 20,188 = 72,268

72,268 ÷ 1,67,676 × 100

≈ 43.1%



- Own revenue includes TAX AND NON-TAX revenue. Its share is not just own-tax receipts divided by total receipts. Shares shown are calculated from the rounded table.
- 2014–15 boundary: CAG could not make a comparable five-year trend across bifurcation. The 2014–15 rupee figures are not used for this trend comparison.
- Rounding example: AP Budget 2026–27 shows 2024–25 revenue receipts 1,67,675.81 and own tax 89,435.30 crore; PRS displays rounded figures above.

Sources: PRS AP Budget Analyses 2021–22 and 2026–27; AP Budget Brief 2026–27, p1; CAG 2018.

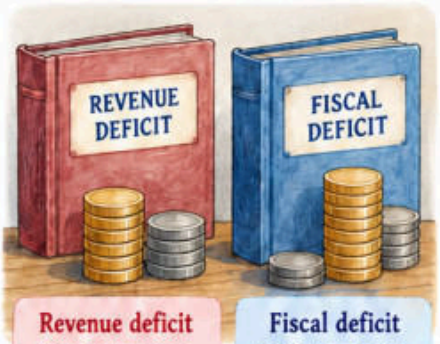
Deficit, debt and targets are different measures

Do not mix rupees, percentages, actuals and estimates

DEFICITS

	2014–15	2019–20 actuals	2024–25 actuals
Revenue deficit	State/Union measures differ	Rs 26,441 crore; 2.72% GSDP	Rs 60,285 crore; 3.8% GSDP
Fiscal deficit/GSDP	3.94%	4.08%	5.1%

2014–15 ratio: Union reply 29 December 2017.
Later actuals: PRS budget analyses.



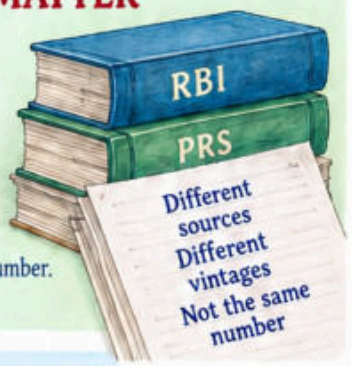
Revenue deficit
Gap in revenue receipts and revenue expenditure

Fiscal deficit
Wider measure that includes capital spending

LIABILITIES/GSDP: SOURCE AND VINTAGE MATTER

	End-March 2015	End-March 2020	End-March 2025
RBI	23.3%	33.2%	35.5% RE
PRS	–	31.0% (2019–20 actuals)	36.0% (2024–25 actuals)

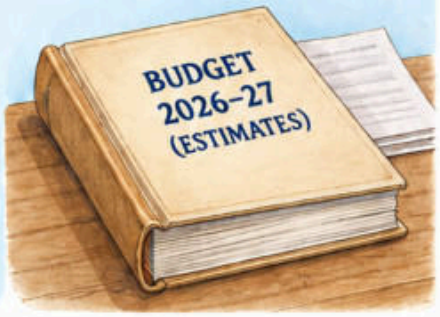
Different data series and estimate vintages must not be presented as one interchangeable number.



BUDGET 2026–27 TARGETS, presented 14 February 2026

Measure	Amount (crore)	% of GSDP
Revenue deficit	Rs 22,003 crore	1.1%
Fiscal deficit	Rs 75,868 crore	3.8%

These are BUDGET ESTIMATES, not achieved outcomes.
Primary exact amounts: RD 22,002.50 and FD 75,868.09 crore; rounded above as in PRS.



Two 3.8% figures: not the same

2024–25
Revenue deficit (actual)
3.8%
of GSDP

≠

2026–27
Fiscal deficit (target)
3.8%
of GSDP

GSDP recall, current prices

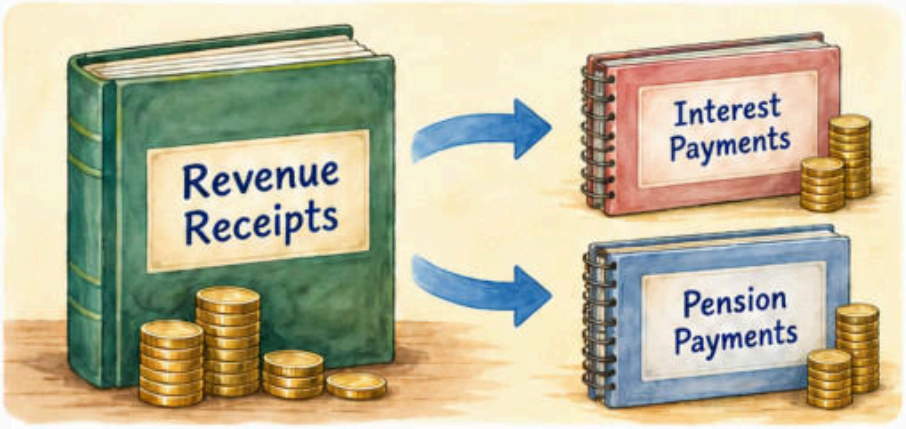
Year	GSDP (crore)
2014–15	Rs 5,24,976 crore
2024–25 (2026–27 Budget vintage)	Rs 15,91,226 crore



Sources: PRS; RBI Statement 20, 23 January 2026; AP Budget 2026–27; Union 2017 reply.

Committed spending narrows fiscal room

Interest and pensions must be tied to revenue receipts



Interest and pensions are committed items of revenue expenditure. Comparing them with revenue receipts shows fiscal pressure. They are not the whole budget.

2016–17
CAG Report 2 of 2018



11.81% of revenue receipts.

13.01% of revenue receipts.

2024–25 ACTUALS
PRS



Rs 32,967 crore ÷ revenue receipts Rs 1,67,676 crore **≈ 19.7%.**

Rs 26,952 crore ÷ Rs 1,67,676 crore **≈ 16.1%.**

These percentages are calculated, not a new official ratio series.

2026–27
BUDGET ESTIMATES
PRS



About **16%** of revenue receipts.

About **10%** of revenue receipts.

Targets/estimates are not the 2024–25 actual shares.

OWN REVENUE AND NEEDS

Own tax plus non-tax receipts provided about 56.9% of revenue receipts in 2024–25, while revenue deficit was Rs 60,285 crore.



State Survey's assessment

The State's Socio-Economic Survey 2024–25 attributes pressure to a shrinking revenue base and expenditure commitments rising faster than central funds.

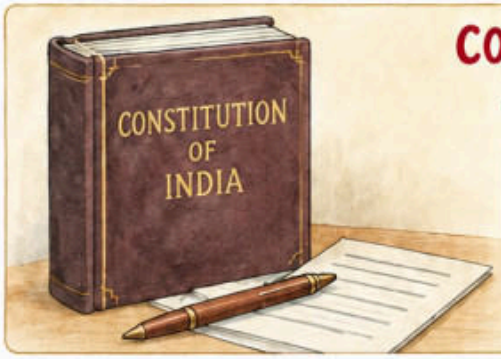
Interpretation

A larger committed share leaves less room within revenue receipts, but expenditure choices, revenue growth and financing must all be considered.

Sources: CAG AP State Finances Report 2 of 2018; PRS 2026–27; AP Socio-Economic Survey 2024–25.

Borrowing ceilings: recommendation is not outcome

Article 293 and the Finance Commission framework



CONSTITUTIONAL GATE
Article 293(3)

Union consent is required where a qualifying Union loan or Union-guaranteed loan remains outstanding. The clause must be read with its conditions, not as a blanket statement about every State borrowing transaction.

15TH FINANCE COMMISSION

Recommended fiscal-deficit limits as share of GSDP:

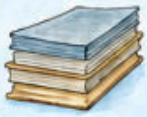


16TH FINANCE COMMISSION

Recommended cap: **3%** of each State's GSDP, **EXCLUDING** loans under Special Assistance to States for Capital Investment (SASCI).



It recommended strict enforcement under Article 293(3).



The Commission also recommended ending gff-budget borrowing and bringing such borrowing onto State budgets.

Response to 16FC

UNION RESPONSE, 1 FEBRUARY 2026



Accepted in principle the quantum of net-borrowing ceilings expressed as percentage of GSDP. Other recommendations, including off-budget borrowing and State fiscal-responsibility-law changes, were to be examined separately.


COMMISSION RECOMMENDATION →  GOVERNMENT RESPONSE →  ACTUAL FISCAL OUTCOME



No revenue-deficit grant in the 16FC award does not remove other grants or tax devolution.



A **3%** recommendation is not evidence that AP achieved 3%.

Sources: Constitution, Article 293; 15FC report summary; 16FC Action Memorandum, para 26.

The fiscal story: a dated chronology

Read every amount with its measure, source and period

1 March 2014	AP Reorganisation Act receives assent.
2 June 2014	Appointed day; residuary AP begins.
20 August 2014	State Budget speech: about 47% revenue, more than 58% expenditure.
2015–20	14FC post-devolution revenue-deficit grant award period.
September 2016 → 15 March 2017	Special assistance announced, then Cabinet-approved.
29 December 2017	Reply reports 14,862 crore revenue-deficit grants released so far; 2017–18 fiscal-deficit ratio 3.0% RE, compared with 3.94% in 2014–15; own-tax ratio rose 5.67% to 7.0% GSDP.
27 July 2018	Resource gap 4,117.89 crore; 3,979.50 released by this reply.
6 February 2019	Reply prints 14FC total 22,112 crore.
2021–26 REPORT	15FC AP grant 30,497 crore; grant years 2021–22 to 2023–24.
31 March 2022	Separate 1,500 crore DISCOM-FRP-bond release.
14 March 2023	Reply confirms full 4,117.89 resource-gap release.
23 January 2026	RBI State Finances 2025–26 study.
1 February 2026	16FC Action Memorandum: no revenue-deficit grants recommended.
14 February 2026	AP Budget 2026–27: revenue-deficit target 1.1% GSDP.



Three important clarifications



Support route ≠ Special Category Status.



Population share ≠ revenue share.



Revenue deficit ≠ fiscal deficit.

Remember



An RE or BE is not an actual.

All amounts are in Rs crore.

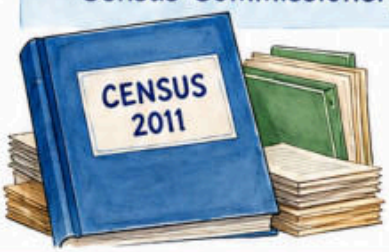
Sources: dated official documents and parliamentary replies; PRS.

Census 2011: read the number with its label

Institution, edition and territorial unit matter

Ministry of Home Affairs → Office of the Registrar General & Census Commissioner, India (ORGI)





C. Chandramouli was Registrar General and Census Commissioner for Census 2011.

CENSUS 2011:

15th Census of India; 7th after independence.

Coverage (territorial units)



640 districts



5,924 sub-districts

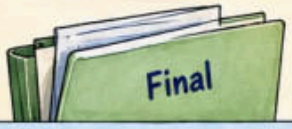


More than 6,00,000 villages



Towns: 7,935 in PIB's 6 March 2013 release.





Indicator	Provisional 2011	Final 2011
Population	1,210,193,422	1,210,854,977
Sex ratio	940	943
Child sex ratio	914	918

Sex ratio: females per 1,000 males.
Child sex ratio: girls per 1,000 boys, ages 0–6.

Both population totals round to about 1,210 million. That rounded number alone does NOT tell you which release is being used.

Revision link
Topic 145—population, density and growth; Topic 215—sex ratios.

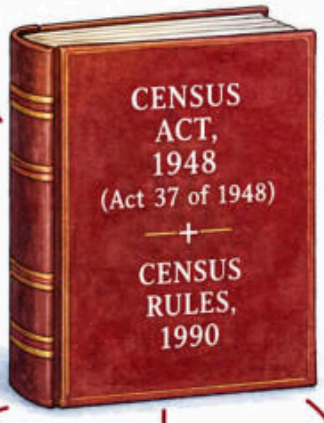


WHO counted? WHEN?
Using WHICH definition and boundaries?

Sources: ORGI Census 2011; PIB, 31 March 2011 and 6 March 2013; NHP 2018.

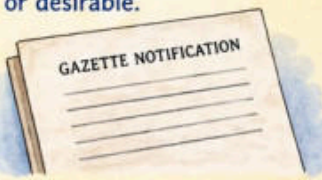
The legal framework behind the Census

Census Act, 1948 (Act 37 of 1948) + Census Rules, 1990



Section 3
Declaration

Central Government may notify its intention to take a census in the whole or part of India when necessary or desirable.



Section 4
Staff

Appointment of the Census Commissioner, Directors of Census Operations and census officers under the respective provisions.



Section 11
Penalties

Specified offences carry a fine up to Rs 1,000.

Convictions under Section 11(1)(a), (b) or (c) can also attract imprisonment up to 3 years.



Section 15
Confidentiality

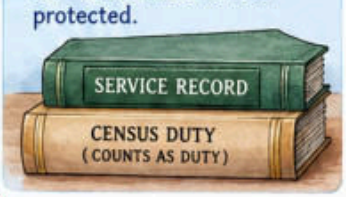
No right to inspect Census books, registers, records or schedules.

Entries are not admissible in civil proceedings; the criminal-proceeding bar has an exception for prosecutions for acts or omissions constituting an offence under this Act.



Section 15A
Service interests

Census duty counts as duty under the lending employer; service advancement is protected.

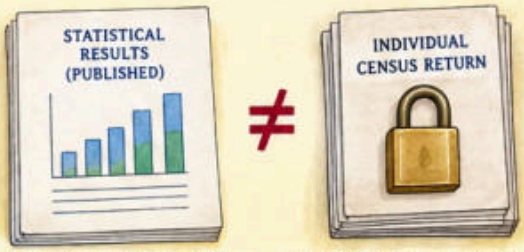


Section 15B
Good faith

Protection for Census authorities and staff for acts done or intended in good faith under the Act or Rules.



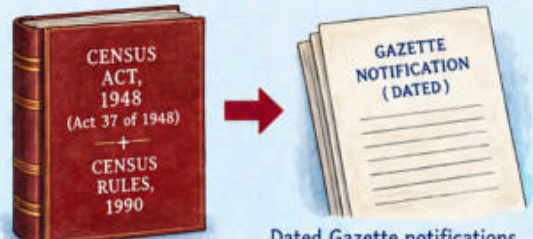
Publishing statistical results is not the same as opening an individual's Census return for inspection.



Published statistical results show aggregated information and are for public use.

An individual's Census return cannot be opened for inspection.

The Act supplies the framework; dated Gazette notifications specify a particular Census operation.



The Act supplies the framework.

Dated Gazette notifications specify a particular Census operation.
Do not confuse the year of the law with the year of the count.

Source: ORGI official Census Act and Rules compilation, Act as amended in 1994; sections 3, 4, 11, 15, 15A and 15B.

One Census moment, two phases

Census 2011: counting dates are not the reference date

April–September 2010



Houselisting and Housing Census.
List structures, houses and households; collect housing, amenities and assets information.

9–28 February 2011



Population Enumeration.

Night of 28 February 2011



Count houseless people wherever found.

00:00 hours, 1 March 2011



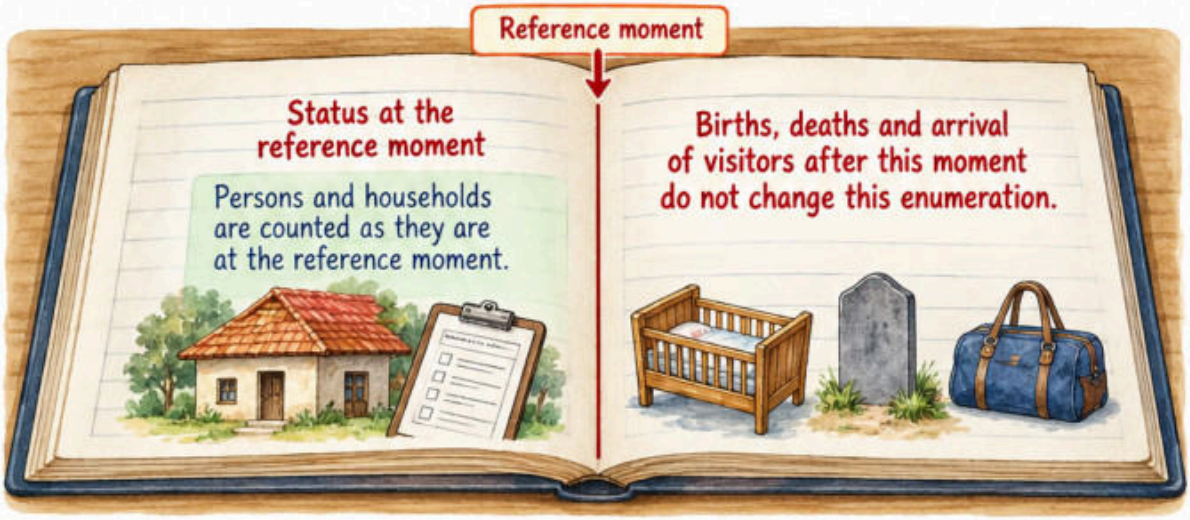
REFERENCE MOMENT.

1–5 March 2011



Revisional round.

The main enumeration takes several weeks, but the population count must refer to one defined point in time.



Recall

Enumeration period = when data are collected.

Reference date = the moment the figures describe.

The reference moment falls after the main count, at the start of the revisional round.

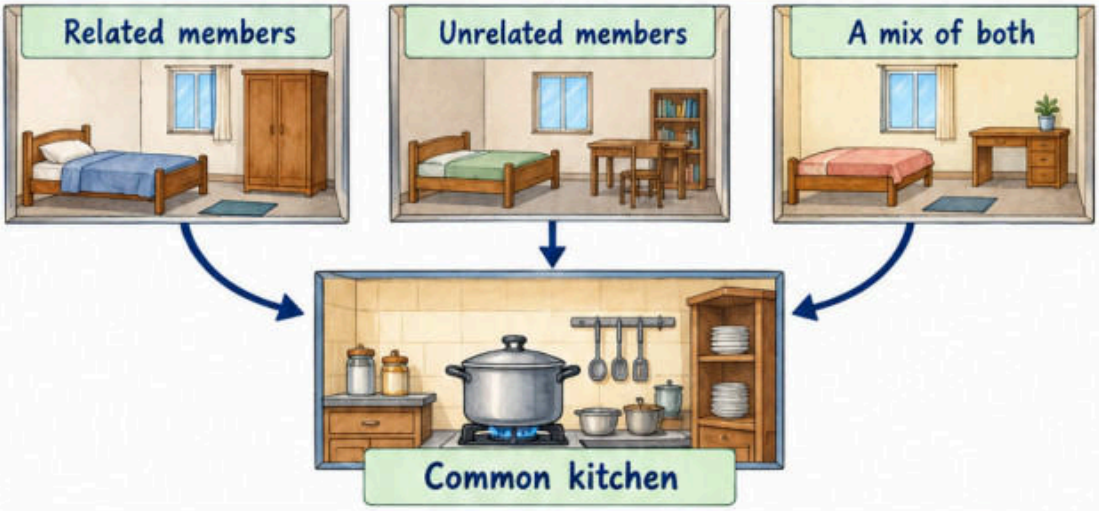
This timeline shows the main 2011 schedule, not a claim that every special-area operation used the same field dates.

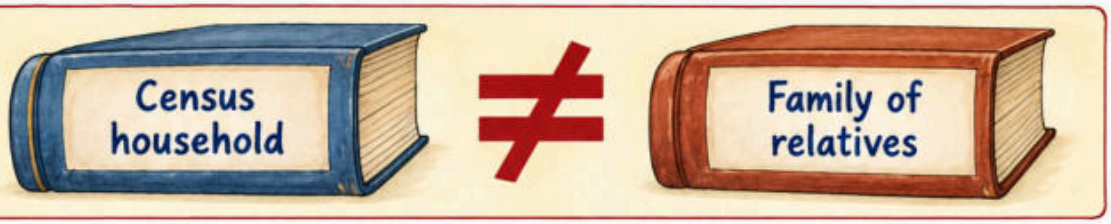
Sources: ORGI 2011 overview and Population Enumeration Phase II; PIB,15 July 2011.

A household is not simply a family

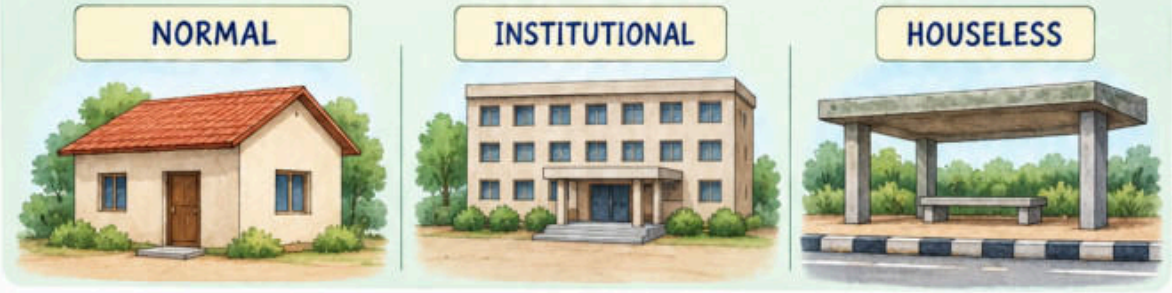
Census test: normally living together + a common kitchen

A household is a group of persons who normally live together and take meals from a common kitchen. Members may be related, unrelated, or a mix of both.





Census lists three kinds of household:



Houseless population in Census 2011:
enumerated on the night of 28 February 2011, wherever found.

Why the distinction matters:
a question about a common kitchen is asking about the Census household, not necessarily a blood relationship.

Important to note:
The urban test on the next page uses 'male main working population'— do not replace that denominator with all residents or all workers. Worker definitions are taken up in Topic 563; literacy is taught separately.

Sources: ORGI Census2011 overview and PhaseII presentation.

Two routes to urban status

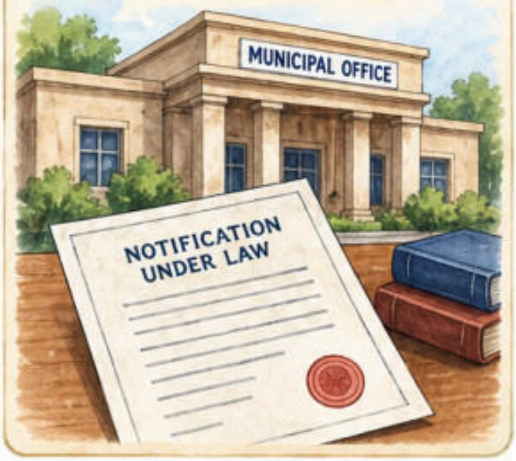
Statutory town versus census town, Census 2011

STATUTORY TOWN

A place notified under law with a municipality, corporation, cantonment board or notified town area committee.

Urban irrespective of demographic features.

For 2011, status reckoned as on **31 December 2009.**



CENSUS TOWN

A place without such a civic body must satisfy **ALL THREE** tests:

1. Population at least **5,000.**

AND

2. At least 75% of **MALE MAIN WORKING** population in **NON-AGRICULTURAL** pursuits.

AND

3. Density at least **400** persons per sq km.







Census town

For Census 2011, census towns were identified from Census 2001 data. A place so identified was not declassified in Census 2011 merely because the new data failed the tests.

Key distinctions for exams

1. 75% is **not** the share of the total population.



Not total population

2. 400 is persons per sq km, **not** total population.



400 persons per sq km

3. All three demographic tests are requird for the census-town route, **not** for the statutory-town route.

Sources: Census2011 DataHighlights reproduced in RajyaSabha, 17 November 2016; IES Arthapedia, Urban.

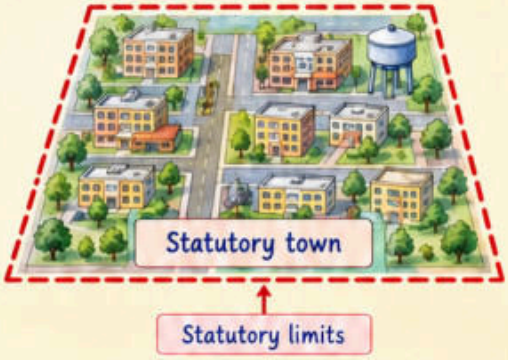
Town, outgrowth and urban agglomeration

Contiguity links the units; a municipal boundary is not the whole urban spread

Illustrative non-geographic schematics

1. Statutory town

A town notified under law with the specified civic body; the line marks its statutory limits.



2. Outgrowth (OG)

An outgrowth is an urban spread near a statutory town, outside its statutory limits but within the revenue limits of a contiguous village.



Examples of outgrowths

An outgrowth can be a railway colony, a university campus or a port area with urban features and physical contiguity.



3. Urban agglomeration (UA)

An urban agglomeration is a continuous urban spread formed in either of the following ways:



Two mandatory conditions for a Census 2011 UA

1. At least ONE statutory town.
2. Total population at least 20,000 as per Census 2001 (the previous Census).

Do not confuse

- An outgrowth is not automatically a separate statutory town.
- A UA is a continuous urban spread, not simply any collection of distant settlements.

Sources: Census 2011 DataHighlights, Rajya Sabha, 17 November 2016; IES Arthapedia.

Reading India's larger urban units

Census 2011 provisional urban highlights—keep this vintage attached

Size ladder for towns (Census 2011)

Class	Population range
Class I	1,00,000 and above
Class II	50,000–99,999
Class III	20,000–49,999
Class IV	10,000–19,999
Class V	5,000–9,999

A town with at least 1,00,000 people is called a **CITY**.

Above table reproduces the classes covered in these notes, not an assertion that no smaller towns exist.

Class I urban units in 2011

468 Class I UAs/towns in 2011 (394 in 2001).

↓

Within the 2011 Class I group: **53** million-plus UAs/cities.

↓

Those **53** contained **160.7 million** people— **42.6%** of urban population in this provisional release.

Three megacity urban agglomerations

Three megacity UAs with more than 10 million people:



Greater Mumbai | Delhi | Kolkata

Schematic urban illustrations

Important concept



A statistical UA is not always identical to the municipal city boundary.

Do not compare a city-proper figure directly with a UA figure.

How to read a question

Read a question in this order:

1. YEAR
2. PROVISIONAL/FINAL
3. UNIT (town or UA)
4. POPULATION THRESHOLD

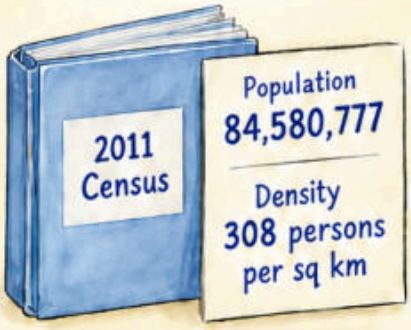
Source: Census 2011 provisional urban highlights reproduced in Rajya Sabha, 17 November 2016; IES Arthapedia.

Same name can mean a different area

Andhra Pradesh: compare Census figures only on comparable boundaries

2011

Undivided Andhra Pradesh.



These are NOT figures for today's residual State.

2014

Bifurcation.
Residual Andhra Pradesh had **13** districts.



A residual-State 2011 figure must be re-cast for the relevant area.

4 April 2022

26 districts, following the final notification of 3 April 2022 under the Andhra Pradesh Districts (Formation) Act, 1974.



31 December 2025

28 districts.
New districts: Markapuram, Polavaram.

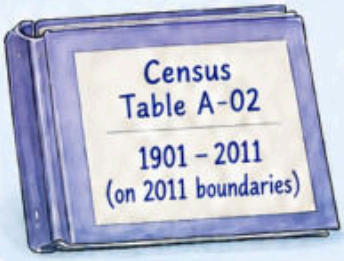


Matching boundaries for comparison



Illustrative partition, not a map

What the Census table shows



Census Table A-02 places the 1901 – 2011 series on 2011 boundaries.

A district formed later did not exist as that unit in 2011; a 2011 figure for it must be derived for its area.



Takeaway

Ask **WHICH CENSUS, WHICH RELEASE** and **WHICH BOUNDARIES.**
Same district name does not guarantee the same area.
Present-State demographic detail: Topic 275.

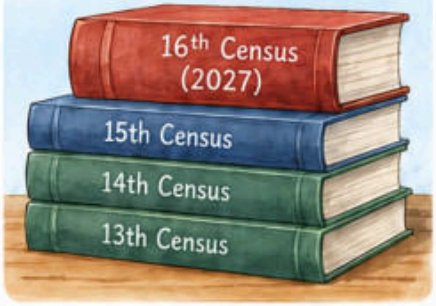
Sources: ORGI A-02; NHP 2018; AP district notifications 2022 and 2025.

Census 2027: what the approved design adds

Scheme approved 12 December 2025; dates are a 25 October 2026 snapshot

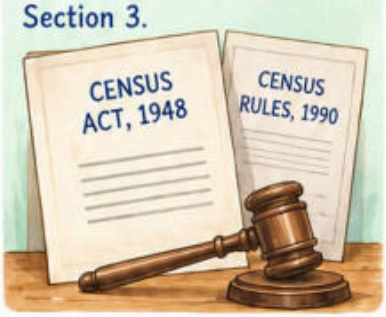
What Census 2027 is

Census 2027 is the 16th Census of India and 8th after independence.



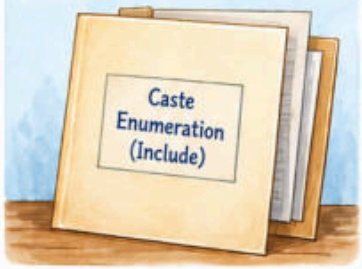
Legal framework

Census Act, 1948 and Census Rules, 1990; notification under Section 3.



Caste enumeration

Cabinet Committee on Political Affairs decided on 30 April 2025 to include it in Census 2027.



Digital collection

First digital Census; Android and iOS mobile apps; option of self-enumeration.



Household responds → Android and iOS mobile apps (self-enumeration option) → Securely collected responses → Statistical data files

Union Cabinet approved scheme

Union Cabinet approved scheme on 12 December 2025:

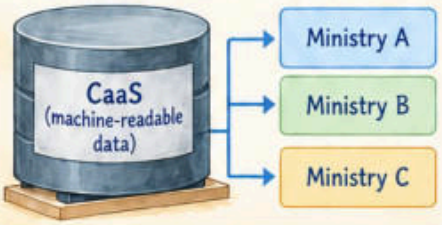
- Rs 11,718.24 crore
- about 30 lakh field functionaries



These are approved design and cost figures, not actual spending or a count of completed operations.

Census-as-a-service (CaaS)

Machine-readable data for ministries.



Census 2027 schedule (approved design)

Phase 1 (approved window) Houselisting and Housing Census, April – September 2026.



Phase 2 (25 October 2026 notes) February 2027 for most of the country; earlier snow-bound operations.



Important reminder

Approved window ≠ independently confirmed completion.

Read the date and area in each notification.

Sources: Union Cabinet/PMO, 12 December 2025; MHA/ORGI.
Dated snapshot, not the complete current operational calendar.

Census 2027 has three reference moments

S.O.4919(E), 5 September 2026 — reference dates, not counting windows



Union Territory of Ladakh; snow-bound non-synchronous areas of Jammu and Kashmir, Himachal Pradesh and Uttarakhand.



Goa, Uttar Pradesh, Punjab and areas of Uttarakhand OTHER THAN snow-bound areas.



The general reference moment, subject to the two exceptions above.

Scheduled windows for the four-state / non-snowbound group

Notified scheduled windows (not finished outcomes)

16 – 30 NOVEMBER 2026



Self-enumeration 16 – 30 November 2026.

1 DECEMBER 2026 – 4 JANUARY 2027



Population enumeration 1 December 2026 – 4 January 2027.

5 JANUARY 2027
00:00 hours



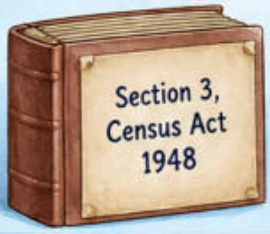
Reference moment 00:00 on 5 January 2027.

5 – 9 JANUARY 2027

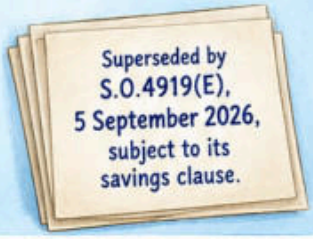


Revision 5 – 9 January 2027.

Legal chain for the Census 2027 reference dates







Key distinction



The reference moment tells us **WHEN** the population is described.

≠



The enumeration window tells us **WHEN** information is collected.

They are not interchangeable.

This page records the 5 September 2026 notifications; it is not a complete current operational calendar.

Sources: ORGI Gazette, CG-DL-E-05092026-276017 and 276016.

A Census progress report is a dated observation

Read schedules, completion claims and boundaries separately

SNAPSHOT: 25 OCTOBER 2026 — Key events and status

16 June 2025 → S. O. 2681(E) notified intent to take Census 2027.



S. O. 2681(E) 16 June 2025

12 December 2025 → Union Cabinet approved the scheme.



12 December 2025 Union Cabinet

12 August 2026 → MHA reported Houselisting completed in 31 States and Union territories. The rest were then due by September 2026. This is the status reported on 12 August, NOT proof of all-India completion by October.



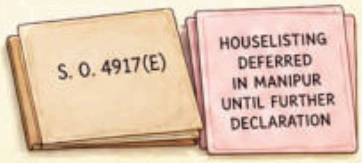
12 August 2026 → The 12 August release scheduled snow-bound Population Enumeration for 1–30 September 2026, with revision 1–5 October 2026. Scheduled dates alone do not prove actual completion.



5 September 2026 → S. O. 4919(E) reset reference dates. Separate Gazette 276016 notified the earlier enumeration window for Goa, UP, Punjab and non-snowbound Uttarakhand.



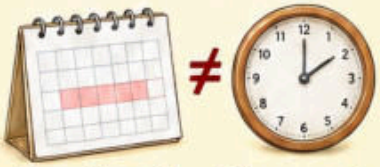
5 September 2026 → S. O. 4917(E) deferred Houselisting in Manipur until further declaration. Do not convert the original April–September window into a blanket completion claim.



Three illustrated recall pairs

1. Calendar vs clock

Enumeration period ≠ reference moment.



Enumeration period (a range of dates) ≠ Reference moment (a single date)

2. Common kitchen vs family tree

Household ≠ only relatives.



Household (people who usually live and eat together) ≠ Family tree (only relatives)

3. Old folder vs new partition

Same place name ≠ same boundary.



Same place name (in earlier records) ≠ Same place name does not mean the same boundary (now)

Study rule: Always attach the date, area and data release to a Census claim.
This historical snapshot does not assert the latest complete operational calendar.

Sources: MHA, 12 August 2026; ORGI 5 September 2026 Gazette notifications.

Census 2027: a dated calendar update

Day 24 | Topic 235 | Addendum checked 31 October 2026
Read after the original 25 October source snapshot.



Self-enumeration option



Population enumeration



Revisional round

Scope caution: the 30 October 2026 Akashvani announcement excludes snow-bound and poll-bound areas from this general schedule. Do not apply these dates indiscriminately to every State or Union Territory.

These are scheduled future activities—not completed enumeration.



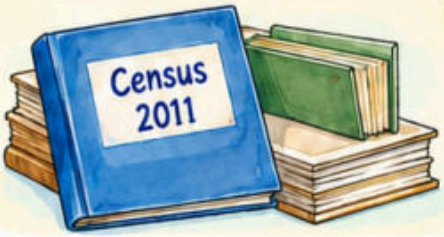
Enumeration period = when information is collected.



Reference date = the instant to which population figures relate.

Do not replace an area's notified reference date with the first or last day of enumeration.

Keep Census 2011 statistics tied to their original definitions and boundaries.



Source: Akashvani / News on AIR, 30 October 2026, 8:54 PM.

Land reform: three different levers

1 Abolition of intermediaries

Removes an intermediary tenure; it does not by itself settle every tenant's rights.



2 Tenancy reform

Changes the cultivator's terms of access. Recording tenancy is not automatically ownership.



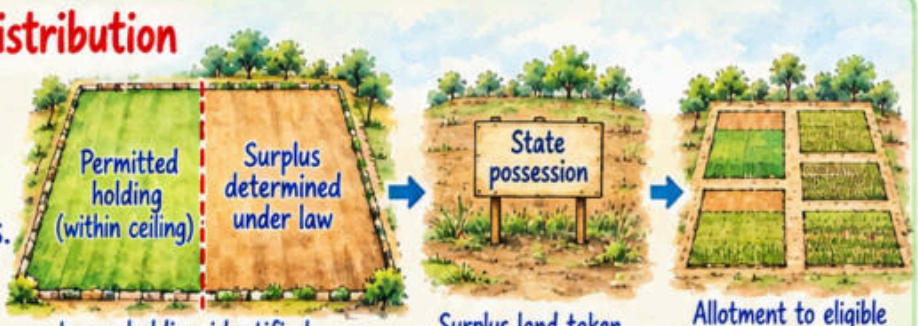
Rent regulation
Limits or fair rent to prevent excessive exactions.

Security of tenure
Protection from arbitrary eviction and greater continuity in cultivation.

Recording rights
Official record of tenancy (to recognise and protect tenants).

3 Ceiling and redistribution

Ceiling limits depend on the relevant State law, family rules and land class.



Large holding identified and divided as per law

Surplus land taken over by the State

Allotment to eligible landless or weaker sections (as per law)

Comparison: which lever addresses what?

Question	Reform
Who stands between cultivator and State?	Intermediary abolition
On what terms is land cultivated?	Tenancy reform
How much land may be retained?	Ceiling

Takeaway: Ownership structure, tenancy conditions and distribution are related—but distinct.

Programme Topic243; historical land-reform framework.

Intermediary abolition: changing the revenue link

Zamindari



Ryotwari



The comparison concerns the revenue relationship, not a claim that cultivators faced no burdens under ryotwari.

Intermediary tenure



Revenue rights vested in intermediaries (e.g. zamindars) between the State and cultivators.

State abolition law



Abolition removes intermediary rights through law.

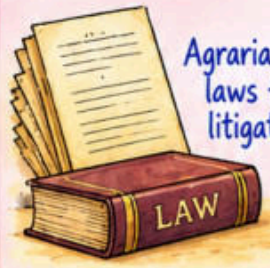
Direct relationship with the State



Revenue demand is made directly from cultivators by the State.

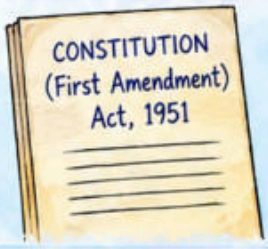
Abolition removes intermediary rights through law; tenancy security and land redistribution need their own measures.

Historical and constitutional link



Agrarian reform laws faced litigation.

First Amendment, 1951

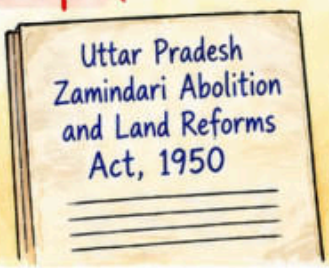


Articles 31A and 31B + Ninth Schedule



The original Ninth Schedule contained 13 laws.

Example (not actual document facsimile)



Important caution

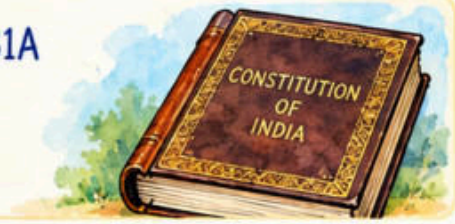
Abolishing intermediaries is not identical to giving every cultivator ownership.



Source: Constitution (First Amendment) Act, 1951, Statement of Objects and Reasons and Ninth Schedule.

Land laws and constitutional protection

1951 **First Amendment:** inserted Articles 31A and 31B; created Ninth Schedule with 13 laws.



1964 **Seventeenth Amendment:** expanded Article 31A estate definition to include ryotwari land; added 44 laws to Ninth Schedule.



1974 **Thirty-fourth Amendment:** added 20 State laws to Ninth Schedule; AP ceiling Act 1973 is entry 67. This amendment changed the Schedule, not an Article.



1979 **Property-right changes take effect:** Article 19 (1) (f) and Article 31 omitted from 20 June 1979; Article 300A protects property outside Part III.



ARTICLE 31A VERSUS 31B



31A: protection for specified categories of laws, subject to constitutional conditions.



31B: protection linked to laws listed in Ninth Schedule.



Caution: Constitutional protection is not a licence to ignore judicial review; do not read the Schedule as blanket immunity.



Keep in mind: Keep amendment year separate from the effective date of a particular provision.

Sources: Official First, Seventeenth and Thirty-fourth Amendment texts; official Constitution as on 1 May 2024.

Operation Barga: security plus crop share

West Bengal • launched 1978 • historical reform

Record bargadar



Establish tenancy rights



Protection against arbitrary eviction



Improve bargaining position

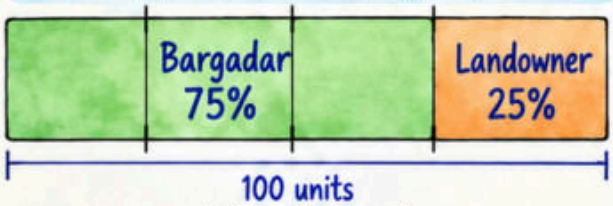


A bargadar is a sharecropper.
Registration is not the same as transfer of ownership.



Legal crop-share framework

Case A: Tenant supplies non-labour inputs (e.g. seed, fertiliser, irrigation)



Case B: Landlord supplies all non-labour inputs (e.g. seed, fertiliser, irrigation)



Legal crop-share framework described in the research; not a claim that every contract complied.

Conceptual comparison: from gross share to net return



Gross crop share



Input costs (seed, fertiliser, irrigation)



Net return

A higher crop share must be assessed alongside who finances seed, fertiliser and irrigation.



Key takeaways for revision

Assess tenure security, actual crop sharing, access to inputs and enforcement—not registration totals alone.



Source: Anirban Dasgupta, Agrarian Reforms in West Bengal since 1977, pp. 7–13 (historical research).

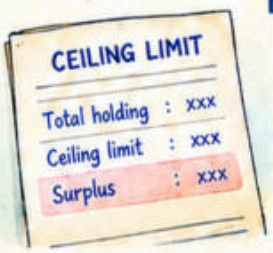
Ceiling reform: declaration is not distribution

1 Identify holdings and apply the legal ceiling



Identify each holder's total land holding and apply the ceiling limit under the law.

2 Determine surplus under law



Calculate the land in excess of the legal ceiling as surplus.

3 Take possession

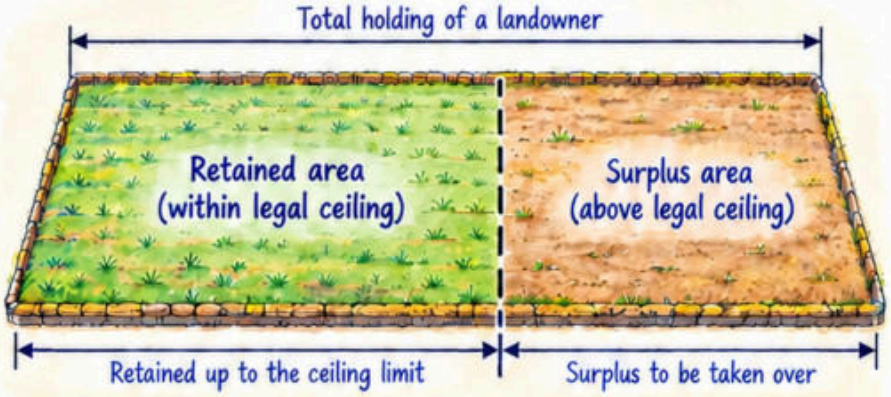


Issue orders and take possession of the surplus land under the law.

4 Allot land to eligible recipients



Allot the taken-over land to eligible recipients as per policy and rules.



Schematic — not a real cadastral map.

Potential implementation obstacles

Disputed records
Conflicting or unclear land records.

Litigation
Cases in courts can delay action.

Exemptions and evasion
Claims for exemptions or efforts to avoid the ceiling.

Administrative delays
Delays in surveys, orders, possession and allotment.

From declaration to distribution: three distinct stages

Declared surplus: identified above the legal limit



Area found to be in excess of the ceiling limit during enquiry and calculation.

Possession taken: State has taken over



Only the area for which the State has taken possession moves to this stage.

Distributed: allotted to beneficiaries



Area actually allotted to eligible recipients under the law.

Important distinction

- A figure at one stage cannot be substituted for a later stage.
- Beneficiary count is people; area is acres or hectares.
- Not all declared surplus may be taken over.
- Not all land taken over may be distributed.

Key takeaway

Evaluate both legal design and implementation: how much moves through the entire chain?

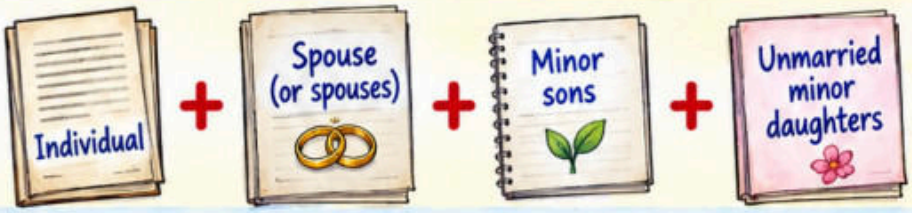
Source: Historical land-reform framework; AP ceiling Act 1973, supplied text amended to 2009.

This is concept teaching, not a current consolidated-law certification.

AP family ceiling: read sections 4 and 4-A together

1973 Act • supplied text amended to 2009

Section 3(f): family unit



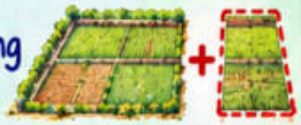
Individual + spouse or spouses + minor sons + unmarried minor daughters constitute the family unit for the purpose of the Act.

Section 4: ordinary rule

Up to 5 members = 1 standard holding.



Above 5 members: add 1/5 standard holding for each extra member.



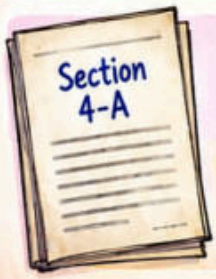
Ordinary section 4(2) maximum = 2 standard holdings.

Illustrations under section 4 (ordinary rule only)

Family size (total members)	Ordinary section 4 calculation	Result (standard holdings)
5	1	1
6	1 + 1/5	1.2
8	1 + 3/5	1.6
11	1 + 6/5, capped (at 2)	2

Illustrations of section 4 only; no section 4-A adjustment assumed.

Section 4-A exception: notwithstanding section 4, additional ceiling may apply for qualifying major sons who hold no land or less than their applicable ceiling.



Major sons are not automatically members of the defined family unit.

The separate adjustment must not be erased by an absolute two-holding claim.



Family ceiling under section 4 (up to 2 standard holdings)

Additional ceiling for qualifying major sons under section 4-A (may apply)



Standard holding is a land-class unit— not one universal acreage.



Source: FAOLEX – Andhra Pradesh Act text, sections 3(f), 4 and 4-A (amended 2009); not verified complete 2026 consolidation.

One standard holding ≠ one fixed acreage

AP ceiling Act 1973 • section 5 table • text amended to 2009

The legal land class determines the standard holding.
Provisos can modify the table in specified cases.

Double-crop wet land, Classes A – F:
10 – 18 acres



Other wet land, Classes A – F:
15 – 27 acres



Dry land, Classes G – K:
35 – 54 acres



Worked comparison (conceptual)

Class A double-crop wet:
10 acres = 1 standard holding.



Class K dry:
54 acres = 1 standard holding.



Mixed holding: how to compute

1. For eech land class: area held ÷ standard holding for that class.
2. Add the proportions to compute the holding in standard units.

Hypothetical example

5 acres Class A double-crop wet ÷ 10 = 0.5
27 acres Class K dry ÷ 54 = 0.5

Total = 1 standard holding.

Illustration under the stated table; ignores special provisos.



Source: FAOLEX AP Act text, section 5.

Historical statutory teaching — not verified complete 2026 consolidation.

Bhoodan and Gramdan: voluntary redistribution

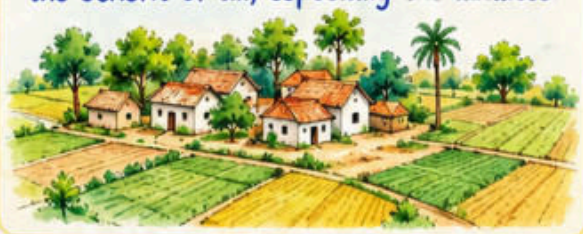
Bhoodan = gift of land

Individual landowners voluntarily donate land for the landless.



Gramdan = gift of village

A whole village and its surrounding lands are offered as a community gift for the benefit of all, especially the landless.

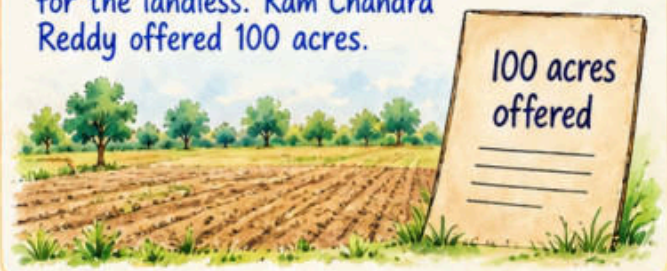


Moral persuasion and voluntary giving differ from statutory acquisition of ceiling surplus.

Bhoodan and Gramdan were based on appeals to conscience and voluntary action, whereas ceiling laws involve state power to acquire surplus land and redistribute it.

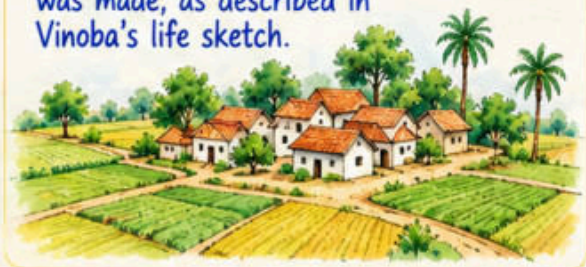
Pochampally • 18 April 1951

Vinoba Bhave appealed for land for the landless. Ram Chandra Reddy offered 100 acres.



Mangrath (Mangroth), Uttar Pradesh • May 1952

A whole-village gift (Gramdan) was made, as described in Vinoba's life sketch.



From promise to actual redistribution

A pledge or gift total is not the same as completed redistribution. Legal obstacles and unsuitable land can limit implementation.



Bhoodan, Gramdan and Ceiling: a comparison

Bhoodan:	Gramdan:	Ceiling:
voluntary land gift by individuals.	community or village gift for collective benefit.	statutory limit on landholdings and redistribution of surplus land by the state.

Sources: Subhash Mehta, Bhoodan Review.
Usha Thakkar, Vinoba Bhave (life sketch).
mkgandhi.org.

How to evaluate land reform—not just list it

Measure	Immediate change	What still needs checking
 Intermediary abolition	removes intermediary tenure	cultivator's actual rights and access 
 Tenancy reform	records/protects tenancy	rent terms, eviction protection and enforcement 
 Ceiling redistribution	reallocates surplus land	possession, allotment and usable land 
 Voluntary gifts	mobilise donated land	valid title, suitability and actual distribution 

Causal chain (a possible pathway)

 Secure rights →  incentives to invest →  productive use

Potential pathway, not an automatic outcome.

Complementary support for productive use

 Credit +  irrigation +  inputs +  market access

Land access matters, but productivity also depends on complementary support. A legal reform's design and its implementation must be assessed separately.

Evidence checklist



- Date the data.
- Keep area and beneficiary count separate.
- Distinguish registered rights from ownership.
- Preserve State-specific legal rules and exceptions.

Takeaway

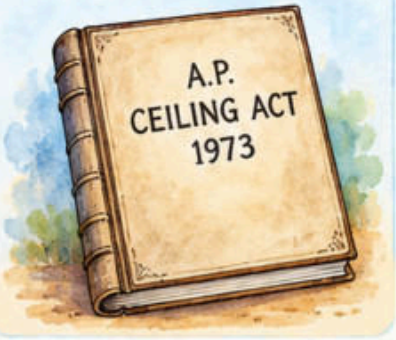


A balanced answer connects equity, security and implementation capacity.

AP land reform: read the legal sequence

1 January 1973

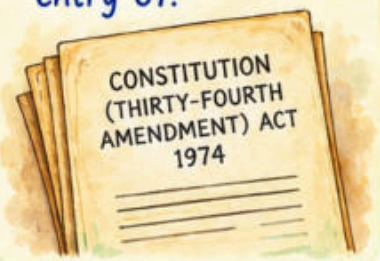
AP Ceiling Act, 1973 enacted.



→

7 September 1974

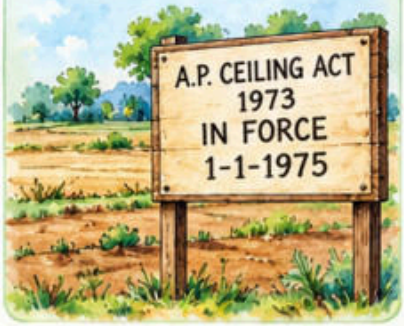
Thirty-fourth Amendment adds it to Ninth Schedule, entry 67.



→

1 January 1975

Act comes into force.



Enactment, constitutional inclusion and commencement are three different events.

Reading a ceiling question?

Identify the governing Act / text date.

Family composition: section 3(f).



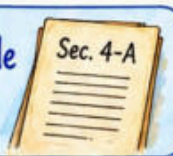
Land class: section 5.



Ordinary ceiling: section 4.



Check section 4-A and applicable provisos before concluding.



Key points to remember

1 Major son ≠ minor son: family definition and separate adjustment differ.



2 Standard holding ≠ fixed acres: class matters.



3 Two holdings ≠ absolute all-case cap: section 4-A must be considered.



Source:

- Supreme Court, Agnigundala Venkata Ranga Rao v. Indukuru Ramachandra Reddy, 13 April 2017, para 5.
- Official Thirty-fourth Amendment Act, 1974.

Sections taught from supplied AP text amended to 2009; current complete 2026 consolidation not certified.

Planning turns scarce resources into chosen priorities.

A plan specifies the use of resources toward goals over time.
It is not just a budget or a list of wishes.

1. Resources

Resources are limited. They include land, water, minerals, energy, money and skilled people.



2. Priorities

Society chooses goals because resources are scarce. Important priorities may include food, industry, education and infrastructure.



3. Allocation

Resources are allocated to chosen priorities. Land, money, materials and skilled people are directed to different sectors.



4. Implementation

Resources are used to carry out projects and programmes in each sector over time.



More farmland and irrigation



Industries and production



Schools and learning facilities



Transport and other infrastructure

5. Review

Progress is checked against goals. Successes and gaps are identified. The plan is updated for the next period.



Planning over different time periods

India historically used five year plans.
Different time periods are linked.



Day 26 | Topic 255 | 255.01

Conceptual institutional diagrams; chamber illustrations are not architectural reconstructions.

Four goals—not four identical priorities

The plans aimed at four broad goals. These goals guided development, but they were not given the same weight in every plan. Achieving one goal can sometimes be at the cost of another, so they have to be balanced carefully.

1 Growth

Growth means expanding the productive capacity of the economy so that more output is produced.



2 Modernisation

Modernisation includes using new technology as well as a modern social outlook, such as equal rights for women.



3 Self-reliance

In historical planning, self-reliance meant reducing foreign dependence, especially for food and goods that could be produced domestically.



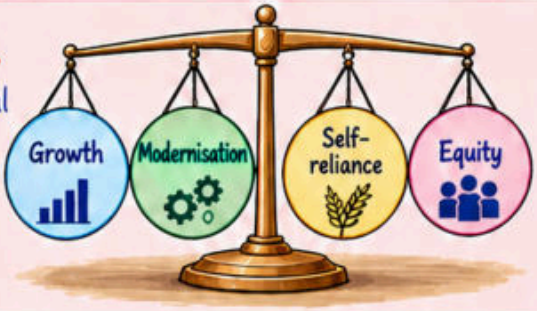
4 Equity

Equity means spreading the benefits of development and meeting basic needs such as food, education, health and other essential services.



The goals can trade off.

Giving more weight to one goal may mean giving less weight to another. Plans therefore did not give equal priority to all four goals.



Examples of trade off

- Investing more in heavy industry (growth) may leave fewer resources for basic services (equity).
- Rapid industrialisation may bring new technology (modernisation) but increase dependence on imported equipment (affecting self-reliance).

Important clarifications

- Self-reliance does not mean a permanent ban on all foreign trade. The idea was to reduce dependence, especially for food and goods that could be produced at home.
- Growth does not automatically lead to equity. Output can increase, but its benefits may not reach all sections of people without specific measures.

Main idea

The four goals—growth, modernisation, self-reliance and equity—together guided India's development planning. They are complementary but can also conflict, so each plan decided how much weight to give to each goal based on the country's needs at that time.

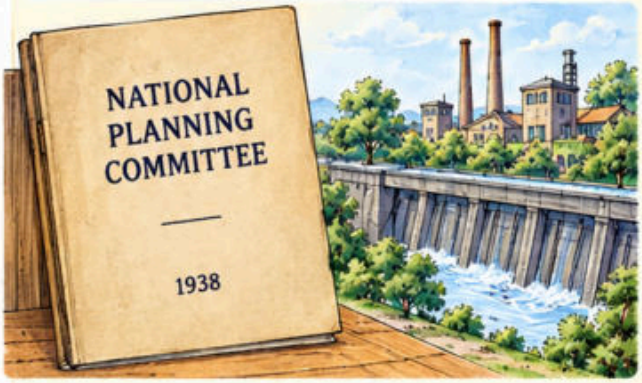
Conceptual institutional diagrams; chamber illustrations are not architectural reconstructions.

Before the Commission: two different initiatives.

1938 National Planning Committee

A Congress initiative set up when Subhas Chandra Bose was the Congress President.

- Set up in 1938 by the Indian National Congress.
- Jawaharlal Nehru chaired the committee.
- Meghnad Saha was a member.



Focus and significance

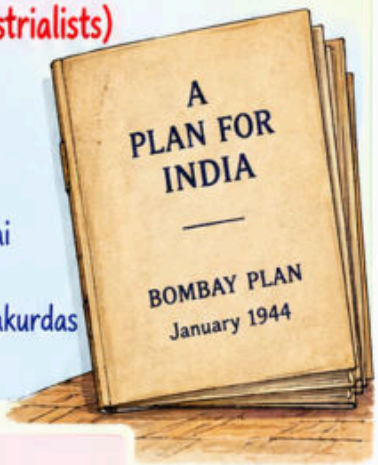
- Examined economic development and planning for India.
- An important early effort within the freedom movement to think about a planned economy.

January 1944 Bombay Plan

A proposal by eight leading industrialists. It was not a Congress committee and not officially adopted as a government plan.

Authors (eight industrialists)

- J. R. D. Tata
- G. D. Birla
- Ardeshir Dalal
- Lala Shri Ram
- Kasturbhai Lalbhai
- A. D. Shroff
- Purshottamdas Thakurdas
- John Mathai

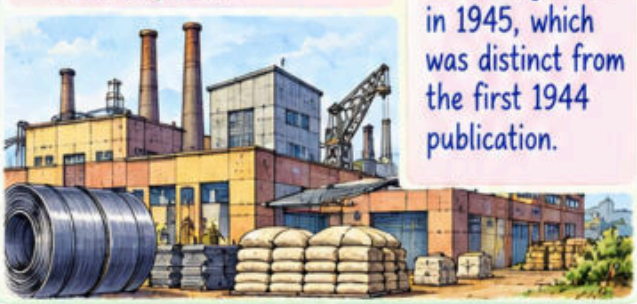


Main idea

- A detailed proposal for India's economic development.
- Presented by eight industrialists in January 1944.

1945 edition

A second edition was brought out in 1945, which was distinct from the first 1944 publication.



Timeline and documents

1938 — National Planning Committee set up by the Congress.



January 1944 — Bombay Plan published by eight industrialists.



1945 — Second edition of the Bombay Plan brought out in 1945 (distinct from the first 1944 publication).

Key takeaways

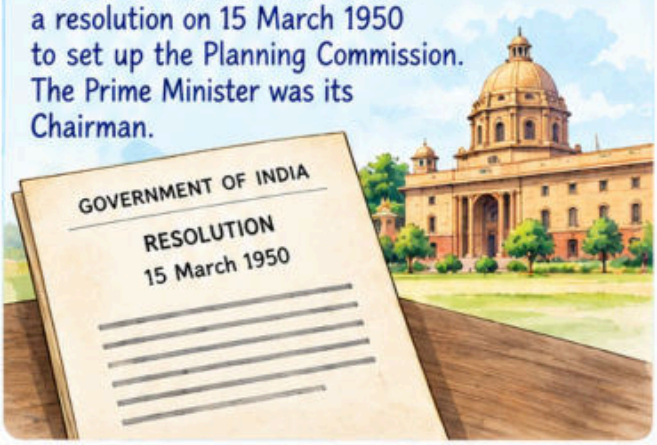
- The National Planning Committee and the Bombay Plan were two different initiatives.
- The first was a Congress initiative in 1938.
- The second was a proposal by eight industrialists in January 1944 and was not an official government plan.
- Both contributed to discussions on India's economic development before the setting up of a commission.
- Direct policy continuity between the two should not be claimed as an undisputed fact.

Conceptual institutional diagrams; chamber illustrations are not architectural reconstructions.

15 March 1950: a planning institution, not a ministry.

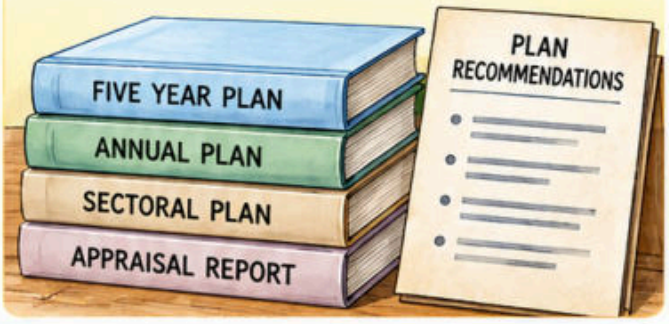
Planning Commission established

The Government of India issued a resolution on 15 March 1950 to set up the Planning Commission. The Prime Minister was its Chairman.



What was the Planning Commission?

It was a planning institution at the national level. It prepared plans, appraised progress and recommended adjustments. It was a historical body. It was not a ministry and did not implement schemes.



Functional cycle of the Planning Commission

1. Assess resources
Assess material capital and human resources.

2. Formulate balanced plan
Formulate a balanced plan for overall development.

3. Set priorities and allocation
Decide priorities, stages and allocation of resources across sectors.

4. Identify bottlenecks
Identify bottlenecks that may delay progress.

5. Implementation machinery
Evolve the implementation machinery.

6. Appraise progress
Appraise progress against plan targets.

7. Recommend adjustments
Recommend adjustments in strategy and allocation as needed.



Implementation by others

The Planning Commission did not implement schemes. Implementation was the responsibility of the concerned Union ministries and the State governments, according to the plans and policies.



Union ministries implement schemes

State governments implement schemes

Historical status

The Planning Commission was a historical institution. It was replaced in 2015. It is no longer in existence and is not today's authority for allocation of funds.



Key points

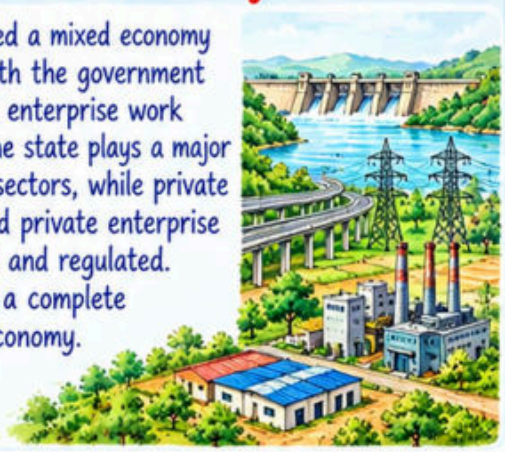
- Established by Government resolution on 15 March 1950.
- Prime Minister was the Chairman.
- Prepared plans, appraised progress and recommended adjustments.
- Not a ministry and did not implement schemes.
- Implementation was by Union ministries and State governments.
- A historical body, replaced in 2015, not today's allocation authority.

Conceptual institutional diagrams; chamber illustrations are not architectural reconstructions.

India chose a mixed economy, not a complete command economy.

1. What is a mixed economy?

India adopted a mixed economy in which both the government and private enterprise work together. The state plays a major role in key sectors, while private property and private enterprise are allowed and regulated. This is not a complete command economy.



2. Government and market: what, how, for whom

Question	Role of government (public sector)	Role of market (private enterprise)
What to produce?	Focus on basic goods, public infrastructure and strategic industries.	Produces a wide range of consumer and industrial goods.
How to produce?	Uses public investment, public sector units and planning.	Uses private capital, entrepreneurship and technology.
For whom to produce?	Seeks equitable development and social objectives.	Responds to consumer demand and creates employment and choice.

3. Examples of public and private sectors

Public infrastructure and public sector



- Dams and power projects
- Railways
- Steel plants and heavy industries
- Roads and other infrastructure

Private enterprise and private property



- Consumer goods industries
- Textiles and other manufacturing
- Agriculture and food processing
- Trade and services

4. Not a complete command economy

India did not choose state ownership of everything. Private property and private enterprise continued, but were subject to regulation and licensing in many industries.
The state and the private sector worked together within a planned framework to achieve national goals.



5. Goals of the mixed economy

Growth
Increase production and incomes.

Modernisation
Build modern industries and infrastructure.

Self-reliance
Reduce dependence on imports.

Equity
Promote balanced development and social justice.

6. Industrial Policy Resolution, 1948



The 1948 Industrial Policy Resolution laid the foundation for a mixed economy. It recognised the role of both the public and private sectors, identified key industries for the state and allowed important space for private enterprise.

7. Industrial Policy Resolution, 1956

The 1956 Industrial Policy Resolution expanded the role of the public sector in basic and strategic industries. Private industry was permitted in many areas, but was subject to licensing and regulation to align with national objectives.



8. Mahalanobis and the Second Five Year Plan

The Second Five Year Plan (1956–61), based on the Mahalanobis model, emphasised the development of heavy industries and capital goods to build long-term industrial capacity and self-reliance.



9. Why a mixed economy?

A mixed economy allowed India to use the strengths of both the government and the market. This approach helped the country pursue growth, modernisation, self-reliance and equity through planned development, without adopting a complete command economy.

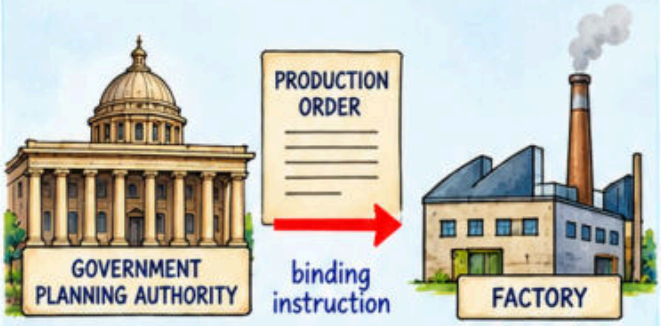


Conceptual institutional diagrams; chamber illustrations are not architectural reconstructions.

Orders or signals: distinguish planning mechanisms

Imperative / directive

Central, binding instructions determine production and resource allocation.



Indicative / inducement

Priorities, information, incentives and fiscal or monetary signals influence choices. Private firms retain choice within the law.

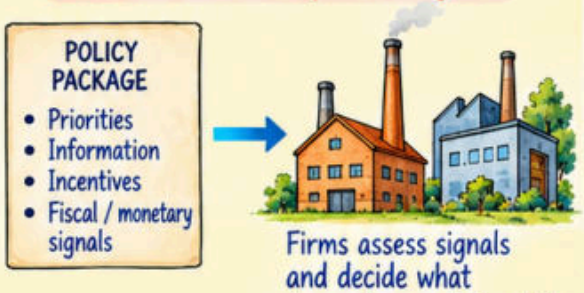


Comparison: how firms receive guidance

Imperative: binding order



Indicative: firms respond to signals



France: historical indicative example

France used an indicative approach with indicative plans, priorities for key sectors, and financial support, while leaving firms with choice.



India: reform period shift (gradual)

India moved over time from a more directive approach towards a greater role for indicative methods. The shift was gradual, with continued government role in setting priorities, providing information and using incentives. The reform period did not have a single, universally applicable eighth or ninth start date.



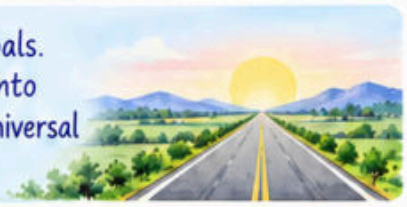
Important points

- Indicative planning does not mean no government. The government still sets priorities, provides information and uses incentives and macroeconomic policies.
- Imperative planning does not mean every public policy is a binding order. Many policies can be indicative or supportive.
- Both mechanisms can exist together in different sectors and at different times.

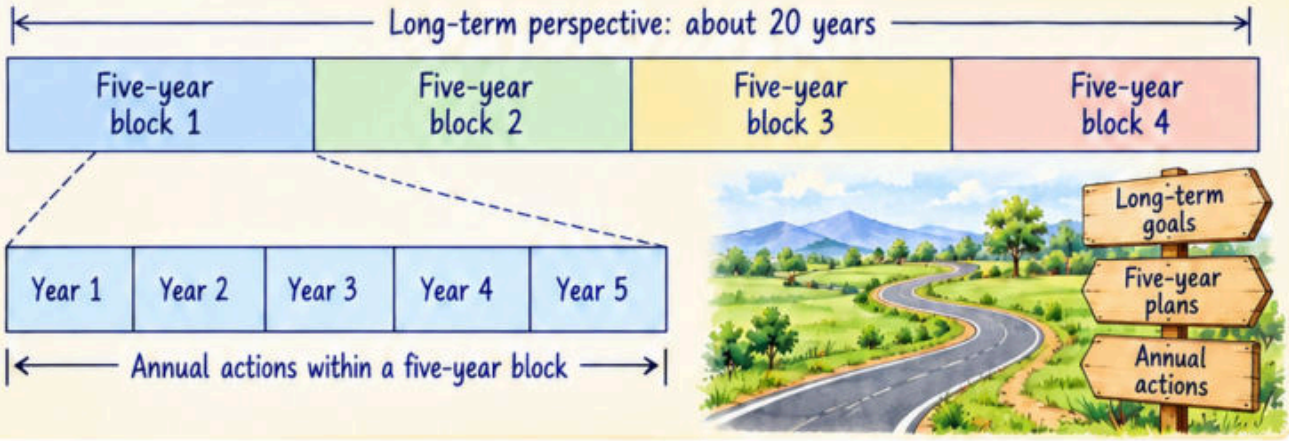
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One long horizon, shorter action plans.

A long-term perspective (about 20 years) helps to set broad goals. It is divided into shorter plans, such as five-year blocks, and then into annual actions. This is an NCERT example of planning horizons, not a universal fixed legal term.



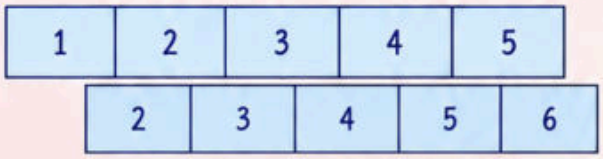
From long horizon to annual actions



Rolling plan

- The planning horizon is revised and extended periodically.
- Each year, the plan is updated. The current year is completed, a new year is added, and the long-term horizon is kept forward.
- This keeps the plan continuous and responsive to changing needs.

Illustrative five-year rolling horizon: after Year1, add Year6



Fixed plan

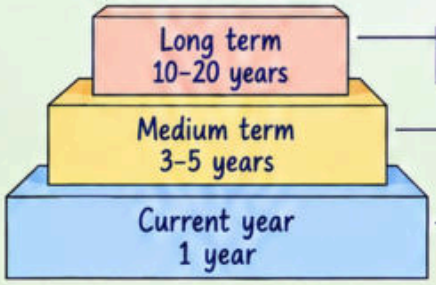
- The plan has a defined terminal period (such as 5 or 20 years).
- The time horizon remains fixed.
- Progress is reviewed during the period, but the terminal year does not change unless a new plan is adopted.



Fixed planning horizon with periodic reviews

Illustrative teaching model (Government college, 2013)

A commonly used teaching model shows three layers of planning, with annual revisits. This is an illustrative model, not a universal requirement.



- Broad goals and structural changes. Revisited annually.
- Programmes and sectoral targets. Updated annually.
- Annual action plan and budget. Revisited every year.



Conceptual institutional diagrams; chamber illustrations are not architectural reconstructions.

Money plans and real-resource plans must agree.

Financial plan (money side)

- Money outlay for the programme.
- Costs for different components such as land development, buildings, equipment and staff.
- Financing from government sources at different levels.



Physical plan (real resources)

- Materials needed, such as bricks, cement, steel and wood.
- Machinery and tools, such as mixers, vehicles and classroom equipment.
- Skills and manpower, such as builders, engineers and teachers.
- Production or service capacity, such as the number of classrooms and the number of students that can be taught.



Worked example: school construction needs both plans

Financial side: budget and financing

- Money outlay for land development, building construction, classroom equipment and staff salaries.
- Costs for different components.
- Financing approved from government sources at appropriate levels.



Physical side: resources and capacity

- Land available and cleared for construction.
- Bricks, cement, steel, wood and other materials.
- Machinery and equipment for construction and for classrooms.
- Skilled workers such as masons, carpenters and engineers.
- Teachers to run the school.
- Completed classrooms provide teaching capacity for the planned number of students.



Financial approval alone cannot remove physical bottleneck.

Even if money is approved, the school cannot be built without land, materials, machinery and skilled workers.



Physical target without funding is not credible.

Planning to build classrooms, buy equipment and hire teachers is not realistic if the required money is not available.



Centralised priorities and decentralised inputs

Village level
- Local needs and inputs.
- Information on land, materials and local capacity.

→

District level
- Combines local inputs.
- Checks resource availability and prepares district plan.

→

State level
- Sets broader priorities.
- Allocates funds and coordinates resources across districts.

→

National level
- Sets overall priorities.
- Provides major financing and policy support.

↑ Feedback on progress, constraints and new needs

Conceptual institutional diagrams; chamber illustrations are not architectural reconstructions.

Plan holidays were annual planning—not no planning.

1966 – 1969

Three Annual Plans were implemented due to difficult economic conditions.



1978

The Janata Government introduced a rolling plan experiment.



1980

The next government changed the approach and moved away from the rolling plan.



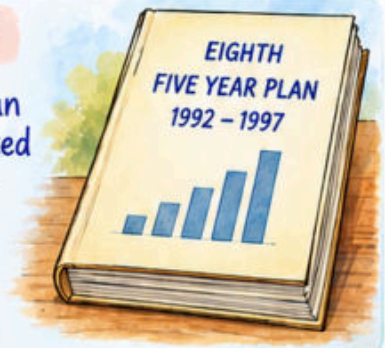
1990 – 91 and 1991 – 92

Two Annual Plans were implemented during a period of economic stress.



1992 – 1997

The Eighth Plan was implemented for 1992 – 97.



National Development Council (NDC)

- A historical forum of the Prime Minister and the Chief Ministers of the States.
- Set up on 6 August 1952.
- Approved the Five Year Plans.
- It played a key role in plan formulation and in building a shared national and state perspective.



What were Annual Plans?

Annual Plans were one-year plans prepared during certain periods instead of a full Five Year Plan. They kept the process of planning and public expenditure going. Plan holidays changed the format to Annual Plans, not a period with no planning.



Key Point

Plan holidays did not mean no planning: Annual Plans kept planning and development work going. The 1978 rolling-plan experiment was a separate change in planning approach.



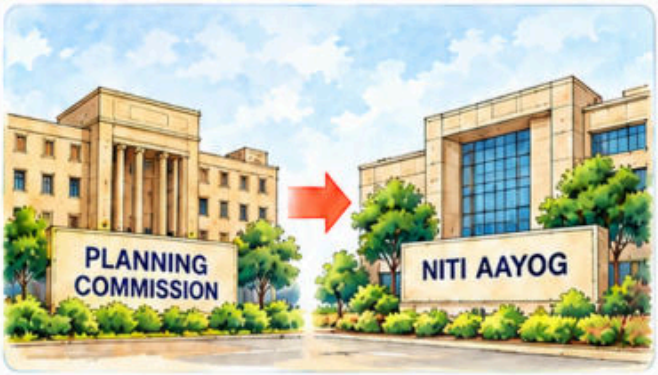
Day 26 | Topic 255 | 255.09

Conceptual institutional diagrams; chamber illustrations are not architectural reconstructions.

2015 changed the institution; planning did not disappear.

What changed on 1 January 2015?

On 1 January 2015, NITI Aayog replaced the Planning Commission. NITI Aayog functions as a policy think tank, provides strategic advice and promotes cooperative federalism, rather than performing the earlier role of plan fund allocation.



Key dates in 2015

1 January 2015
NITI Aayog replaced the Planning Commission.

8 February 2015
First Governing Council meeting, as recorded by Indian Economic Service Arthapedia.

16 February 2015
Composition of NITI Aayog's Governing Council notified by the Cabinet Secretariat; confirmed in Lok Sabha answer of 11 December 2024.

What is NITI Aayog?

- A policy think tank.
- Provides strategic advice.
- Promotes cooperative federalism with States and Union Territories.
- Does not perform the earlier role of plan fund allocation.



Twelfth Plan continued; the five year plan series ended in 2017.

The Twelfth Five Year Plan (2012–17) continued after 2015. The series of Five Year Plans ended in 2017.

Twelfth Plan 2012 – 2017 → Five Year Plan series ended in 2017.

Revision diagram: from Planning Commission to NITI Aayog

Planning Commission (historical)



Prepared Five Year Plans and undertook plan fund allocation.

NITI Aayog (from 2015)



Policy think tank, strategic advice, cooperative federalism.

Planning as a process continues



Institutional change in 2015 did not mean the end of planning. Planning continued beyond 2015 and the Five Year Plan series ended in 2017.

Day 26 | Topic 255 | 255.10

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Day27 | Topic263 | 01

Read the Budget's two accounts

REVENUE ACCOUNT

Records the government's regular income and spending. Revenue receipts do not lead to a claim on the government. Revenue expenditure is spending other than creation of physical or financial assets.

RECEIPTS

Tax revenue

e.g. income tax, GST, customs, excise duties



Non-tax revenue

e.g. fees, user charges, dividends, interest receipts, profits of public sector enterprises



EXPENDITURE

Revenue expenditure

e.g. salaries, pensions, subsidies, grants, interest payments and running public services



Salaries and pensions for government employees



Running public services like health, education, transport, etc.

CAPITAL ACCOUNT

Records receipts that create liabilities or reduce financial assets, and expenditure that creates physical or financial assets. Capital receipts lead to a claim on the government (or reduce its financial assets).

RECEIPTS

Borrowing → creates a liability

Funds raised through government securities lead to a claim on the government (a liability).



Loan recoveries + disinvestment → non-debt capital receipts

Recovery of loans given earlier and proceeds from disinvestment reduce the government's financial assets.



EXPENDITURE

Capital expenditure

Creates physical or financial assets e.g. infrastructure, irrigation, power projects, acquisition of assets, loans to states and other investments.



Building a bridge (creation of physical asset)



Investment in a government-owned entity (creation of financial asset)

Revenue deficit: how far is government dissaving?



Shows the excess of revenue expenditure over revenue receipts. It indicates the extent to which the government is dissaving.

Effective revenue deficit: what revenue gap remains after asset-creation grants?



Net of grants given to states and other entities for creation of capital assets. It shows the revenue gap that remains, after excluding such grants.

Fiscal deficit: what is the total borrowing requirement?



Shows the excess of total expenditure over total non-borrowing receipts. It indicates the government's total borrowing requirement in a year.

Primary deficit: what gap remains after excluding interest payments?



Shows the gap between government's non-interest expenditure and its non-borrowing receipts. It indicates the extent of borrowings, excluding interest payments.

Four measures, one Budget—each answers a different question.

Day27 | Topic263 | 02

Revenue and effective revenue deficits

Illustrative figures • Rs crore

Revenue deficit = Revenue expenditure – Revenue receipts.



Revenue expenditure

Revenue expenditure	1,000
Less: Revenue receipts	800
Revenue deficit	200

1,000 – 800 = 200

Revenue deficit indicates dissaving: part of revenue spending is financed from the savings of other sectors.



Particulars	Amount (Rs crore)
Tax revenue	650
Non-tax revenue	150
Total	800

Revenue receipts

Revenue expenditure can include grants that create assets owned by others.



Grant recorded as Union revenue expenditure.

Grant for creation of capital assets: 120



Capital asset owned by the recipient.

Effective revenue deficit = Revenue deficit – Grants for creation of capital assets.

Revenue deficit	200
Less: Grants for creation of capital assets	120
Effective revenue deficit	80

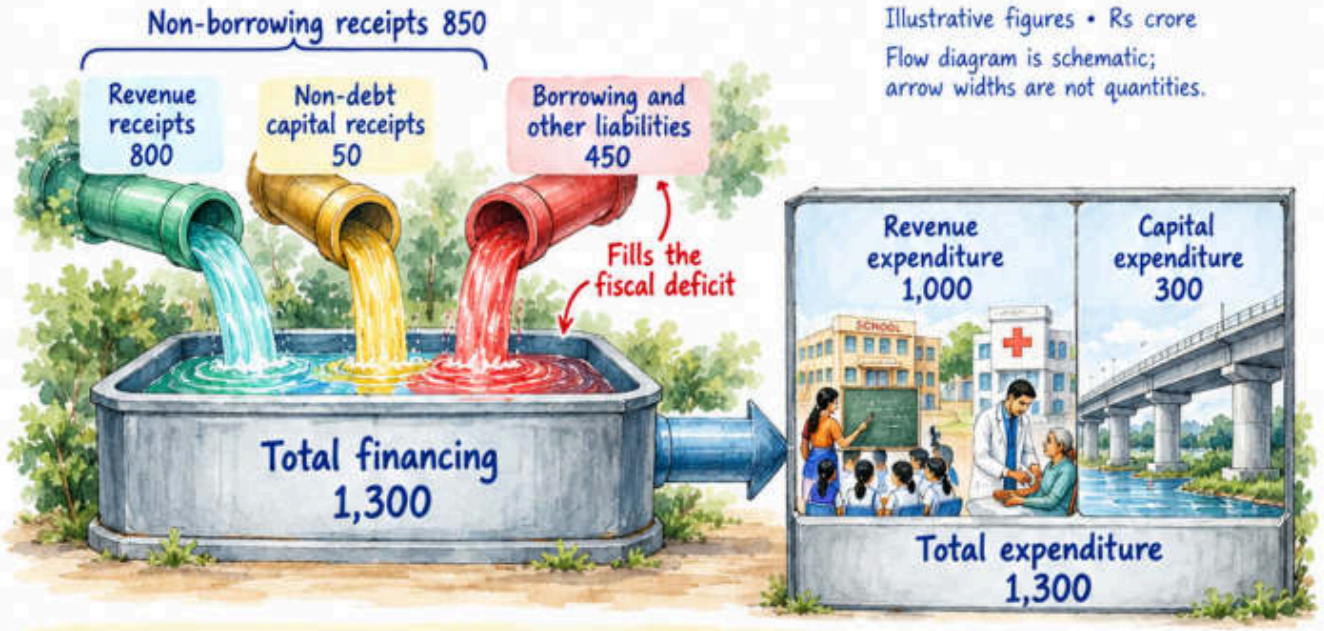
200 – 120 = 80

The effective revenue deficit is the revenue gap left after setting aside these grants.

This is an accounting adjustment—not money returned to the Union.

Fiscal deficit is the borrowing gap

Fiscal deficit = Total expenditure − (Revenue receipts + Non-debt capital receipts)



Illustrative figures • Rs crore
Flow diagram is schematic; arrow widths are not quantities.

Calculation of the fiscal deficit

$$1{,}300 - (800 + 50) = 450$$

$$800 + 50 + 450 = 1{,}300$$

Borrowing is excluded from receipts when measuring the deficit. It then finances that gap.



The same deficit, another route

Fiscal deficit = Revenue deficit + Capital expenditure − Non-debt capital receipts

200 + 300 − 50 = 450

- 200 — Revenue deficit 200
- 300 — Capital expenditure 300
- 50 — Non-debt capital receipts 50



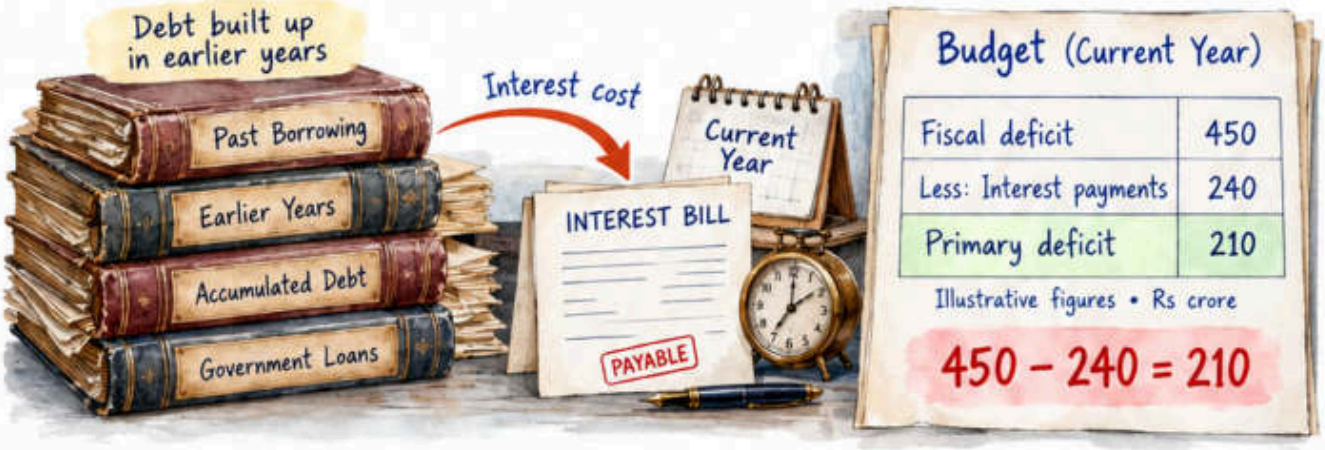
Legal formulation:
disbursements from the Consolidated Fund, excluding repayment of debt, minus receipts into the Fund, excluding debt receipts.

A balanced revenue account does not remove borrowing needed for capital spending.

Day27 | Topic263 | 04

Primary deficit removes interest

Primary deficit = Fiscal deficit − Interest payments



The primary deficit focuses on the current fiscal imbalance after excluding interest on accumulated debt.

Interest is 240/450 ≈ 53.3% of this illustrative fiscal deficit.

Budget figures

Primary deficit = Fiscal deficit − Interest payments



NCERT's gross measure

Gross primary deficit = Gross fiscal deficit − Net interest liabilities

Net interest liabilities = Interest payments − Interest receipts on net domestic lending



Use the Budget's own formula for its published figures. Do not silently replace interest payments with net interest liabilities.



Past borrowing creates an interest burden.

Primary deficit isolates the gap after that interest is excluded.

A small primary deficit can coexist with a large fiscal deficit when interest payments are large.

Day27 | Topic263 | 05

The Budget 2026-27 deficit picture

Published Budget figures • February 2026

Amounts: Rs crore; GDP percentages in parentheses

Measure	Actuals 2024-25	RE 2025-26	BE 2026-27
Revenue deficit	5,64,296 (1.7%)	5,26,764 (1.5%)	5,92,344 (1.5%)
Effective revenue deficit	2,91,640 (0.9%)	2,18,613 (0.6%)	99,642 (0.3%)
Fiscal deficit	15,74,431 (4.8%)	15,58,492 (4.4%)	16,95,768 (4.3%)
Primary deficit	4,58,856 (1.4%)	2,84,154 (0.8%)	2,91,796 (0.7%)

RE = Revised Estimates; BE = Budget Estimates
GDP used for 2026-27: Rs 3,93,00,393 crore

Revenue deficit / Fiscal deficit ≈ 34.9%

About one-third of borrowing covers the revenue gap

16,95,768 − 14,03,972 = 2,91,796

Fiscal deficit − Interest payments = Primary deficit

Interest payments are about 82.8% of fiscal deficit.

5,92,344 − 4,92,702 = 99,642

Revenue deficit − Asset-creation grants = Effective revenue deficit

Grants are about 83.2% of revenue deficit; the remaining gap is about 16.8%.

DEBT

Central Government debt / GDP

RE 2025-26: 56.1% → BE 2026-27: 55.6%

One Budget, all four deficits

Illustrative figures • Rs crore • Not real data

Start with the year's figures

Tax revenue	650
Non-tax revenue	150
Revenue expenditure	1,000
includes Interest payments	240
includes Asset-creation grants	120
Capital expenditure	300
Loan recoveries	20
Disinvestment receipts	30

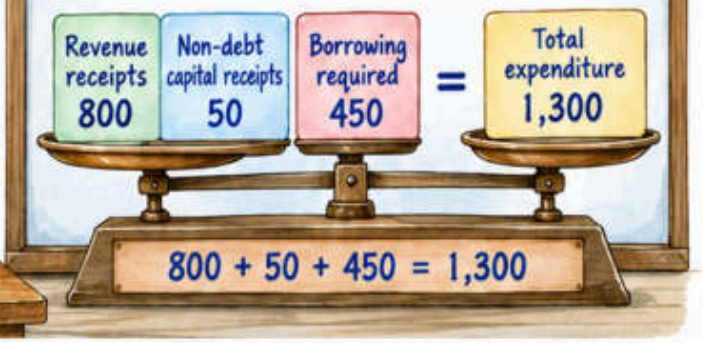
Important:
240 and 120 are already INCLUDED in 1,000, never add them again to total expenditure.



Work through the accounts

Revenue receipts = 650 + 150 = 800
Revenue deficit = 1,000 − 800 = 200
Effective revenue deficit = 200 − 120 = 80

Non-debt capital receipts = 20 + 30 = 50
Total expenditure = 1,000 + 300 = 1,300
Fiscal deficit = 1,300 − (800 + 50) = 450
Check: 200 + 300 − 50 = 450
Primary deficit = 450 − 240 = 210
Borrowing required = 450



If disinvestment rises from 30 to 80:

Tax revenue	650
Non-tax revenue	150
Loan recoveries	20
Disinvestment receipts	30 → 80

Non-debt capital receipts 50 → 100

Non-debt capital receipts rise from 50 to 100
Fiscal deficit = 1,300 − (800 + 100) = 400
Revenue deficit stays at 200

Disinvestment reduces fiscal deficit, not revenue deficit.

Day27 | Topic263 | 07

FRBM: targets, exceptions and return path

Statutory framework after the 2018 amendment

These are deadlines stated in the Act—not claims of achievement.

FISCAL RESPONSIBILITY AND BUDGET MANAGEMENT ACT, 2003

Section 4(1)(a): Fiscal deficit to 3% of GDP by 31 March 2021

Section 4(1)(b): Endeavour to limit General Government debt to 60% and Central Government debt to 40% of GDP by end-2024-25

Section 4(1)(c): Additional guarantees in a year ≤ 0.5% of GDP

Section 4(2): the escape clause

The annual fiscal-deficit target may be exceeded on these specified grounds.

- National security
- Act of war
- National calamity
- Collapse of agriculture
- Structural reforms with unanticipated fiscal implications
- Real-output growth at least 3 percentage points below the average of the previous four quarters.

Section 4(3): deviation ≤ 0.5% of GDP

Both Houses

Section 4(5): explain the deviation and set out the path back to the targets.

Budget 2020-21

Budget 2020-21 invoked Section 4(2) for structural reforms, including the corporation-tax cut: variation of 0.5% of GDP in 2019-20 and 2020-21.

From 2026-27: medium-term Central Government debt aim 50±1% of GDP by FY2030-31; fiscal deficit is the yearly operational target.

Day27 | Topic263 | 08

Two changes in deficit history

Effective revenue deficit



2011–12: introduced in the Union Budget

2012: brought into the FRBM Act

Fourteenth Finance Commission: criticised ERD as outside standard government accounting

2018: revenue-deficit and ERD targets removed from the Act

Finance Act 2018 omitted the revenue-deficit definition; the earlier ERD-definition clause was replaced by Central Government debt.

Budget at a Glance still reports ERD.

Automatic monetisation



Mid-1950s: ad hoc Treasury bills began as an exception, then became regular practice.

1994: First Supplemental Agreement.

6 March 1997: Second Supplemental Agreement.

April 1997: ad hoc Treasury bills completely phased out.

5 July 2004: FRBM Act came into force; RBI participation in primary issues of government securities was tightly restricted.

The automatic route ended; this does not mean all government borrowing ended.

Government borrowing continues through multiple sources





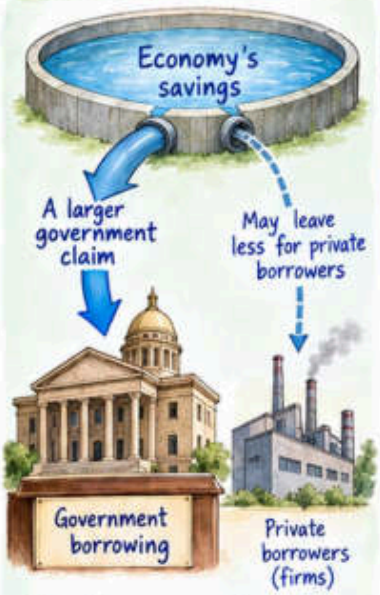
RBI borrowing is legally constrained; advances are not unlimited automatic monetisation.

Buildings are illustrative

Day 27 | Topic 263 | 09

Why the composition of borrowing matters

Crowding out is a risk



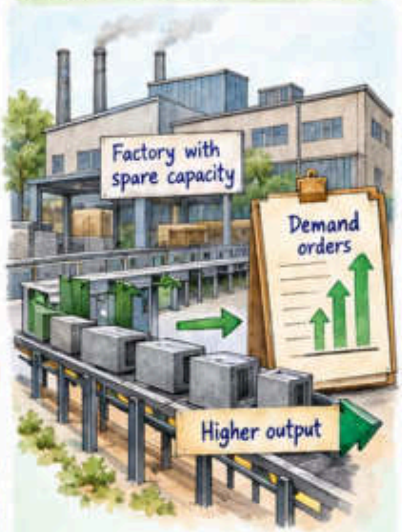
When the government borrows a larger share of the economy's savings, it may leave less for private borrowers. Crowding out is a risk, not a certainty, and depends on how the economy responds.

Composition matters



A large revenue-deficit share means more borrowing supports revenue spending rather than investment.

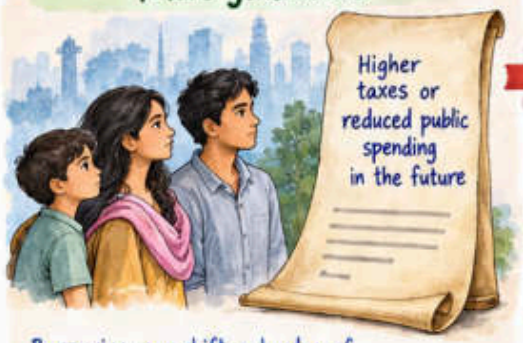
Inflation is not automatic



When demand and output rise together, a high fiscal deficit need not be inflationary.

If additional demand is met by higher domestic output (e.g. when there is spare capacity), price pressures can be limited.

Borrowing can shift a burden to future generations



Borrowing can shift a burden of reduced consumption to future generations, if it leads to higher future taxes or lower future public spending.

Public debt is burdensome if it reduces future output growth.



If higher public debt leads to lower future output growth, the burden on future generations is larger.

Ricardian view: people may save more now in anticipation of future taxes



Ricardian view: people may save more now in anticipation of future taxes, leaving national savings unchanged. This can offset the effect of government borrowing on the economy.

This is a contrasting argument, not a guaranteed outcome.

Reducing deficits: raise revenue, with greater reliance on direct taxes; reduce expenditure; raise non-debt capital receipts through disinvestment.



Raise revenue, with greater reliance on direct taxes.



Reduce expenditure.



Raise non-debt capital receipts through disinvestment.

The effect depends on what is financed and how the economy responds.

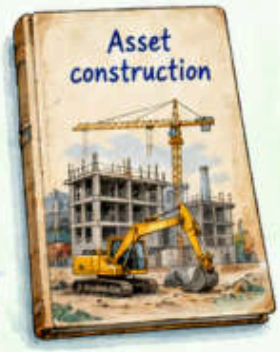
Day27 | Topic263 | 10

Keep flows, stocks and receipts apart

Zero revenue deficit ≠ zero borrowing



Revenue account balanced (revenue deficit = 0)



If revenue deficit = 0:
Fiscal deficit = Capital expenditure − Non-debt capital receipts

Capital spending beyond non-debt capital receipts still creates a borrowing requirement.

Disinvestment is a capital receipt



More disinvestment lowers fiscal deficit while revenue deficit can stay unchanged.

Illustrative figures • Rs crore

Disinvestment	30 → 80
Fiscal deficit	450 → 400
Revenue deficit	stays 200

Flow is not stock

Fiscal deficit is measured for a year; debt is built up over the years.



Annual deficit adds to debt



Fiscal deficit is the annual operational target from 2026-27.

Debt ratio is the medium-term anchor: 50±1% of GDP by FY2030-31.

Andhra Pradesh revenue deficit



2024-25:
Rs 60,285 crore;
3.8% of GSDP

Budget 2026-27 aim:
1.1% of GSDP

Illustrative recall from the worked example

In the worked example, revenue deficit is 200/450 ≈ 44.4% of fiscal deficit.



Use the right measure, the right year and the right accounting basis.

NCERT's listed measures and the Budget's effective revenue deficit are not identical lists.

The legal foundations of Amaravati

1 March 2014: assent to the Andhra Pradesh Reorganisation Act

2 June 2014: appointed day

2 June 2024: common-capital period ends

6 April 2026: assent to Amendment Act 7 of 2026

Deemed commencement: 2 June 2024

2014 Act — Section 5

Hyderabad: common capital for a period not exceeding ten years from the appointed day.

After that period: capital of Telangana, and a new capital for Andhra Pradesh.

2026 amendment — Section 5(2)

Hyderabad: common capital for a period not exceeding ten years from the appointed day.

After that period: capital of Telangana, and Amaravati shall be the new capital

Explanation 2 includes capital-city areas notified under the APCRDA Act, 2014.

The 2014 Act did not name Amaravati; Parliament inserted the name in 2026.

Section 6

Central Government committee to study alternatives and recommend within six months of enactment.



Section 94(3)

The Centre shall provide special financial support for essential facilities in the new capital.



Raj Bhawan



High Court



Secretariat



Legislative Assembly



Legislative Council



Other essential infrastructure



Section 94(4)

if necessary, facilitate the capital by denotifying degraded forest land.

Buildings and documents are illustrative.

Day 27 | Topic 264 | 02

The earlier Central assistance

Historical releases • Rs crore • 2014–15 to 2018–19

Assistance under Sections 6 and 94(3),(4)

The Union released Rs 2,500 crore for essential infrastructure in the capital.

Year	Released (Rs crore)
2014–15	1,500 The 1,500 includes 1,000 from the Ministry of Urban Development
2015–16	550
2016–17	450
2017–18	Nil
2018–19	Nil
Total	2,500



1,500 + 550 + 450 = 2,500

Funds are released for essential infrastructure in the capital, such as administrative buildings, roads, water supply and related works.

A release figure is not proof of expenditure or completion.

Government of India (archival reply)

Position reported on 19 November 2019

Historical capital assistance: 2,500 crore (2014–15 to 2016–17) ≠ Later Union counterpart grant: a different programme component

Keep time periods and funding scopes separate.

Remember the distinction

The later multilateral-loan package does not erase this earlier assistance history.

Day27 | Topic264 | 03

Facilitated loans—and a separate grant



Buildings are illustrative.

Union Budget • 23 July 2024

Rs 15,000 crore to be **arranged** in 2024-25 through multilateral development agencies, with additional amounts in future years.

The Union Budget announced that it will **FACILITATE** these loans through multilateral development agencies.

An announced arrangement is not proof that the full amount was released or spent.

Main multilateral component: LOANS

THE WORLD BANK Loan Agreement

ADB Loan Agreement

Cumulative World Bank +ADB loan disbursements:

JPY 88.73463 billion

(about Rs 5,120 crore)

Position reported 10 February 2026

Keep loan disbursements and grant releases distinct.

Later Union counterpart special assistance: GRANT

Union Government Counterpart Special Assistance (Grant) Approval

Approved: up to 10% of total programme cost, capped at

Rs 1,500 crore

Released by January 2026:

Rs 750 crore

Finance Ministry reply • 10 February 2026

G.O.Ms.No.118 10 November 2024

G.O.Ms.No.118 • 10 November 2024

Proposal: Rs 15,000 crore (US$1.786 billion); World Bank and ADB were proposed at US$800 million each.

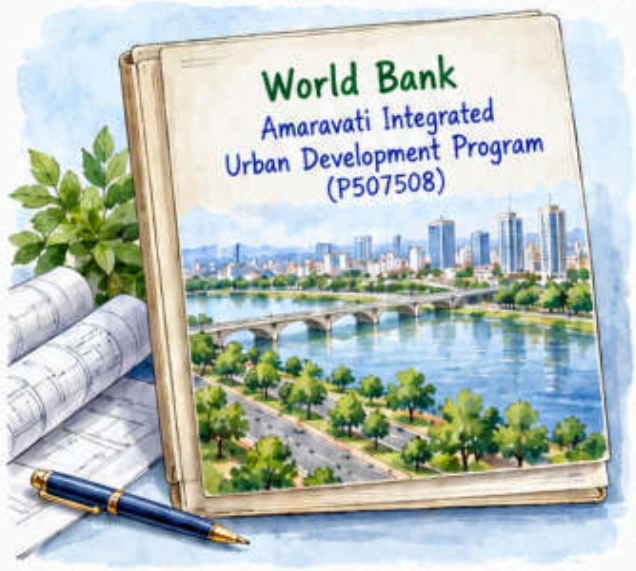
The remaining share was to be covered by the State with Union support; APCRDA was authorised as implementing agency.

The approved ADB loan is US$788.8 million; distinguish the proposal from the approved terms.

Approval ≠ release ≠ expenditure ≠ completion

Day27 | Topic264 | 04

The two multilateral loans





Point	World Bank	ADB
Approved amount	US$800 million (IBRD)	US$788.8 million
Board approval	19 December 2024	11 December 2024
Instrument	Program-for-Results Financing	Results-based loan
Final term	29 years	26 years
Grace period included	6 years	5 years
Agency	APCRDA	APCRDA, executing agency

The grace periods are included in the final terms, not added to them.

Both loans have equal yen principal amounts.
Different US-dollar equivalents reflect different benchmark exchange rates — not a reduction in yen principal.



November 2024 proposal: US$800 million each. Use the approved ADB amount: US$788.8 million.



Funding is released against agreed results, not reimbursement of every individual bill.

City scenes and buildings are conceptual illustrations, not current construction status.

Day27 | Topic264 | 05

What the programme is designed to deliver

Programme design and targets—not a completion report

Road grid and public transport



Better road connectivity, walkable streets and public transport to support a well-planned, liveable city.

Flood mitigation



Drains, retention structures and other measures to reduce flood risk and improve urban safety.

Water and wastewater systems



Water supply, sewerage and treatment systems to provide reliable urban services and a healthier environment.

Community facilities



Schools, health facilities, parks and other social infrastructure for inclusive urban development.

Affordable housing



Planned housing options to support a mix of income groups and inclusive growth.

Climate resilience



Greener, cooler and more resilient urban spaces to deal with climate risks and support a sustainable city.

Project scenes are illustrative.

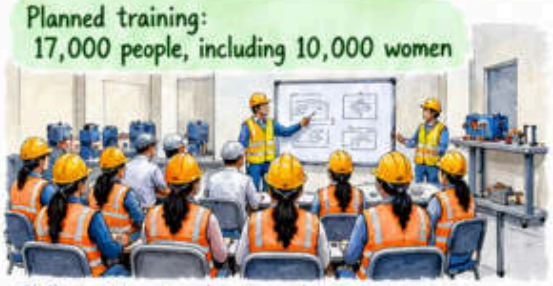
APCRDA— set up under the APCRDA Act, 2014; executing agency

Work allocation for specific components

ADCL— company under the Companies Act, 2013; civil works for trunk infrastructure and flood mitigation



Planned training: 17,000 people, including 10,000 women



Skills training to enhance employment opportunities and support inclusive growth.

World Bank expectation: catalyse more than **US$600 million** of private investment



ADB results indicator: **US$210 million** of private capital through land monetisation and asset management



Agreed results



Verification



Conditional disbursement

Funds released against agreed results

ADB support: Technical assistance grant: US$1.5 million

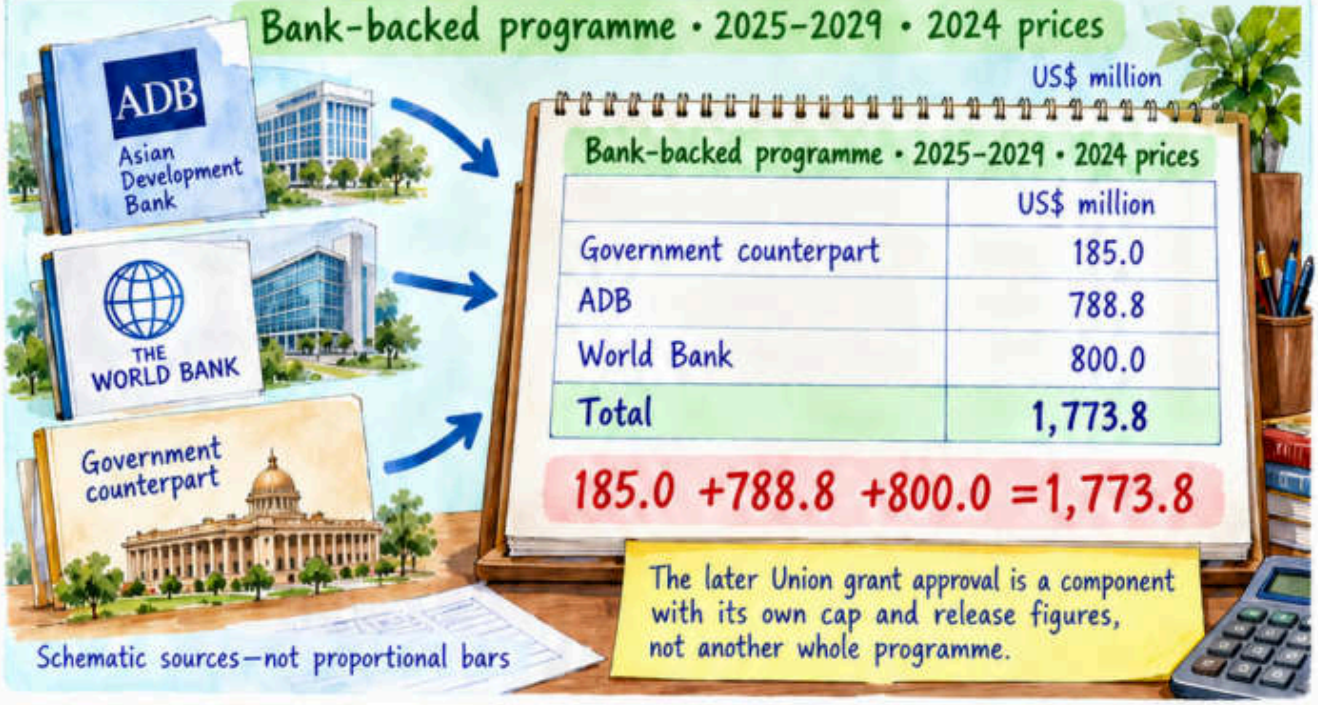


Funds are released against agreed results—not against bills for each individual item.

Day27 | Topic264 | 06

Keep the financing sources in separate ledgers

Bank-backed programme • 2025–2029 • 2024 prices



Housing and Urban Development Corporation (HUDCO)



State Budget 2026-27





City scenes and buildings are conceptual illustrations, not current construction status.

Day27 | Topic264 | 07.

How land pooling can finance a city

Farmers and agricultural land



Land contributed to pooling

APCRDA land-pooling agreement (not a sale deed)



Serviced returnable plots

Conceptual serviced residential and commercial plots



- Farmers contribute land instead of selling it.
- They receive serviced residential and commercial plots and annual cash annuity payments.
- Landless families receive pensions and other assistance.

Conceptual process illustration—not a site map or completion report.

Infrastructure makes land more useful and valuable



Returned plots → farmers share in the value gain



Serviced residential and commercial plots enable farmers to share in the value gain.

Land retained by authority → monetisation can help finance the city



Authority can monetise its land through suitable instruments to help finance the city.

Mechanism, not guaranteed returns.

Keep the land scopes separate

Different scopes and reporting bases; do not use one percentage for the other.

City-scale account



About 29,000 farmers contributed.

90% of land needed for the city assembled in the programme account.

Over 33,700 acres pooled by June 2018.

Programme-scale account



ADB programme requirement 12,918.972 acres.

About 248 acres remained to be acquired, about 1.9%.

Works launched 2 May 2025

Land-pooling infrastructure worth over Rs 20,400 crore, covering 1,281 km of roads.

Launch scope—not proof that all roads were completed.



Land monetisation joins loans, grants, PPPs, bonds and user charges as possible financing sources.

Day27 | Topic264 | 08

Costs, timelines and financial risks

Different scopes—not competing estimates of one total.

Bank-backed results programme

US$ 1,773.8 million
2025 – 2029
2024 prices



A results programme supported by the World Bank and ADB, with period and cost in 2025 in 2024 prices.

Wider Phase I government programme

US$3.64 billion
2024 - 2029



A wider Phase I programme of the Government, with a broader scope over 2024 - 2029.

Projects launched 2 May 2025

over Rs 58,000 crore
broader launch scope.



Buildings and housing	Trunk infrastructure and flood mitigation	Land-pooling infrastructure
over Rs 11,240 crore	over Rs 17,400 crore	over Rs 20,400 crore

Listed components are not an exhaustive arithmetic breakdown of the launch total.

City scenes are conceptual—not a completion report.

Assessment of risks—not a forecast of certain failure.

Loan conditions and repayment costs



Grace period does not mean cost-free: commitment fees and interest are payable.

State fiscal-stress weight



Possible delay in counterpart funding.

Legacy land issues



Pending compensation is a legacy issue.

Implementation timeline



Operation and maintenance



Operation and maintenance needs continuing revenue.

Risk register (key areas)

Area	Risk level / key concern
Financial management	High
Procurement	High
Financial sustainability / O&M funding	Substantial
Land monetisation	Risk of raising insufficient capital.



Programme: Bank-backed results programme
Cost: US$1,773.8 million
Price base: 2024 prices
Period: 2025 – 2029
Status: Bank-backed programme (results based)

Day27 | Topic264 | 09

The capital project: 2014 to 2022

Establishing institutions, 2014

1 March 2014
Presidential assent to AP Reorganisation Act; Section 6 provides for expert committee.

28 March 2014
Union constitutes expert committee chaired by K. C. Sivaramakrishnan; report in August 2014.

1 September 2014
State Cabinet approves Vijayawada – Guntur region (reported decision).

30 December 2014
APCRDA Act comes into force.



Land and early assistance

From January 2015
Land pooling begins; over 33,700 acres pooled by June 2018.

22 October 2015
Foundation stone laid for Amaravati.



Historical assistance

Funds released for essential infrastructure.

Year	Amount released
2014 – 15	Rs 1,500 crore
2015 – 16	Rs 550 crore
2016 – 17	Rs 450 crore
Total	Rs 2,500 crore



Historical events – Institutional changes, 2020 – 2022

31 July 2020
Governor's assent to decentralisation law and APCRDA repeal law.

22 November 2021
Assembly passes Bill to repeal both 2020 Acts.

3 March 2022
Andhra Pradesh High Court orders implementation of Amaravati master plan (reported order).



A foundation stone, a State decision and a Parliamentary amendment are different legal events.



A foundation stone is a project event to mark the start of works.



A State decision (such as Cabinet approval) is an executive decision of the State Government.



A Parliamentary amendment is a change in a law made by Parliament.

In 2014 the Central Act said there shall be a new capital; the name Amaravati entered section 5 through the 2026 Parliamentary amendment.

People and buildings are illustrative.

Day27 | Topic264 | 10.

The later funding and legal milestones

Timeline of announcements, approvals and legal events — not a construction-progress report.

2024



2 June 2024
Hyderabad's common-capital period ends.



23 July 2024
Union Budget announces facilitated multilateral support: ₹15,000 crore in 2024-25 with additional amounts in future years.



10 November 2024
G.O.Ms.No.118 allows APCRDA to seek World Bank and ADB funding.

Late 2024 - 2025

11 December 2024
ADB loan approval.



19 December 2024
World Bank loan approval.



16 March 2025
HUDCO-APCRDA ₹11,000 crore loan agreement.



2 May 2025
Foundation laid for works worth over ₹58,000 crore; launch, not completion.

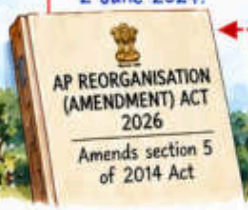


2026 - 2029

14 February 2026
State Budget allocates ₹6,000 crore for capital development.



6 April 2026
Amendment Act names Amaravati in section 5, deemed effective 2 June 2024.



Legal effect from 2 June 2024

31 December 2029
ADB loan closing date.



Status distinctions in project funding and implementation



Approved or allocated
Formal approval or budget allocation for a specified amount.



Not automatically released
Actual release of funds happens in stages, subject to conditions and procedures.



Not automatically spent
Released funds are spent on approved works as per rules.



Not automatically completed
Spending over time leads to implementation; completion depends on multiple factors.



Main 2024 package is multilateral borrowing; a later Union counterpart grant is a distinct component.



Different US-dollar loan equivalents arise from benchmark exchange rates; yen principal amounts are equal.

Reorganisation resource gap is a different subject



2 June 2014 – 31 March 2015
State-reported revenue deficit:
₹16,079 crore

Union-assessed resource gap:
₹4,117.89 crore

These are not capital-city assistance amounts.

Buildings and city scenes are conceptual illustrations.

Agricultural credit

Why farmers borrow

Agricultural credit finances crops, allied activities and farm investment. Institutional lending has expanded through banks, KCC, interest subvention and priority sector targets.



Short-term credit

Pays for cultivation, post-harvest expenses, allied working capital, household consumption and maintenance of farm assets. Crop loans follow the crop season; allied loans follow cash flow.



Investment credit

Term credit finances investment in agriculture and allied activities. Under RBI's 2026 KCC Directions, repayment is within six years, according to the activity.



Ground level credit, 2024-25

Total: Rs 28.69 lakh crore; target: Rs 27.5 lakh crore. Short-term: Rs 15.93 lakh crore. Term loans: Rs 12.77 lakh crore. The parts total 28.70 because of rounding. Credit flow rose from Rs 7.3 lakh crore in 2013-14 to Rs 25.49 lakh crore in 2023-24.



Source: Corrected Day 28 notes, pp. 21-22 | @iaswithdrravi

Day 28 | Topic 274 | P01

Sources of agricultural credit

Institutional sources

Commercial banks: public, private and other scheduled banks issue KCCs and carry priority sector agriculture targets. Regional rural banks: each has a sponsor bank and the same 18% agriculture target.



The cooperative network

State cooperative banks, district central cooperative banks and primary agricultural credit societies (PACS). NABARD supervises cooperative banks and RRBs.



NABARD: apex refinancer

NABARD refinances lending institutions. It is not the village-level lender directly serving individual farmers.



Non-institutional sources

Moneylenders, traders, relatives and friends. Their share fell from 90% in 1950 to 23.4% in 2021-22. Institutions therefore supplied 76.6%. Source: Economic Survey 2025-26, citing Kisan Rin Portal.



Source: Corrected Day 28 notes, pp. 22, 25 | @iaswithdrravi

Day 28 | Topic 274 | P02

Kisan Credit Card: access and reach

Origins

First RBI KCC circular: 5 August 1998. NABARD designed the model scheme on the recommendations of the R.V. Gupta Committee.



Who is eligible?

Owner cultivators, tenants, oral lessees and sharecroppers, individually or jointly, and their self-help groups (SHGs) and joint liability groups (JLGs). KCC is not restricted to landowners.



Beyond crop loans

One composite facility combines working capital and investment credit. Animal husbandry and fisheries were added in 2018-19; the RBI circular followed on 4 February 2019. The 2026 Directions cover animal husbandry farmers, fishers and fish farmers.



Card and reach

RuPay-enabled card. The 2026 Directions also provide debit cards, UPI, mobile and internet banking and RBI digital currency. On 31 March 2025: 7.72 crore operative accounts and Rs 10.20 lakh crore outstanding (Economic Survey 2025-26).



Source: Corrected Day 28 notes, pp. 22-23 | @iaswithdrravi

Day 28 | Topic 274 | P03

KCC limits and collateral

How the limit is built

For each crop season: scale of finance × cultivated area; add 10% for post-harvest and household consumption, 20% for farm-asset repairs and maintenance, soil testing and weather advisory, plus insurance premium. Round to the nearest Rs 1,000.



Flexi KCC

For marginal farmers: Rs 10,000 to Rs 50,000, based on the bank's assessment, not the value of land.



Collateral-free credit

No collateral up to Rs 2 lakh per borrower for agricultural loans, including allied activities. RBI circular: 6 December 2024; effective: 1 January 2025. The earlier limit was Rs 1.6 lakh. Up to Rs 3 lakh where a crop or stock is hypothecated under a recovery tie-up. The Rs 2 lakh rule covers all agricultural loans, not only KCCs.



Source: Corrected Day 28 notes, p. 23 | @iaswithdrravi

Day 28 | Topic 274 | P04

KCC: the 2027 change

The dated rule

RBI issued the Commercial Banks: Kisan Credit Card Scheme Directions on 19 June 2026. They apply to loans sanctioned from 1 January 2027.



Which lenders?

Commercial banks, excluding small finance banks, payments banks and local area banks. Older loans follow old guidelines until maturity or renewal.



Validity and crop seasons

Existing revolving credit is valid up to five years (PIB, March 2026). For loans sanctioned from 1 January 2027, tenure is six years. A crop season is fixed at 12 months for short-duration crops and 18 months for long-duration crops.



Read the effective date

The Directions repeal 13 earlier circulars, from the 1998 circular to the Master Circular of 3 July 2017. A rule announced in 2026 is not automatically the rule for every existing loan.



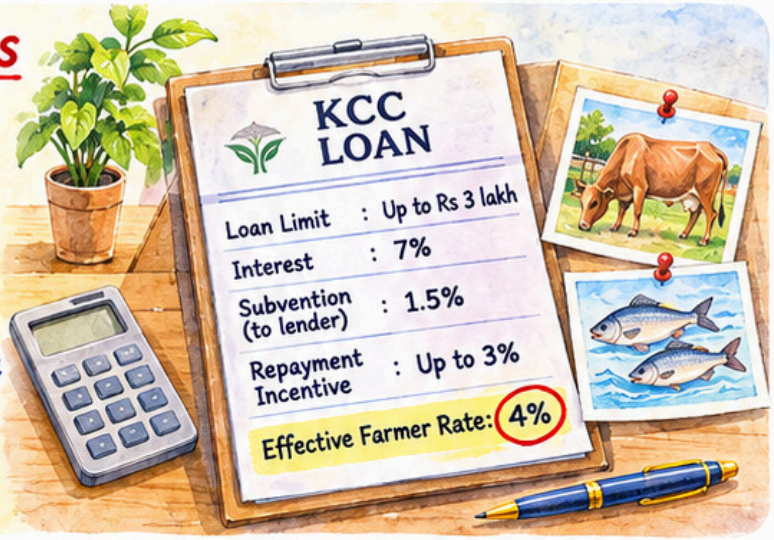
Source: Corrected Day 28 notes, pp. 23, 26 | @iaswithdrravi

Day 28 | Topic 274 | P05

Modified Interest Subvention Scheme

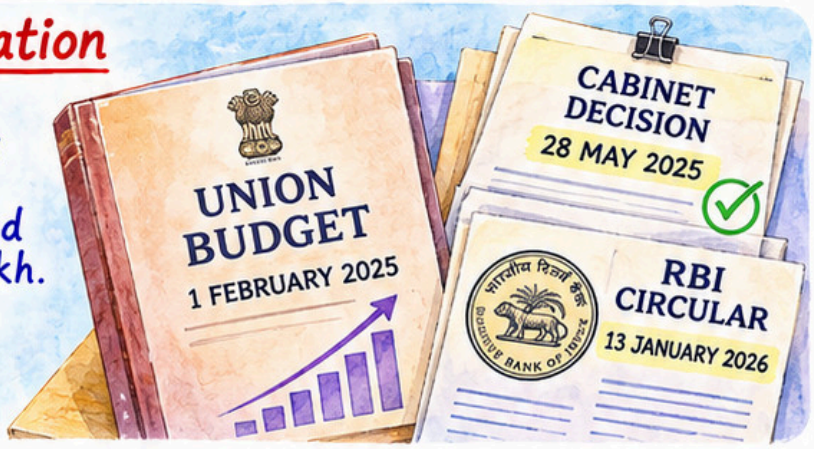
How interest support works

MISS is a Central Sector Scheme introduced in 2006-07. For FY 2025-26, short-term KCC loans up to Rs 3 lakh carry 7% interest. Lenders receive 1.5% subvention. Prompt repayment earns up to 3% incentive: effective farmer rate 4%. Loans solely for animal husbandry or fisheries: benefit up to Rs 2 lakh.



Announcement versus operation

Budget, 1 February 2025: proposed raising the MISS limit from Rs 3 lakh to Rs 5 lakh. Cabinet, 28 May 2025: continued FY 2025-26 loans up to Rs 3 lakh. RBI circular, 13 January 2026: overall limit Rs 3 lakh for FY 2025-26.



Keep the year attached

PIB, 11 March 2026, lists a rise to Rs 5 lakh but gives no effective date. The FY 2025-26 circular does not by itself establish the FY 2026-27 limit. Distinguish announcement, operational circular and later implementation.



Subsidy and verification

Economic Survey 2025-26: Rs 1.77 lakh crore subsidy during 2014-15 to 2025-26. Kisan Rin Portal, launched in 2023, flagged Rs 1,080.88 crore in duplicate or excess claims.



Source: Corrected Day 28 notes, pp. 23-24 | @iaswithdrravi

Day 28 | Topic 274 | P06

Priority sector lending

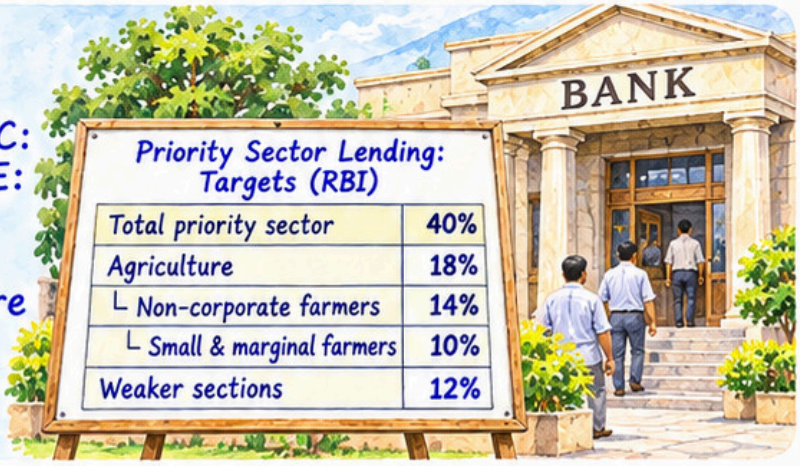
RBI Directions, 2025

Issued 24 March 2025; effective 1 April 2025; updated 11 September 2026. For domestic commercial banks and foreign banks with 20 or more branches: total priority sector 40%; agriculture 18%; within agriculture, non-corporate farmers 14%; within that, small and marginal farmers 10%; weaker sections 12%.



The denominator matters

Targets are shares of ANBC or CEOBSE, whichever is higher. ANBC: adjusted net bank credit. CEOBSE: credit equivalent of off-balance sheet exposures. RRBs and small finance banks share the agriculture targets of 18%, 14% and 10%. Urban cooperative bank table gives no agriculture target.



Who counts as small?

RBI: marginal farmer, land up to 1 hectare; small farmer, more than 1 and up to 2 hectares. Eligible landless labourers, tenants, oral lessees and sharecroppers within these limits count too. Exactly 1 hectare is marginal under RBI wording, but small in the Agriculture Census classification.



Three parts of agriculture

Farm credit, agriculture infrastructure and ancillary activities. Target shortfalls go to NABARD's Rural Infrastructure Development Fund and similar funds; these deposits count as ancillary activities.



NABARD: the apex institution

Birth and law

Came into existence: 12 July 1982. Dedicated to the nation: 5 November 1982. Legal basis: National Bank for Agriculture and Rural Development Act, 1981 (Act 61 of 1981).



The committee behind it

CRAFICARD: Committee to Review Arrangements for Institutional Credit for Agriculture and Rural Development. Formed 30 March 1979 under B. Sivaraman. Interim report, 28 November 1979, called for a new development financial institution. Some books spell the name Shivaraman.



What it took over

Agricultural credit functions of RBI and refinance functions of the Agricultural Refinance and Development Corporation (ARDC). Not the functions of State Bank of India. Do not confuse CRAFICARD with the Narasimham committee behind RRBs.



Three functions

Financial: refinance and rural infrastructure support.

Developmental: new schemes and implementation of Government schemes.

Supervision: cooperative banks and RRBs.



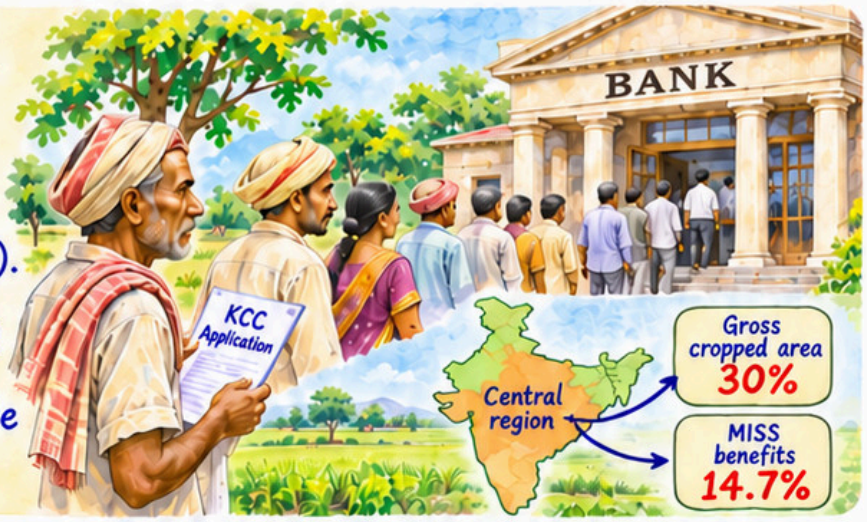
Source: Corrected Day 28 notes, pp. 25-26 | @iaswithdrravi

Day 28 | Topic 274 | P08

Farm credit: progress and gaps

Unequal access remains

Non-institutional credit still supplied 23.4% in 2021-22. Small and marginal farmers hold about 76% of agricultural credit accounts (PIB, March 2026). The Central region has 30% of gross cropped area but received only 14.7% of MISS benefits. Kisan Rin Portal detects duplicate and excess claims.



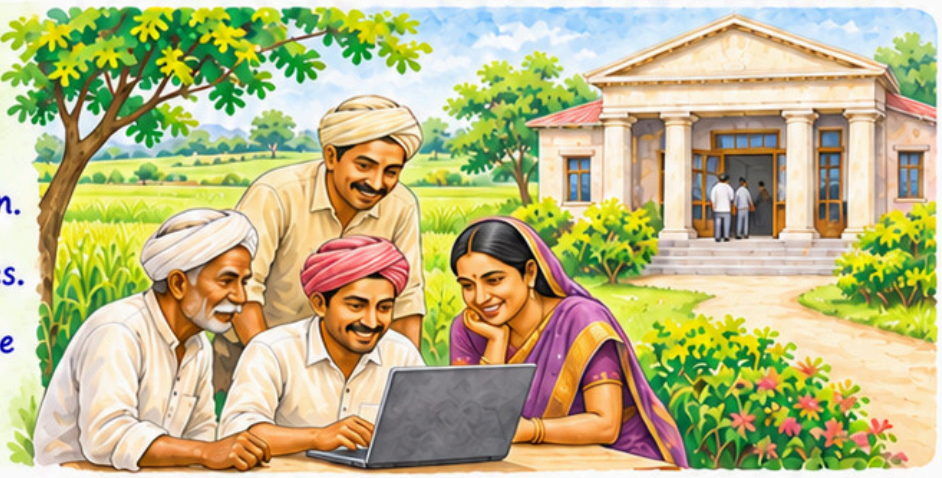
Institutional foundations

- 1950: 90% of farm credit was non-institutional.
- 19 July 1969: 14 major commercial banks nationalised.
- 2 October 1975: first five RRBs established under an ordinance; RRB Act followed in 1976.



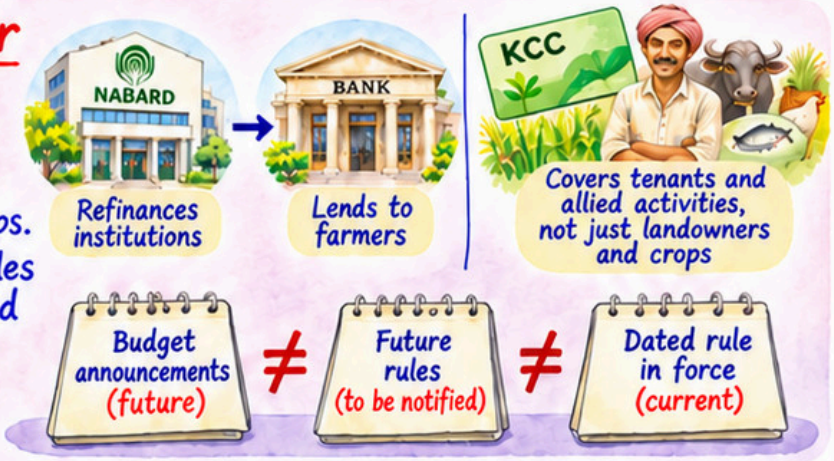
The policy chain

- 1979: CRAFICARD.
- 1982: NABARD.
- 1998: KCC.
- 2006-07: interest subvention.
- 2018-19: KCC extended to animal husbandry and fisheries.
- 2023: Kisan Rin Portal.
- 2025: Rs 2 lakh collateral-free limit and new PSL Directions.
- 2027: new KCC rules apply from 1 January.



Keep the distinctions clear

- NABARD refinances institutions; banks lend to farmers.
- KCC covers tenants and allied activities, not just landowners and crops.
- Budget announcements and future rules must be distinguished from the dated rule in force.



Source: Corrected Day 28 notes, pp. 25-26 | @iaswithdrravi

Day 28 | Topic 274 | P09

How rural employment became a legal guarantee

The Maharashtra beginning

A Government Resolution dated 28 March 1972 sanctioned Maharashtra's Employment Guarantee Scheme.

The Maharashtra Employment Guarantee Act, 1977 later gave it a statutory basis.

This State experience helped shape the national approach.



Food for work

The Ministry of Rural Development announced the National Food for Work Programme in October 2004 for 150 districts.

It was 100 per cent centrally sponsored, and the announcement also promised national employment-guarantee legislation.



The 2005 Act

The National Rural Employment Guarantee Act, 2005, Act No. 42 of 2005, is dated 5 September 2005.

Section 1(3) allowed different commencement dates for different areas.



Three phases and a new name

The Act began on 2 February 2006 in 200 districts. Another 130 entered from 1 April 2007 in Phase II, 2007–08.

Phase III covered the remaining 285 rural districts from 1 April 2008.

Amendment Act 46 of 2009 added "Mahatma Gandhi" with effect from 2 October 2009.

Enactment, phased implementation and renaming are separate dates.



Key steps

- 1972: Maharashtra scheme
- 1977: State Act
- 2004: Food for Work
- 2005: National Act
- 2006: Phase I
- 2007: Phase II
- 2008: Phase III
- 2009: Renamed

Sources: Day 29 Source Index | Topic 284

MGNREGA makes work demand driven

Household entitlement

Section 3(1) guaranteed not less than 100 days of work in a financial year to a rural household whose adult members volunteered for unskilled manual work. The entitlement belonged to the household, not separately to each adult.



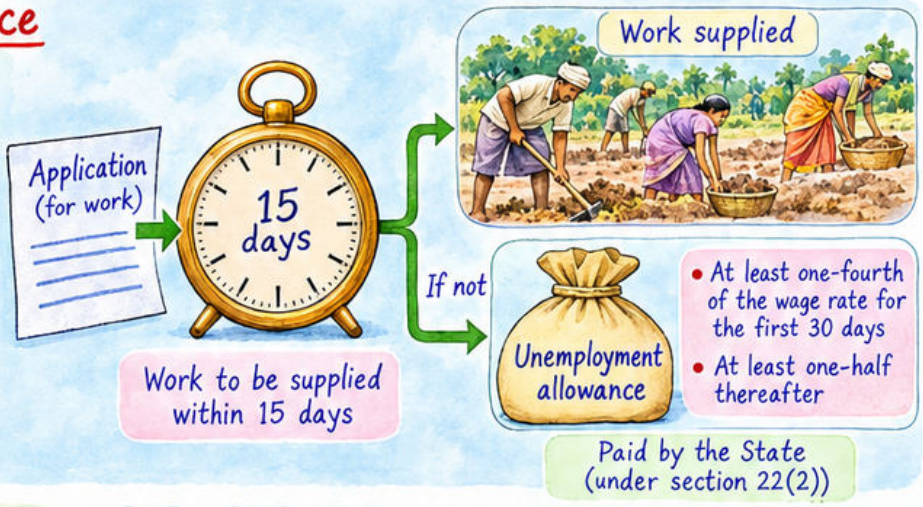
Registration and demand

Eligible adult household members registered for a job card, issued within 15 days of application. The programme was demand-driven: workers' applications generated the requirement to provide work.



Work or allowance

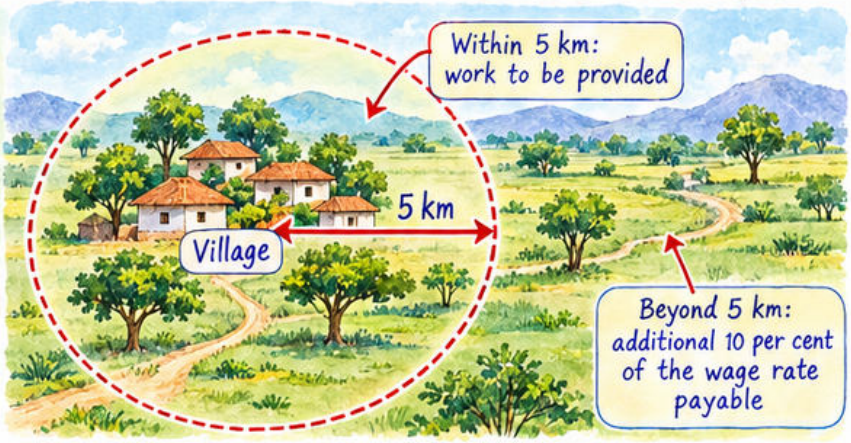
Work had to be supplied within 15 days of receiving an application. If not, section 7 provided unemployment allowance of at least one-fourth of the wage rate for the first 30 days of the financial year and at least one-half thereafter. Under section 22(2), the State paid this allowance.



Distance matters

Work was to be within a 5 km radius of the village. Beyond that distance, an additional 10 per cent of the wage rate was payable.

Do not confuse the job-card deadline, work deadline, allowance rates and travel supplement: each protects a different part of access to employment.

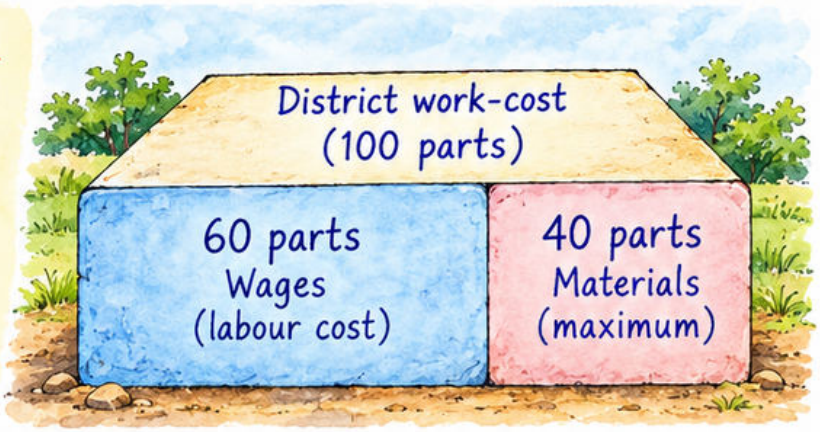


Sources: Day 29 Source Index | Topic 284

Who paid and who supervised MGNREGA?

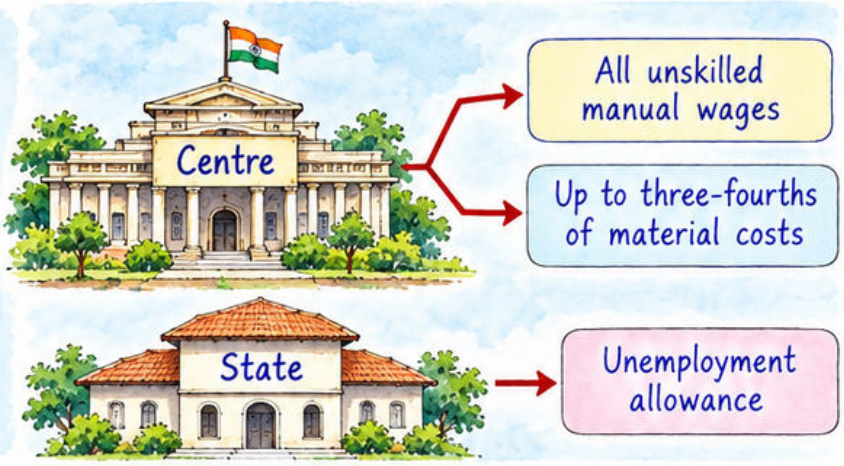
The wage-material rule

Material costs, including skilled and semi-skilled wages, could not exceed 40 per cent at district level. Schedule I, substituted in 2016, therefore produced the familiar 60:40 wage-material ratio. It was not a mandatory ratio for each individual work.



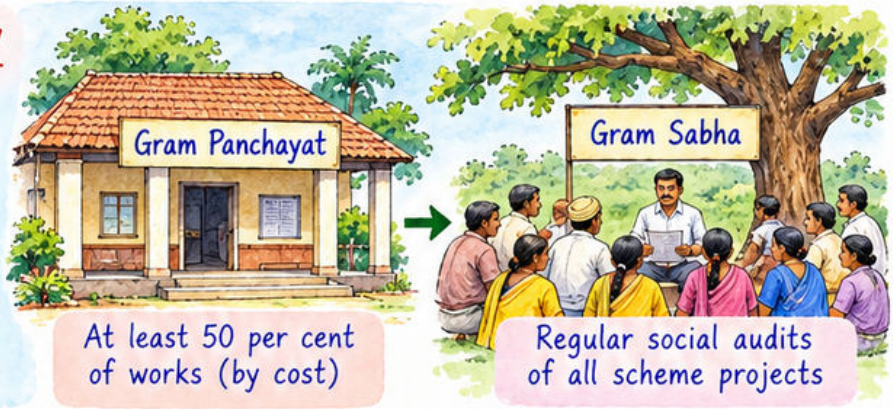
Centre and State

Section 22(1) made the Centre responsible for all unskilled manual wages and up to three-fourths of material costs. The State bore unemployment allowance. This arrangement differs from the new law's general Centre-State cost-sharing ratio.



Panchayat delivery

Section 16(5) required at least 50 per cent of works by cost to be implemented through Gram Panchayats. Section 17(2) made the Gram Sabha responsible for regular social audits of all scheme projects.



Women's access

Schedule II gave priority to women so that at least one-third of beneficiaries were women who had registered and requested work. The minimum is about beneficiaries, while later reported participation figures often measure women's share of person-days. Those are related but different measures.

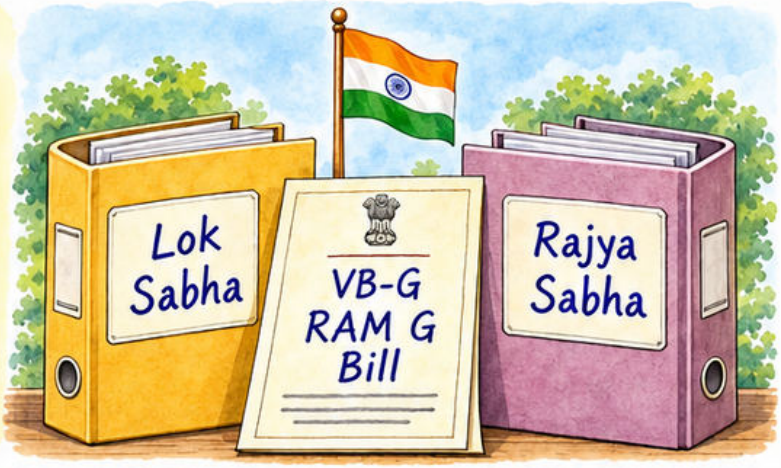


Sources: Day 29 Source Index | Topic 284

The new rural guarantee begins in July 2026

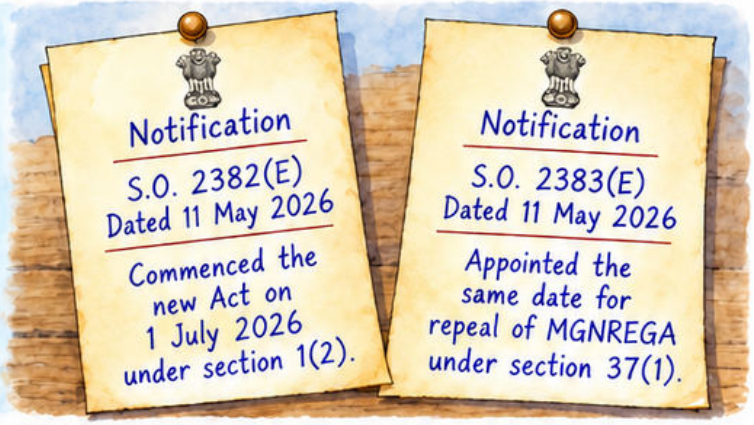
Passage and enactment

Parliament passed the Viksit Bharat-Guarantee for Rozgar and Ajeevika Mission (Gramin) Bill on 18 December 2025. The Rajya Sabha passed it by voice vote hours after the Lok Sabha. The VB-G RAM G Act is Act No. 36 of 2025, dated 20 December 2025.



Two notifications

Notification S.O. 2382(E), dated 11 May 2026, commenced the new Act on 1 July 2026 under section 1(2). S.O. 2383(E), also dated 11 May, appointed the same date for repeal of MGNREGA under section 37(1).



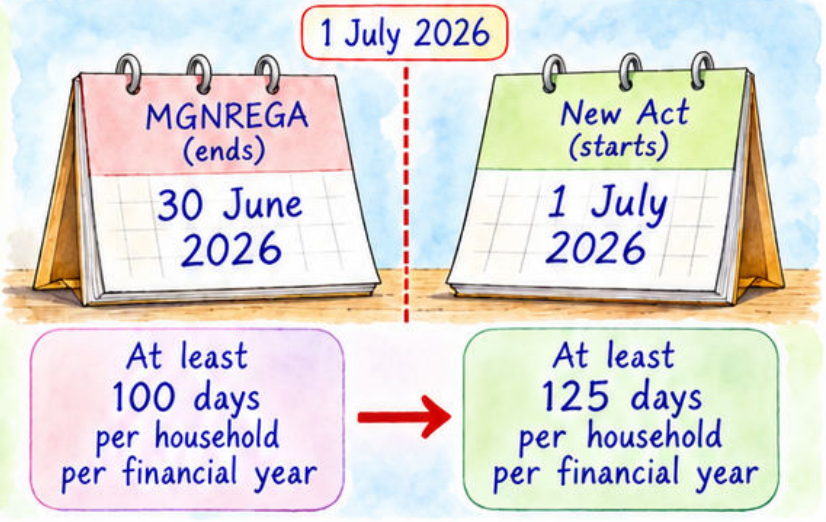
The date distinction

MGNREGA operated from 2 February 2006 through 30 June 2026, with its phased territorial rollout. The new law operates from 1 July 2026. Passage in December 2025 did not itself start the new guarantee.



The new floor

Section 5(1) guarantees not less than 125 days per household per financial year. Section 5(4) permits more within economic capacity. The increase is a floor, not a 125-day ceiling, and it remains a household entitlement.

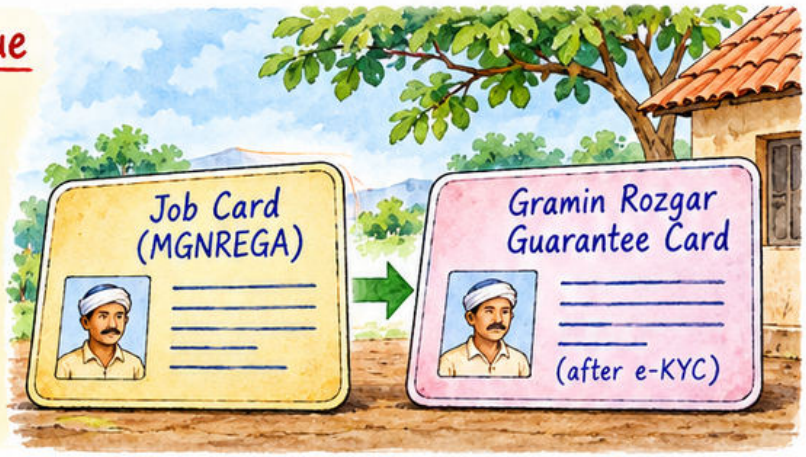


Sources: Day 29 Source Index | Topic 284

Transition planning and farm seasons

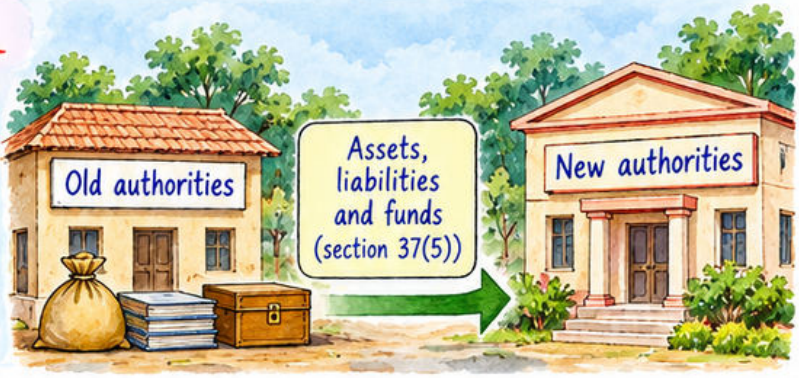
Work and records continue

Workers' job cards remain valid until Gramin Rozgar Guarantee Cards are issued if e-KYC is complete. Ongoing MGNREGA works may continue under the new Act. Section 37(2) treats old employment generated and wage liability accrued as under the new law.



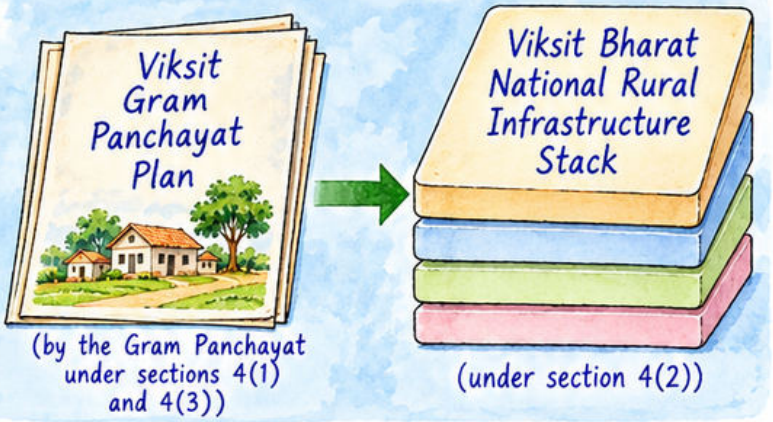
Institutional transition

Assets, liabilities and funds pass to the new authorities under section 37(5). Each State must make a scheme within six months of commencement under section 3(1). Tamil Nadu notified its scheme effective from 1 July 2026.



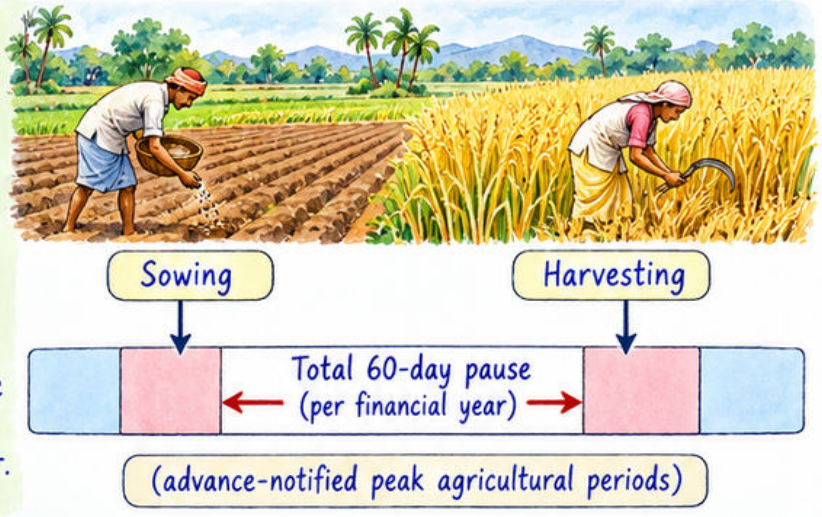
Plans from the village

Every work must arise from a Viksit Gram Panchayat Plan prepared by the Gram Panchayat under sections 4(1) and 4(3). These plans combine into the Viksit Bharat National Rural Infrastructure Stack under section 4(2).



The seasonal pause

Section 6 bars starting or carrying on works during advance-notified peak agricultural periods aggregating to sixty days per financial year, covering sowing and harvesting. States may set different periods for districts, blocks or Gram Panchayats. The annual guarantee and this seasonal scheduling constraint must be read together.

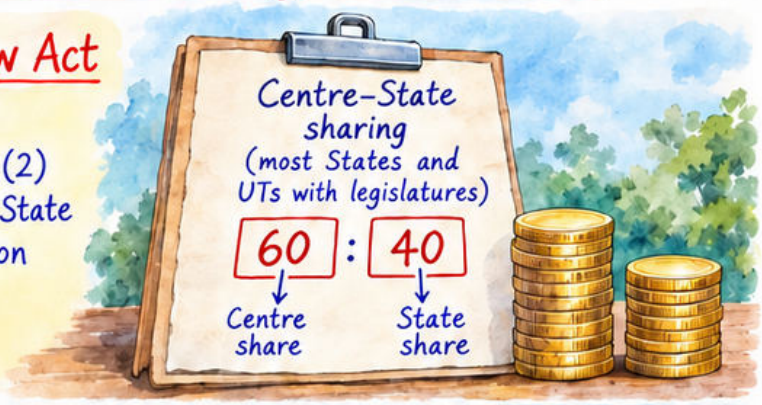


Sources: Day 29 Source Index | Topic 284

Two different meanings of 60:40

Cost sharing under the new Act

Section 22(1) makes the scheme Centrally Sponsored. Sections 22(2) and 22(3) provide 60:40 Centre-State sharing for most States and Union territories with legislatures.



Special categories

The ratio is 90:10 for North Eastern States, Uttarakhand, Himachal Pradesh and Jammu and Kashmir.



90 : 10
North Eastern States, Uttarakhand, Himachal Pradesh and Jammu and Kashmir

The Centre bears the whole cost in Union territories without a legislature. Do not treat all Union territories as a single funding category.

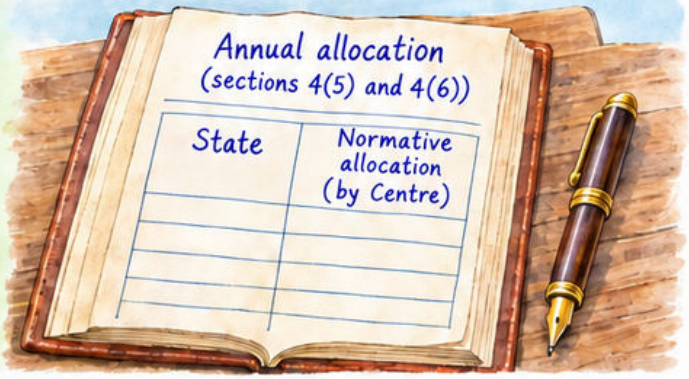


100 : 0
Union territories without a legislature

Annual allocation

Under sections 4(5) and 4(6), the Centre fixes State-wise normative allocations each year; States bear expenditure beyond their allocation.

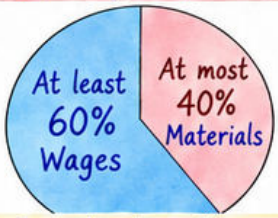
The parameters are left to Central rules. Draft rules were published for comments on 22 May 2026 as G.S.R. 396(E).



The other ratio remains

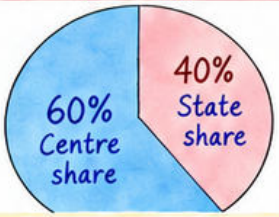
The district-level material-cost ceiling is still 40 per cent under Schedule I. That wage-material 60:40 describes spending composition, whereas Centre-State 60:40 describes who pays.

Wage-material 60:40
(spending composition)



Describes how the expenditure is split (wages and materials).

Centre-State 60:40
(funding)



Describes who pays (the Centre and the State).

MGNREGA instead had the Centre pay all unskilled wages and up to three-fourths of materials under its own funding structure.



Sources: Day 29 Source Index | Topic 284

Safeguards retained in the new Act

Work not supplied

Section 11 retains unemployment allowance after 15 days at the same minimum rates: one-fourth of the wage rate for the first 30 days, one-half thereafter. Section 22(8) makes the State responsible for this allowance and delay compensation.



Local implementation

At least 50 per cent of works by cost remain with Gram Panchayats under section 19(e). Regular Gram Sabha social audits continue under section 20(2). These are retained institutional safeguards, not newly invented replacements.



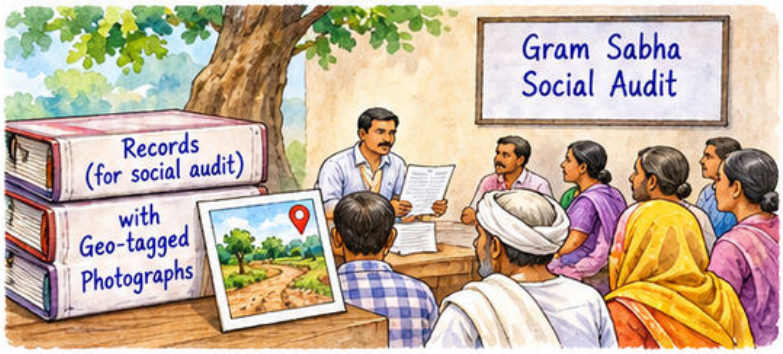
Women and distance

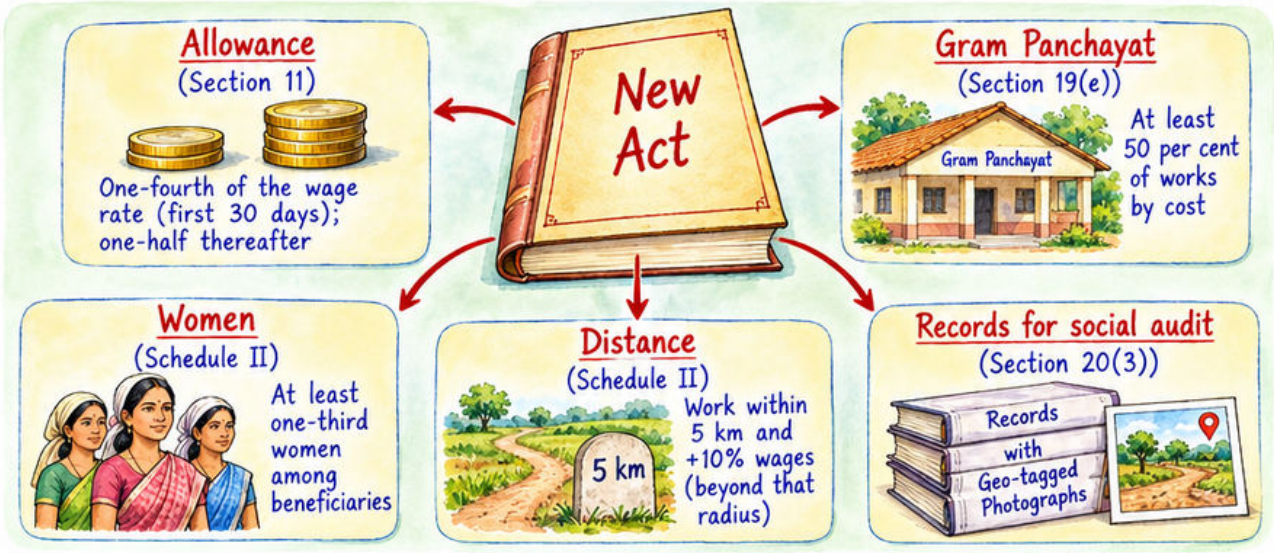
Schedule II preserves at least one-third women among beneficiaries, work within 5 km and extra wages of 10 per cent beyond that radius. The district-level material ceiling of 40 per cent is also retained.



Records for scrutiny

Under section 20(3), the Gram Panchayat must supply the Gram Sabha with all records for social audit, including geo-tagged photographs. A legal audit requirement and actual completion of audits are different matters. Retention of safeguards should be distinguished from changes in days guaranteed, funding and seasonal work scheduling.





Sources: Day 29 Source Index | Topic 284

What MGNREGA actually delivered

Work and participation

In 2024–25, MGNREGA generated 290.60 crore person-days. Women supplied 58.15 per cent of person-days, up from 48 per cent in 2013–14. Person-days count days worked, not unique workers.



290.60 crore
person-days
(in 2024–25)

58.15%
women's share of person-days
(up from 48% in 2013–14)

Workers and household days

Workers employed numbered 7.88 crore in 2024–25, compared with 11.17 crore in 2020–21. Average household work was 50 days in 2024–25 and 43 in 2025–26, the latter reported as the lowest in a decade in the Minister's 28 July 2026 Lok Sabha reply.



7.88 crore
workers
(in 2024–25)

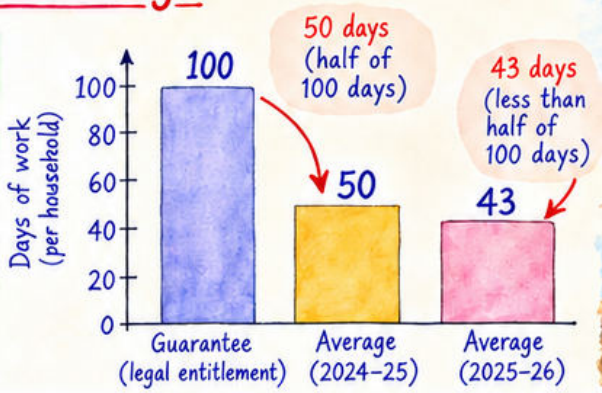
11.17 crore
workers
(in 2020–21)

50 days
average household work
(in 2024–25)

43 days
average household work
(in 2025–26)

Guarantee versus average

Fewer than 10 per cent of households that worked completed 100 days, according to PRS's 2026–27 analysis. The 43-day average was less than half the 100-day guarantee. A legal entitlement does not itself show actual access.





Andhra Pradesh

The State generated 241.07 crore person-days from 2014–15 to 2024–25, counted to 5 December 2024. Its notified unskilled wage was Rs 300 a day in 2024–25. Wage rates are notified State by State.



241.07 crore
person-days
(from 2014–15 to 2024–25, counted to 5 December 2024)

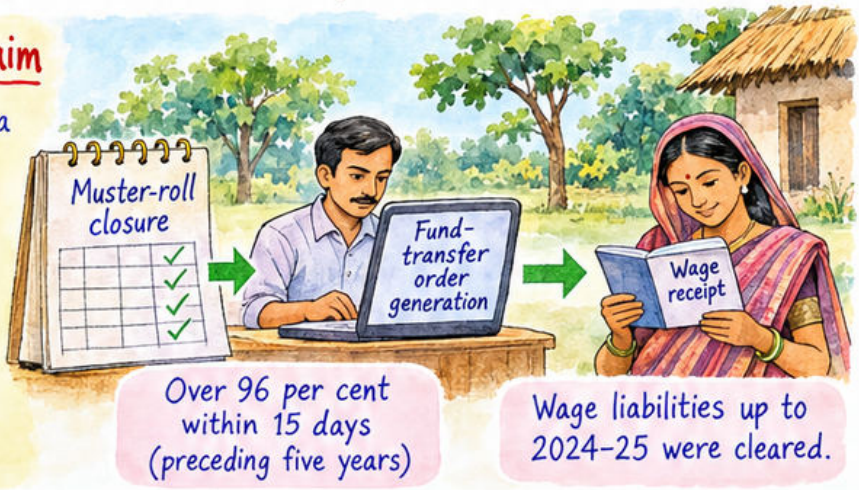
Rs 300 a day
notified unskilled wage
(in 2024–25)

Sources: Day 29 Source Index | Topic 284

Payment systems and unpaid entitlements

The Ministry's payment claim

In its 22 July 2025 Lok Sabha reply, the Ministry said over 96 per cent of fund-transfer orders had been generated within 15 days of muster-roll closure over the preceding five years, and wage liabilities up to 2024-25 were cleared.



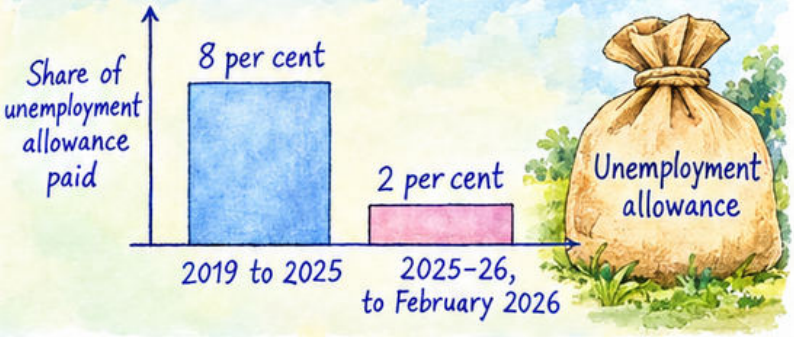
Wage adequacy and gaps

PRS found wages actually paid below notified rates in 20 of 31 States and Union territories in 2025-26, using data to December 2025. The Parliamentary Standing Committee's 37th Report, February 2024, called wages inadequate and sought a new base year instead of 2009-10.



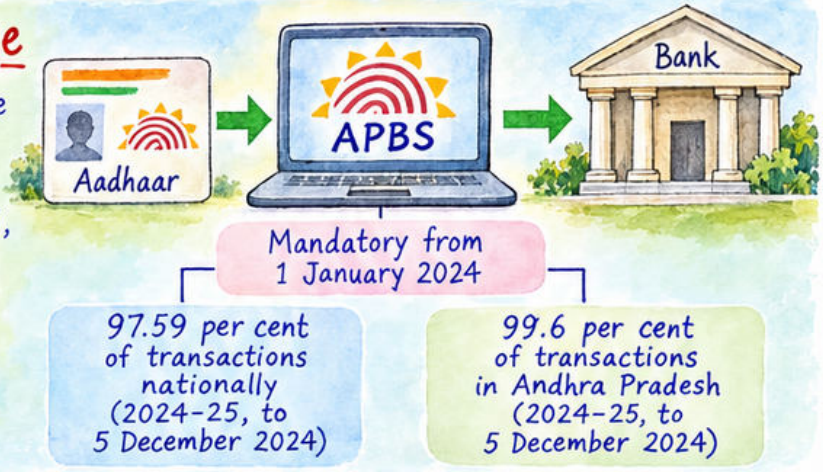
Allowance largely unpaid

About 8 per cent of unemployment allowance due from 2019 to 2025 was paid. In 2025-26, to February 2026, the share was 2 per cent. A payment-order processing statistic does not establish full delivery of every entitlement.



Aadhaar payment bridge

APBS became mandatory for wage payments on 1 January 2024 to avoid disruption when workers change bank accounts. In 2024-25, to 5 December 2024, it handled 97.59 per cent of transactions nationally and 99.6 per cent in Andhra Pradesh.

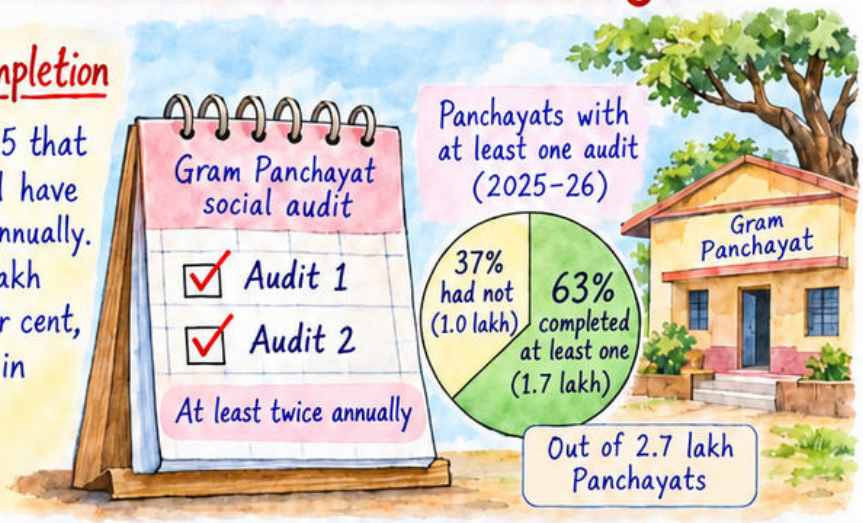


Sources: Day 29 Source Index | Topic 284

Social audit and the 2026-27 budget

Audit requirement and completion

PIB stated on 26 August 2025 that every Gram Panchayat should have a social audit at least twice annually. By December 2025, only 1.7 lakh of 2.7 lakh Panchayats, or 63 per cent, had completed even one audit in 2025-26, according to PRS.



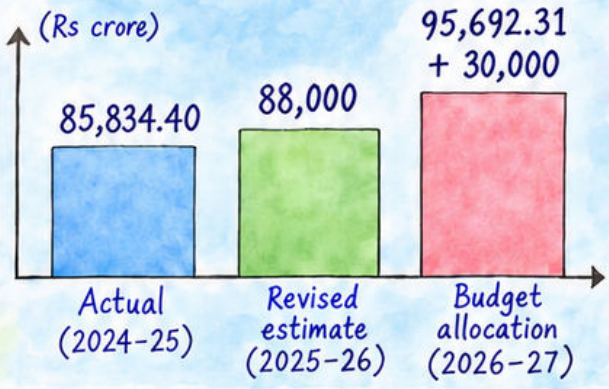
Budget allocations

Union Budget 2026-27, Demand No. 87, provided Rs 95,692.31 crore for the Viksit Bharat-GRAM G Scheme and Rs 30,000 crore for Mahatma Gandhi NREGA.



Earlier spending

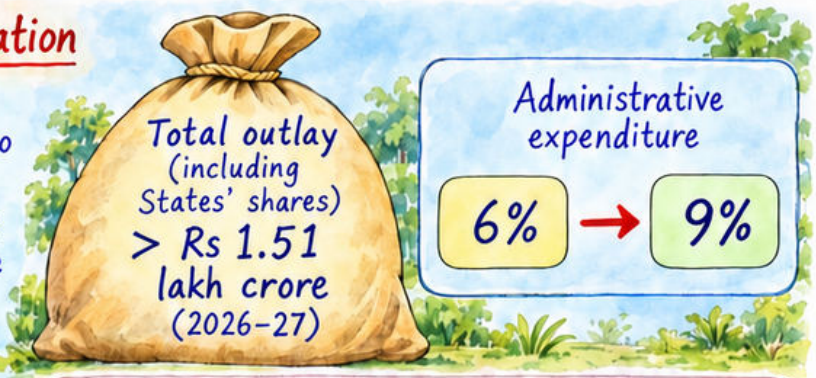
MGNREGA actual spending was Rs 85,834.40 crore in 2024-25; the revised estimate for 2025-26 was Rs 88,000 crore. Actuals, revised estimates and budget allocations describe different accounting stages.



Actuals, revised estimates and budget allocations describe different accounting stages.

State share and administration

Including States' shares, total 2026-27 outlay was expected to exceed Rs 1.51 lakh crore. Administrative expenditure rises from 6 to 9 per cent. The Centre had borne about 90 per cent of spending over the preceding five years; PRS expects States' spending to increase under 60:40 sharing.



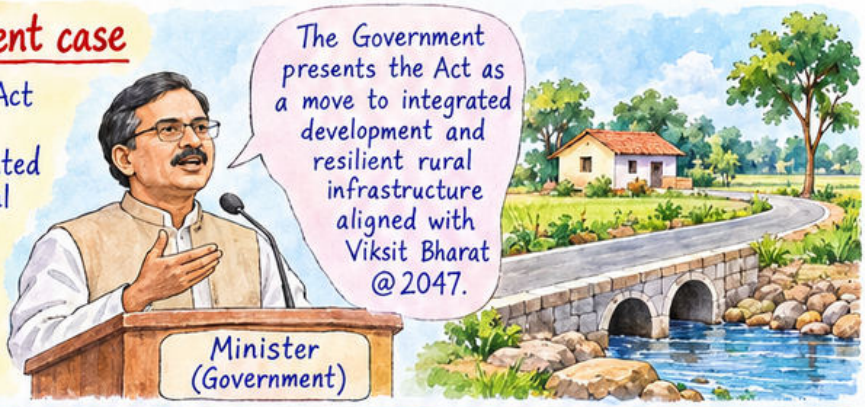
The Centre had borne about 90 per cent of spending over the preceding five years; PRS expects States' spending to increase under 60:40 sharing.

Sources: Day 29 Source Index | Topic 284

Why the new law is debated

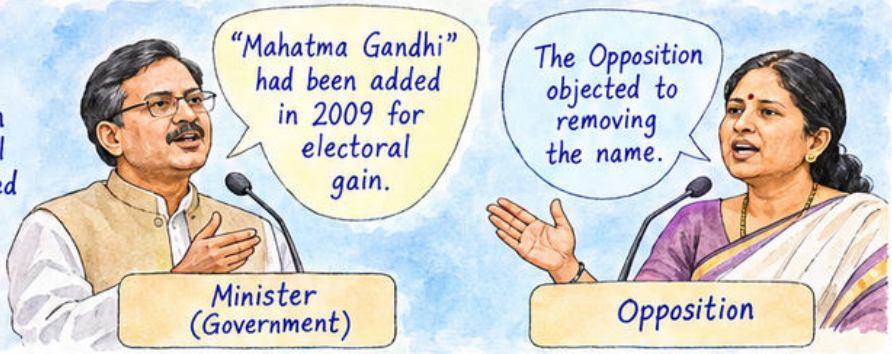
Government's development case

The Government presents the Act as a move from a standalone welfare intervention to integrated development and resilient rural infrastructure aligned with Viksit Bharat @2047. The Minister said it would correct shortcomings of the old scheme.



The name dispute

The Minister argued that "Mahatma Gandhi" had been added in 2009 for electoral gain. The Opposition objected to removing the name. These are attributed political positions, not neutral findings about motives.



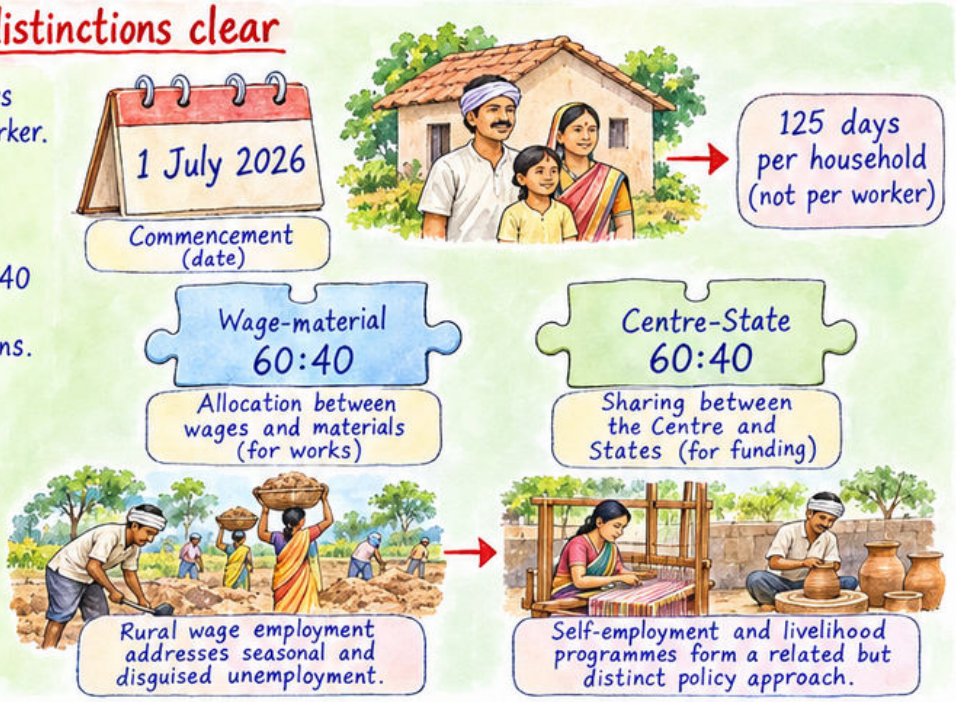
Funding and scrutiny

The Opposition, as reported on 19 December 2025, argued that the Bill would burden State finances and sought parliamentary-committee examination. The shift to shared funding and State-financed expenditure beyond normative allocations is central to that concern.



Keep the design distinctions clear

The new floor is 125 days per household, not per worker. Commencement was 1 July 2026, not the December 2025 passage date. Wage-material 60:40 and Centre-State 60:40 answer different questions. Rural wage employment addresses seasonal and disguised unemployment; self-employment and livelihood programmes form a related but distinct policy approach.



Sources: Day 29 Source Index | Topic 284

Planning India's first five Plans

Purpose and period

The first five Five Year Plans ran from 1951 to 1978, with three Annual Plans between 1966 and 1969. Their common goals were growth, modernisation, self-reliance and equity. Growth means rising output; development also includes qualitative change.







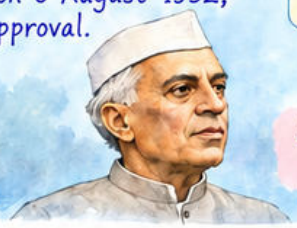


The planning machinery

The Planning Commission was established by a Government resolution on 15 March 1950, with the Prime Minister as Chairperson. Jawaharlal Nehru was its first Chairman. The Commission drafted Plans; the National Development Council, established on 6 August 1952, gave final approval.



Planning Commission (15 March 1950) → National Development Council (6 August 1952) → Plans (drafted by Commission; final approval by NDC)



Jawaharlal Nehru (first Chairman)

Gadgil's role

D.R. Gadgil was Deputy Chairman during the early Fourth Plan and left the post on 2 May 1971. The Gadgil formula of 1969 guided distribution of Central assistance among States during the Fourth and Fifth Plans. It was not a model for economic growth.



D.R. Gadgil (Deputy Chairman during the early Fourth Plan)

Gadgil formula (1969)
Distribution of Central assistance among States

- State
- State
- State

Not a model for economic growth.

The later contrast

The State-led industrial approach of these Plans differs from the Industrial Policy of 1991. NITI Aayog replaced the Planning Commission on 1 January 2015. Keep those later institutional changes separate from the machinery that framed the first five Plans.

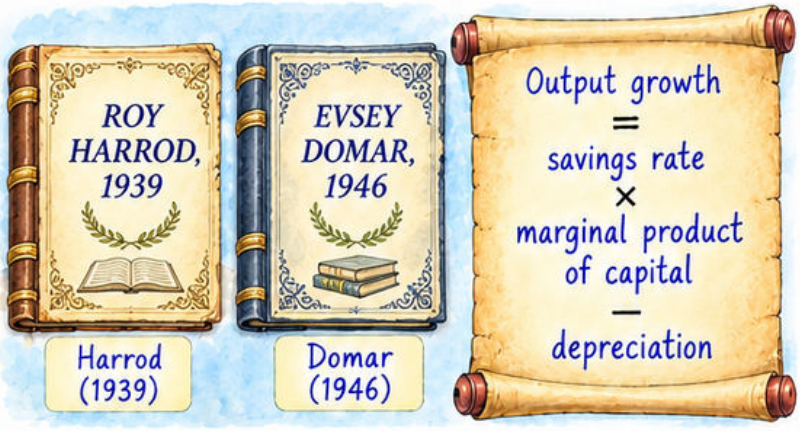


Sources: Day 29 Source Index | Topic 285

Two models answer different questions

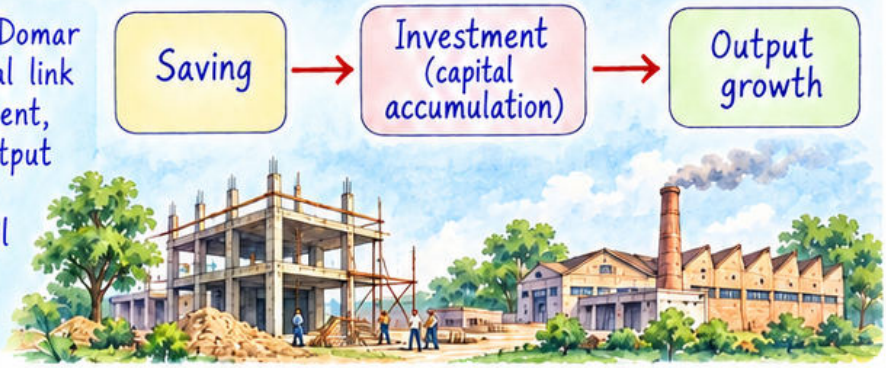
Harrod and Domar

Roy Harrod's contribution dates to 1939 and Evsey Domar's to 1946. In this model, output depends on capital stock alone and the marginal product of capital is constant. Output growth equals the savings rate multiplied by the marginal product of capital, minus depreciation.



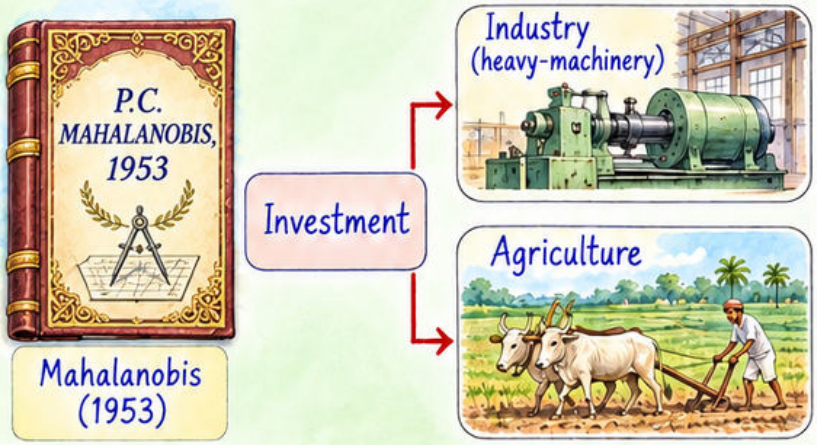
Saving and investment

The First Plan used Harrod-Domar with modifications. Its central link runs from saving to investment, capital accumulation and output growth. This is a growth framework, unlike the Gadgil formula for distributing assistance.



Mahalanobis, 1953

P.C. Mahalanobis's model sought the best allocation of investment among producing sectors. It assumed a closed, inward-looking economy, with imports mainly of capital goods. The Second Plan used it to divide resources between sectors such as agriculture and industry.



Not an exclusive pairing

The Second Plan also used Harrod-Domar for overall projections. Mahalanobis supported rapid industrialisation and an active public sector and is called the architect of Indian planning and of the Second Plan. Planning in its fuller structural sense is associated with that Second Plan.



Sources: Day 29 Source Index | Topic 285

First Plan agriculture and irrigation

1951-56: the agrarian priority

The First Plan sought to move the economy out of a cycle of poverty. Agriculture, dams and irrigation received central attention under a modified Harrod-Domar approach.



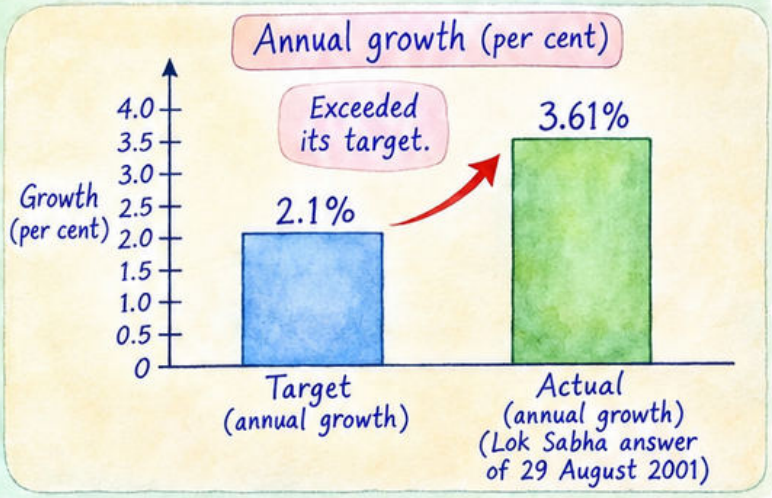
Major works

Huge allocations supported projects such as Bhakra Nangal. Hirakud and Damodar Valley dams also belong to the Plan's key project associations. Large irrigation and power works were expected to support agricultural recovery and wider development.



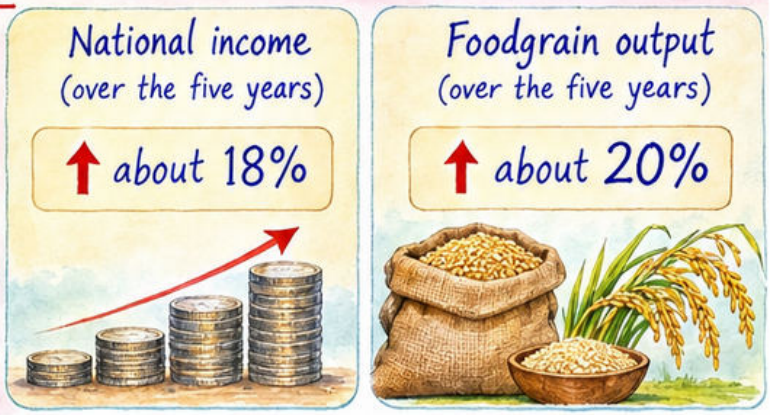
Target and outcome

The annual growth target was 2.1 per cent. The Ministry of Planning's Lok Sabha answer of 29 August 2001 gives actual growth as 3.61 per cent. On that series, the Plan exceeded its target.



Other measures of progress

The Second Plan document says national income rose by about 18 per cent over the five years and foodgrain output by 20 per cent. These cumulative increases should not be confused with annual growth rates. Other official series report annual First Plan growth as 3.6 or 3.5 per cent, reflecting different calculations and bases.



Sources: Day 29 Source Index | Topic 285

Second Plan builds heavy industry

1956-61: structural transformation

The Second Plan shifted emphasis towards industrialisation and heavy industry. It sought quicker structural change than the First Plan's more patient agrarian approach. Planned investment was Rs 6,200 crore.

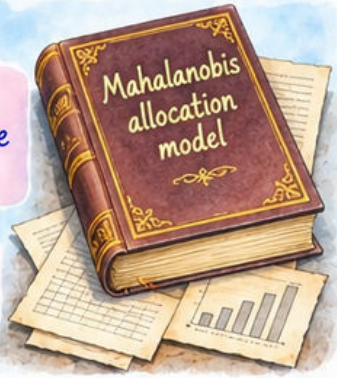


The public sector

The State was to control the commanding heights of the economy. Mahalanobis's allocation framework favoured building productive capacity, while Harrod-Domar still informed overall projections.

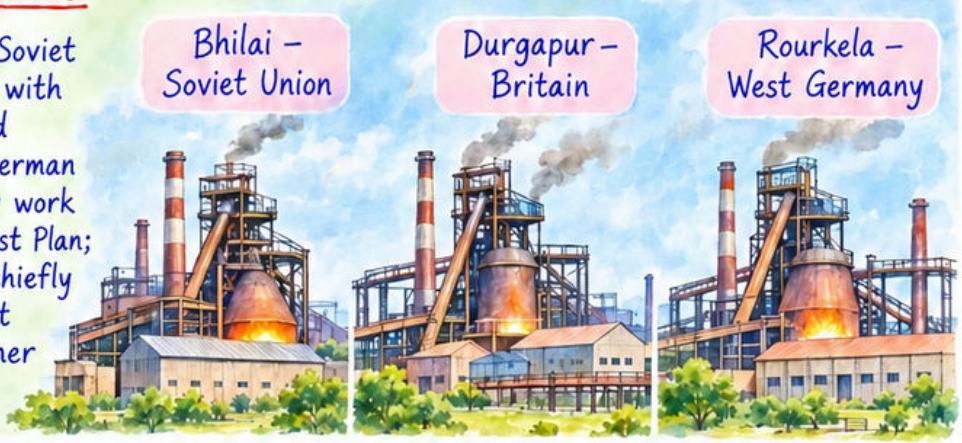
Mahalanobis's allocation framework → building productive capacity

Harrod-Domar → overall projections



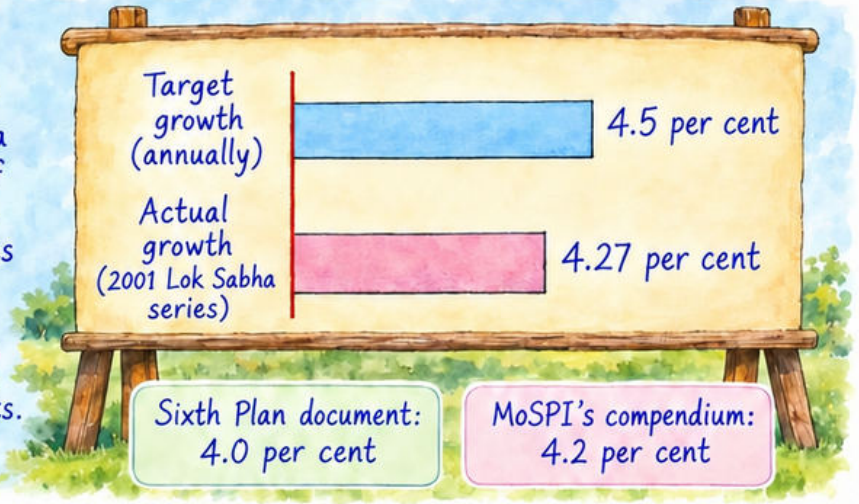
Three steel plants

Bhilai was built with Soviet assistance, Durgapur with British assistance and Rourkela with West German assistance. Preliminary work occurred during the First Plan; construction belongs chiefly to the Second. Do not interchange the partner countries.



Growth record

The target was 4.5 per cent annually. The 2001 Lok Sabha series gives actual growth of 4.27 per cent, below target. The Sixth Plan document gives 4.0 per cent and MoSPI's compendium 4.2 per cent. Those are alternative official series, not extra growth targets.



Sources: Day 29 Source Index | Topic 285

Third Plan meets war and poor harvests

1961–66: continuity

The Third Plan was not significantly different from the Second in its broad approach. It continued that line of development rather than inaugurating an entirely unrelated model.



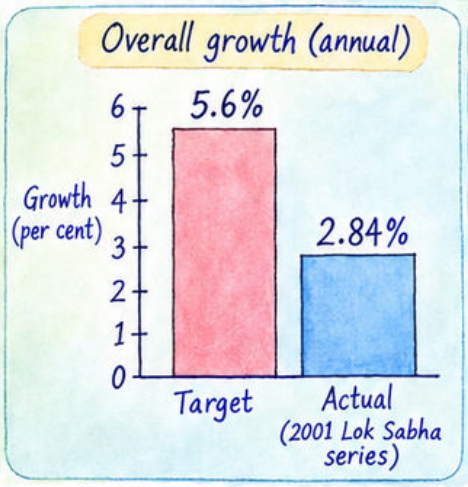
Major shocks

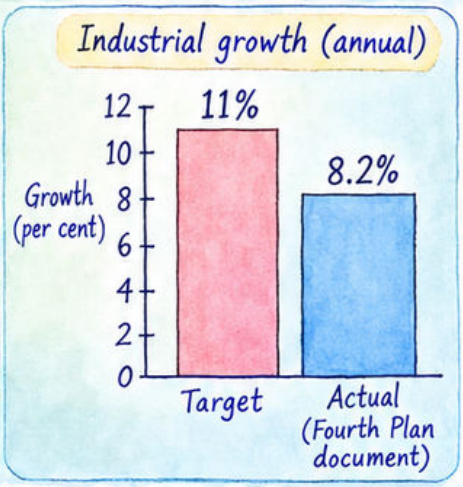
The war with China in 1962 and hostilities with Pakistan in 1965 were followed by two bad harvests. The drought of 1965–66 forms part of the background to the later agricultural strategy.



Growth and industry

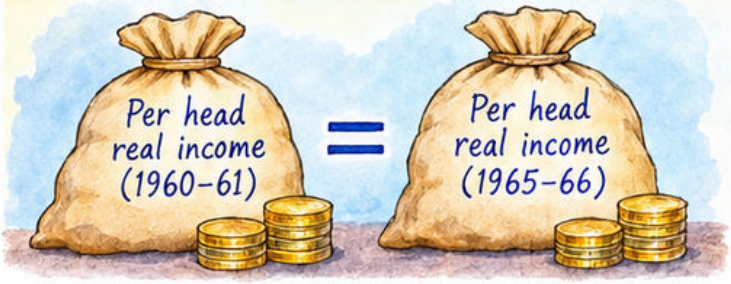
The annual target was 5.6 per cent. Actual growth in the 2001 Lok Sabha series was 2.84 per cent, the weakest result among these five Plans. The Fourth Plan document says industrial growth reached 8.2 per cent annually against an 11 per cent target.





Living standards and measurement

Real income per head in 1965–66 was about the same as in 1960–61.



Other sources put the overall annual growth figure at:

- 2.2 per cent in the Sixth Plan document,
- 2.8 in MoSPI and
- 2.4 in Wikipedia.

These figures must retain their source labels rather than being combined into a single exact value.

Sources: Day 29 Source Index | Topic 285

The plan holiday lasted three years

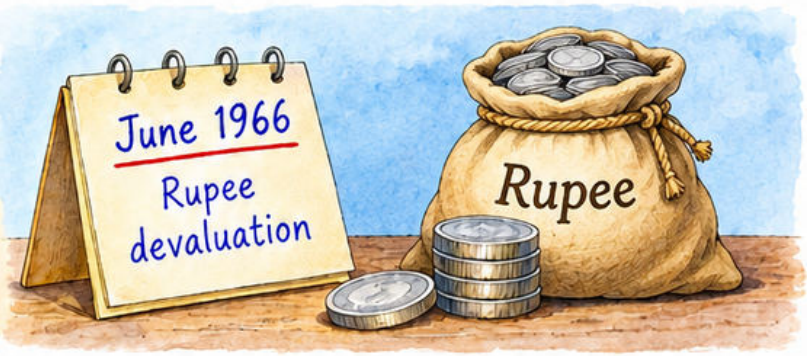
The Fourth Plan was delayed

The Fourth Plan was due to begin in 1966, but the Government chose a plan holiday. Three one-year Annual Plans covered 1966–69, concentrating on agriculture and industry. A plan holiday did not mean the absence of all planning.



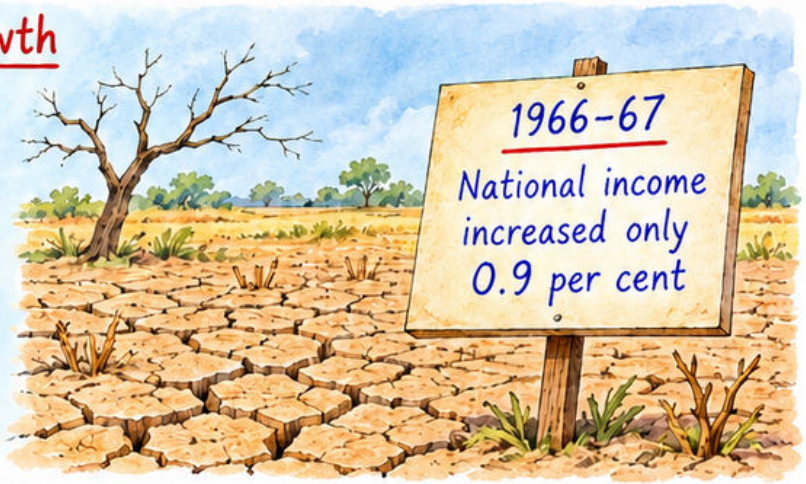
Rupee devaluation

The rupee was devalued in June 1966, after the Third Plan had ended. Place the event in the Annual Plan period rather than automatically inside the Third Plan.



Drought and weak growth

A severe drought affected 1966–67. National income increased only 0.9 per cent that year. The summary series used for the five Plans supplies no overall growth target or actual figure for the Annual Plans; absence from that table is not a zero growth rate.



The sequence to remember

Third Plan: 1961–66. Three Annual Plans: 1966–69. Fourth Plan: 1969–74.



The three-year break is essential when matching events to Plan periods, and explains why the first five Plans do not form an uninterrupted twenty-five-year sequence.

Sources: Day 29 Source Index | Topic 285

Fourth Plan growth with stability

1969-74: the approach

The Fourth Plan sought growth with stability and progressive self-reliance. Its document applies growth with stability to both the Fourth Plan and the longer Perspective Plan.



Agriculture and banks

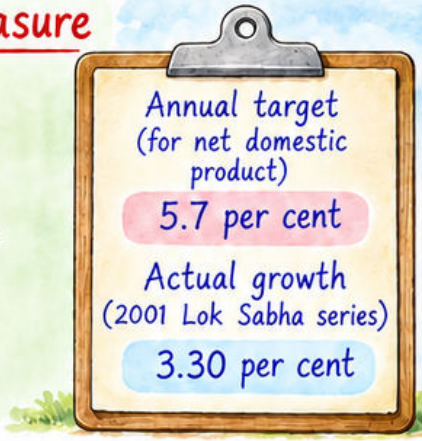
The new agricultural strategy and Green Revolution were central associations, though agricultural growth remained moderate in the textbook assessment. The 14 largest commercial banks were nationalised by Ordinance from midnight of 19 July 1969.





Targets need their measure

The standard tables give an annual target of 5.7 per cent for net domestic product. The Plan's own wording calls for about 5.5 per cent average annual increase in total production. Those measures should not be silently treated as identical.

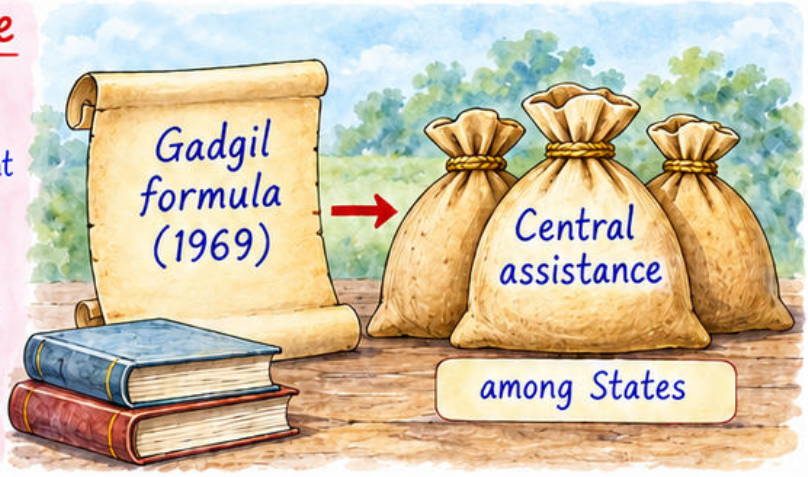


Different measure

Target: about 5.5 per cent average annual increase in total production

Growth and assistance

The 2001 Lok Sabha series reports actual growth of 3.30 per cent; the Sixth Plan document gives 3.3 and MoSPI 3.2. The Gadgil formula of 1969 allocated Central assistance among States; it did not explain the economy's growth rate. Gadgil left the Deputy Chairmanship on 2 May 1971.

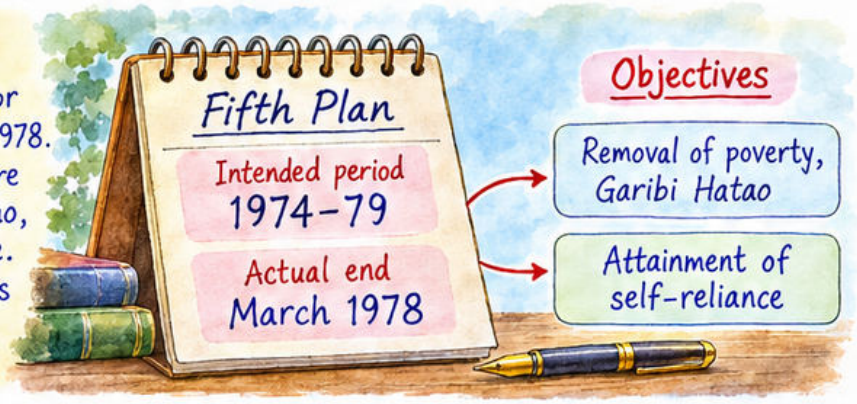


Sources: Day 29 Source Index | Topic 285

Fifth Plan poverty and minimum needs

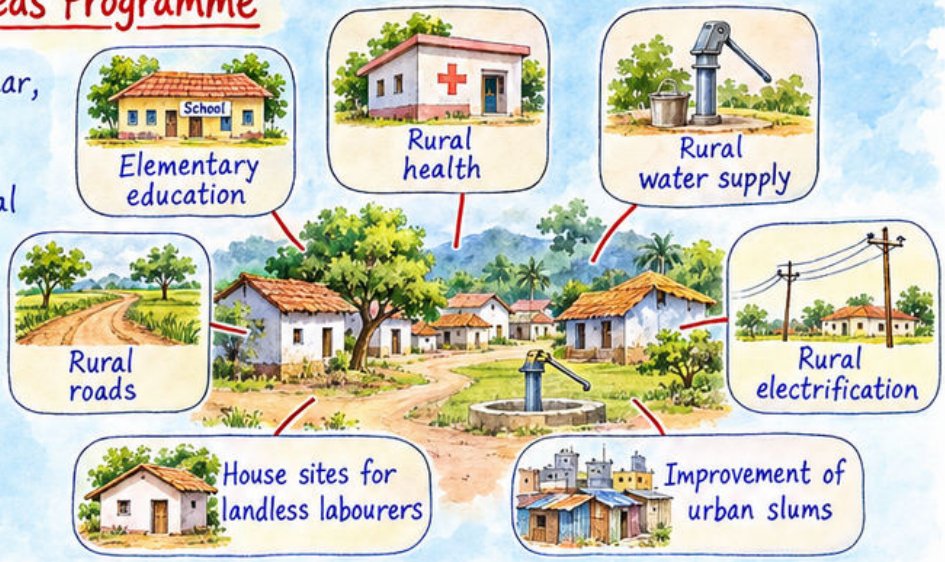
The original period

The Fifth Plan was intended for 1974–79 but ended in March 1978. Its two principal objectives were removal of poverty, Garibi Hatao, and attainment of self-reliance. Employment and minimum needs were priorities.



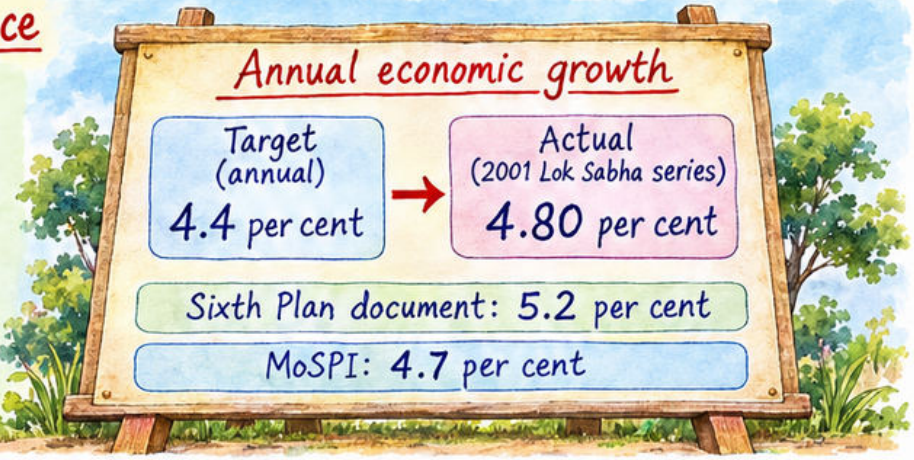
The Minimum Needs Programme

Introduced in the first year, it covered elementary education, rural health, rural water supply, rural roads and rural electrification. It also included house sites for landless labourers and improvement of urban slums.



Growth performance

The annual target was 4.4 per cent. The 2001 Lok Sabha series gives actual growth of 4.80 per cent, above target. The Sixth Plan document reports 5.2 per cent and MoSPI 4.7 per cent.



Why the end date matters

The Janata Government cut the Plan short. When matching a scheme or event, distinguish the intended 1974–79 span from the actual end in March 1978. The First and Fifth Plans exceeded their targets across the compared series, while the Second, Third and Fourth fell short.

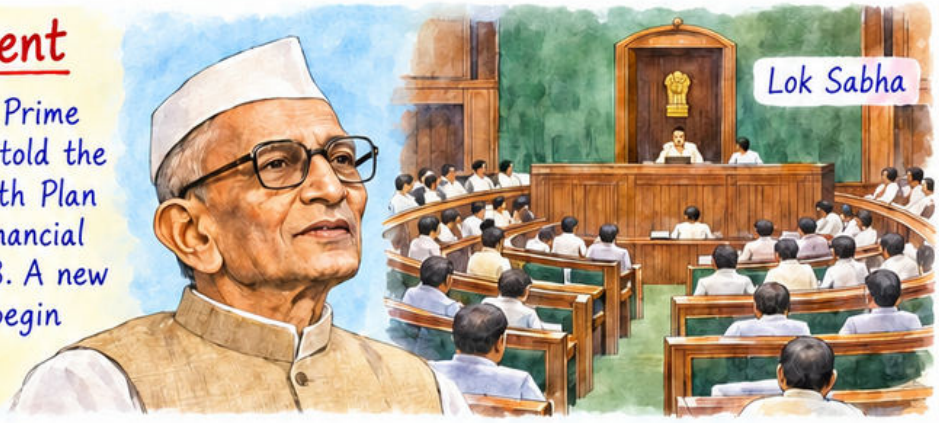
Plan	Performance (across the compared series)
First Plan	✓ Exceeded target
Second Plan	✗ Fell short
Third Plan	✗ Fell short
Fourth Plan	✗ Fell short
Fifth Plan	✓ Exceeded target

Sources: Day 29 Source Index | Topic 285

The rolling plan and slow trend growth

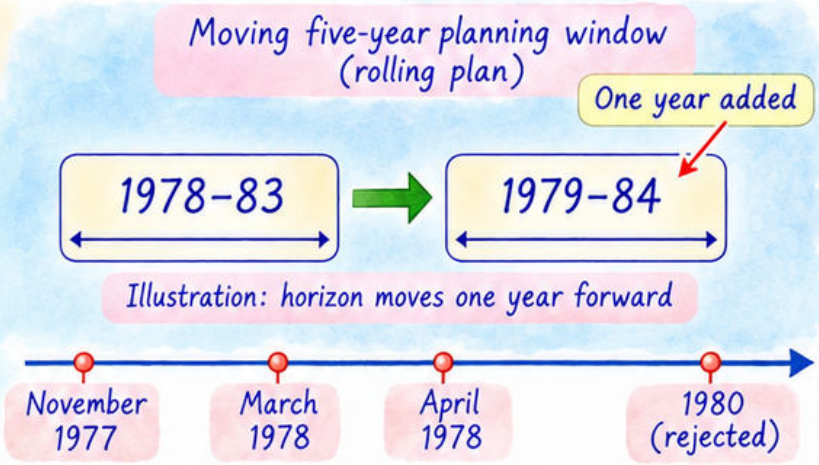
The announcement

On 16 November 1977, Prime Minister Morarji Desai told the Lok Sabha that the Fifth Plan should end with the financial year ending March 1978. A new 1978–83 Plan was to begin in April 1978.



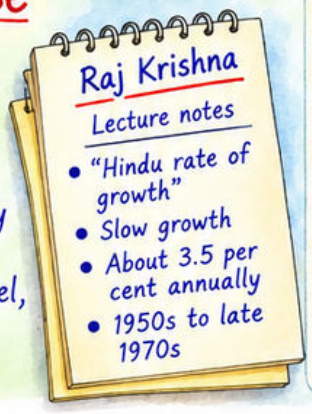
What rolling means

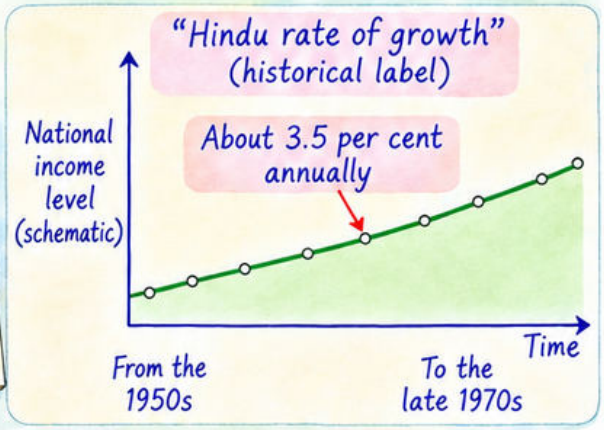
At the end of each year, a rolling plan adds one further year. The horizon moves forward rather than remaining fixed to the original terminal year. The next Government rejected the 1978 Plan in 1980.



The growth phrase

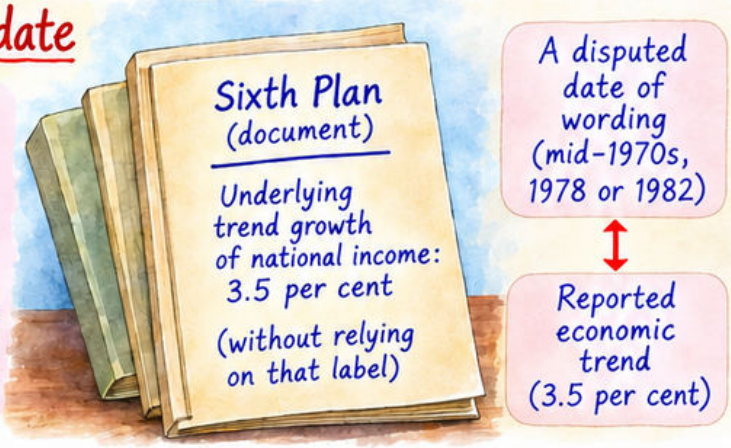
Economist Raj Krishna is credited with the phrase "Hindu rate of growth", describing slow growth of about 3.5 per cent annually from the 1950s to the late 1970s. It is a historical label, not an explanation based on religion.





Do not force one coinage date

Accounts place his first use in the mid-1970s, 1978 or 1982. The Sixth Plan document states the underlying trend growth of national income as 3.5 per cent without relying on that label. Keep a disputed date of wording separate from the reported economic trend.



Sources: Day 29 Source Index | Topic 285

Read growth figures with their source

The 2001 Lok Sabha series

Annual targets for Plans One to Five are 2.1, 4.5, 5.6, 5.7 and 4.4 per cent. Their reported actuals are 3.61, 4.27, 2.84, 3.30 and 4.80 per cent respectively.



Two other official series

The Sixth Plan document's Table 1.1 reports 3.6, 4.0, 2.2, 3.3 and 5.2 per cent.

MoSPI's Table 15.1 reports 3.5, 4.2, 2.8, 3.2 and 4.7 per cent.

Source / Series	Plan I	Plan II	Plan III	Plan IV	Plan V
Target (Plans I–V)	2.1	4.5	5.6	5.7	4.4
Lok Sabha (2001) (actuals)	3.61	4.27	2.84	3.30	4.80
Sixth Plan (Table 1.1)	3.6	4.0	2.2	3.3	5.2
MoSPI (Table 15.1)	3.5	4.2	2.8	3.2	4.7

Wikipedia series (alternate): actuals 3.6, 4.27, 2.4, 3.3 and 4.8; Fourth Plan target 5.6.

Bases differ

Targets for the first three Plans concerned national income; the Fourth used net domestic product and later Plans GDP. MoSPI's actuals are GDP growth at factor cost. Figures compiled at different times and on different bases can therefore differ.

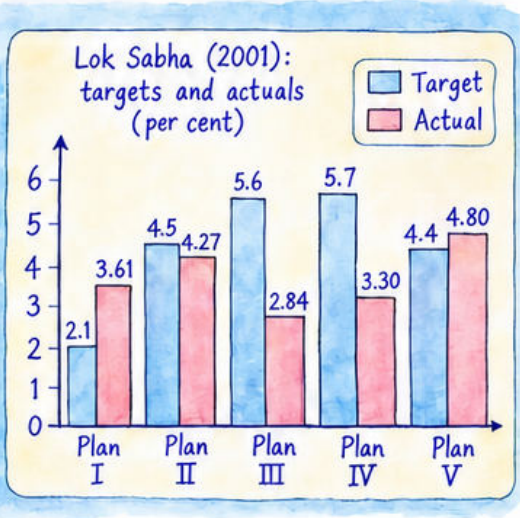


The exam check

Wikipedia's corresponding actuals are 3.6, 4.27, 2.4, 3.3 and 4.8, with a Fourth Plan target of 5.6. Use the series named in the question; the 2001 Lok Sabha figures are the preferred set here. The stable conclusion is First and Fifth above target, Second to Fourth below, with the Third weakest.

Lok Sabha (2001): actual vs target

- ✓ First: above target (3.61 > 2.1).
- ✗ Second: below target (4.27 < 4.5).
- ✗ Third: below target (2.84 < 5.6) — weakest.
- ✗ Fourth: below target (3.30 < 5.7).
- ✓ Fifth: above target (4.80 > 4.4).



Sources: Day 29 Source Index | Topic 285

Make in India and its four pillars

From liberalisation to manufacturing

The Industrial Policy of 24 July 1991 abolished industrial licensing except for specified industries and allowed approval of direct foreign investment up to 51 per cent foreign equity in high-priority industries. Make in India and PLI build on this opening.

Make in India began on 25 September 2014, launched by Prime Minister Narendra Modi. It aims to make India a manufacturing hub by facilitating investment, encouraging innovation, building first-class manufacturing infrastructure, improving skills and making business easier.



Four pillars

New Processes

New Processes means easier business procedures that encourage entrepreneurship.



New Infrastructure

New Infrastructure includes industrial corridors, smart cities, high-speed communication, simpler registration, stronger intellectual property rights and skills matched to industry.



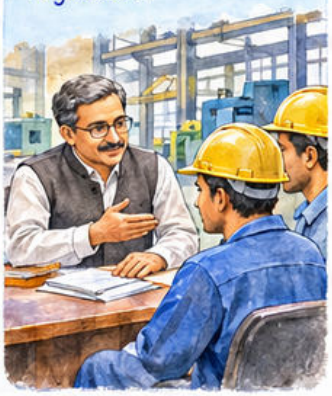
New Sectors

New Sectors opened foreign direct investment in defence production, insurance, medical devices, construction and railway infrastructure.



New Mindset

New Mindset means government working as an industry partner and facilitator rather than primarily as a regulator.



The crucial distinction

Make in India is the broad initiative, using policy, infrastructure and facilitation. Production Linked Incentive schemes began in 2020, more than five years later. They are budgeted schemes that pay eligible firms for incremental sales of goods made in India after prescribed conditions are met. PLI is one tool within the wider manufacturing effort, not another name for Make in India.



Sources: Day 30 Source Index | Topic 293

Sectors and manufacturing targets

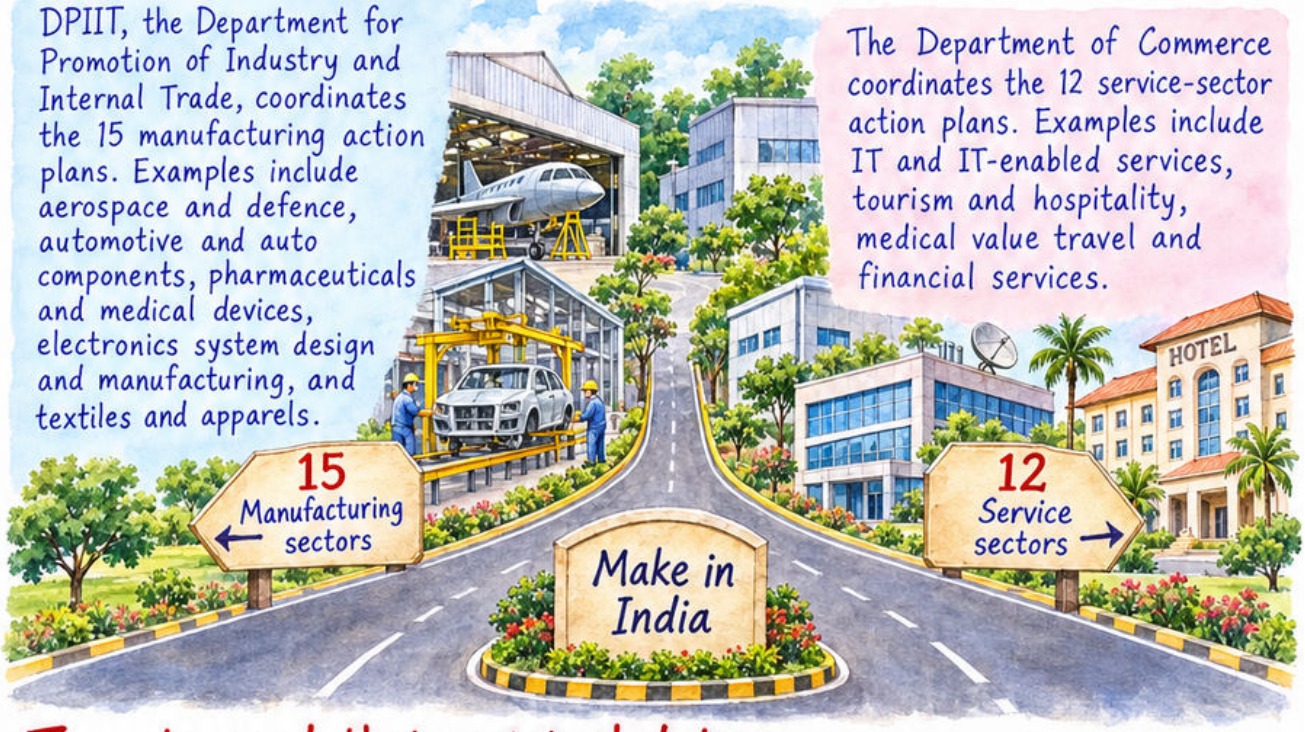
From 25 to 27 sectors

Make in India began with 25 industry sectors. Make in India 2.0 covers 27 sectors, set out in the Lok Sabha reply of 3 February 2021: 15 manufacturing sectors and 12 service sectors.



DPIIT, the Department for Promotion of Industry and Internal Trade, coordinates the 15 manufacturing action plans. Examples include aerospace and defence, automotive and auto components, pharmaceuticals and medical devices, electronics system design and manufacturing, and textiles and apparels.

The Department of Commerce coordinates the 12 service-sector action plans. Examples include IT and IT-enabled services, tourism and hospitality, medical value travel and financial services.



Targets need their original dates

The official Make in India website gives a target of manufacturing contributing 25 per cent of GDP by 2020. It links this to the action plan of the National Workshop held in December 2014.

National Manufacturing Policy
4 November 2011
set the goal of 100 million additional jobs by 2022 alongside a 25 per cent manufacturing share.

Action plan (National Workshop)
December 2014
target of manufacturing contributing 25 per cent of GDP by 2020.

Other accounts also describe 100 million manufacturing jobs by 2022 as a Make in India goal, with the 25 per cent target shifted to 2022 and later 2025. Do not merge these differently dated formulations. If the question names the official Make in India website, use 25 per cent by 2020.

Sources: Day 30 Source Index | Topic 293

PLI begins and responsibility is shared

The first three schemes

PLI began in March and April 2020. Large-scale electronics manufacturing, covering mobile phones and specified electronic components, was notified on 1 April 2020. Its approved outlay was Rs 40,951 crore, administered by the Ministry of Electronics and Information Technology, or MeitY.







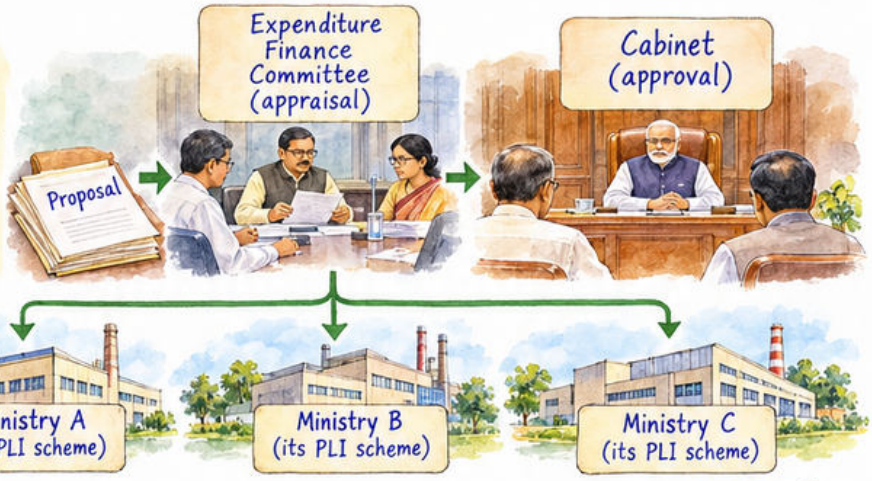
Critical key starting materials, drug intermediates and active pharmaceutical ingredients received Rs 6,940 crore. Medical devices received Rs 3,420 crore. Both schemes belonged to the Department of Pharmaceuticals.

Together, these three outlays totalled Rs 51,311 crore. On 11 November 2020, the Cabinet approved ten more sectors with Rs 1,45,980 crore over five years. The combined total was Rs 1,97,291 crore, presented as about Rs 1.97 lakh crore in the Union Budget 2021-22 on 1 February 2021.

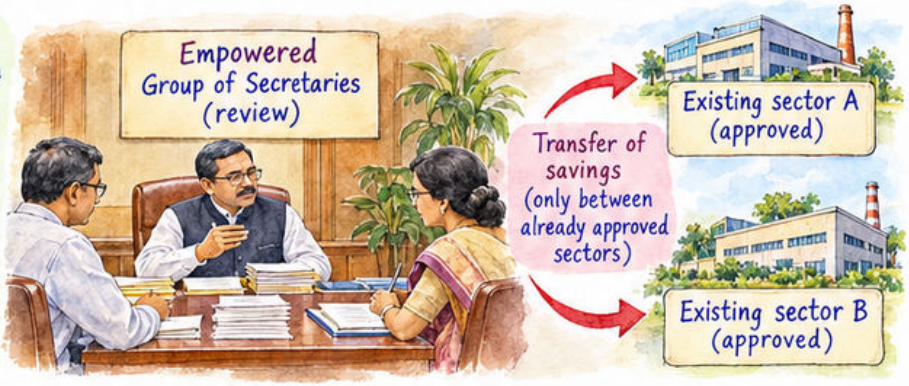
Rs 51,311 crore (three schemes) + Rs 1,45,980 crore (ten more sectors) = Rs 1,97,291 crore (about Rs 1.97 lakh crore)

Who does what

Each line ministry or department runs its own scheme within its approved outlay. The Expenditure Finance Committee appraises proposals; the Cabinet approves them. Every new sector requires fresh Cabinet approval.



An Empowered Group of Secretaries reviews the schemes and may transfer savings between already approved sectors. DPIIT provides the combined figures and answers for PLI as a whole in Parliament; it directly runs the white-goods scheme. NITI Aayog was named with the Department of Heavy Industry only for the advanced chemistry cell battery scheme. Neither DPIIT nor NITI Aayog runs every PLI scheme.



Sources: Day 30 Source Index | Topic 293

The ten-sector PLI expansion

Approved on 11 November 2020

These ten schemes were announced with Rs 1,45,980 crore over five years. The amounts below are the approved outlays listed in November 2020, not money already paid to firms.



Energy and mobility

Advanced chemistry cell batteries: Rs 18,100 crore; NITI Aayog and the Department of Heavy Industry.

Automobiles and auto components: Rs 57,042 crore; Department of Heavy Industry. The automobile scheme was subsequently approved in September 2021 at Rs 25,938 crore. Keep both amounts with their dates.

High-efficiency solar PV modules: Rs 4,500 crore; Ministry of New and Renewable Energy.



Electronics and health

Electronic and technology products: Rs 5,000 crore; MeitY.

Pharmaceutical drugs: Rs 15,000 crore; Department of Pharmaceuticals. This is distinct from the earlier scheme for key starting materials, drug intermediates and APIs.

Telecom and networking products: Rs 12,195 crore; Department of Telecommunications.



Consumer goods and materials

Man-made fibre and technical textiles: Rs 10,683 crore; Ministry of Textiles.

Food products: Rs 10,900 crore; Ministry of Food Processing Industries.

White goods, specifically air conditioners and LED lights: Rs 6,238 crore; DPIIT.

Specialty steel: Rs 6,322 crore; Ministry of Steel.



Adding these ten schemes to the earlier three produced 13 schemes at this stage. Drones joined later as the fourteenth sector.

Sources: Day 30 Source Index | Topic 293

How the incentive and outlay work

Payment follows additional eligible sales

Incremental sales means the rise in sales of eligible goods made in India above a base year. Incentives apply for a fixed number of years. A firm qualifies only after crossing the required thresholds of incremental investment and production.



Large-scale electronics example

The electronics scheme offers 4 to 6 per cent on incremental sales for five years after the base year. It covers mobile phones with an invoice value of Rs 15,000 and above, plus specified electronic components. Its tenure was later extended to 2025-26. The incentive is linked to qualifying additional sales, not automatically to the firm's entire sales.



Fourteenth sector

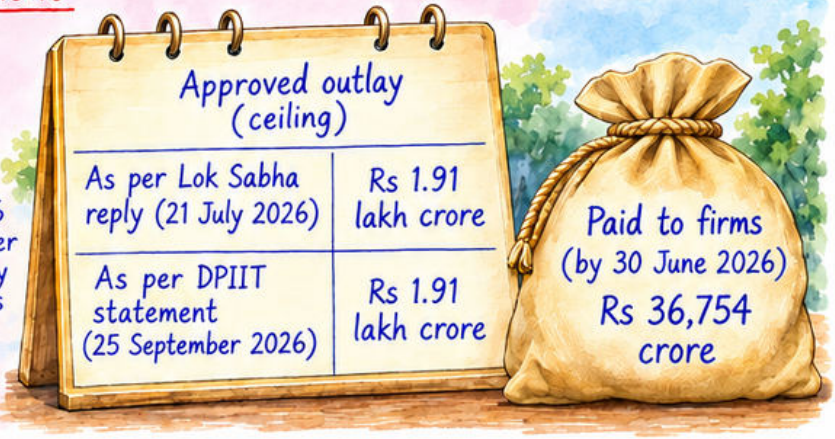
Drones and drone components were added later, with Rs 120 crore over three years. Official accounts in July 2025 and the Economic Survey 2025-26 describe PLI as covering 14 sectors with about Rs 1.97 lakh crore.



Outlay is not disbursement

An outlay is the approved ceiling over a scheme's life. Firms had actually received Rs 36,754 crore by 30 June 2026, far below the ceiling.

The Lok Sabha reply of 21 July 2026 and DPIIT's statement of 25 September 2026 instead give an approved outlay of Rs 1.91 lakh crore. Those reports do not explain the lower figure. Preserve the reporting date rather than silently treating the two totals as identical.



Sources: Day 30 Source Index | Topic 293

PLI results across reporting dates

Lok Sabha answer on 22 July 2025

Actual investment reached Rs 1.76 lakh crore by March 2025. Incremental production or sales exceeded Rs 16.5 lakh crore, and direct plus indirect jobs exceeded 12 lakh. Incentives disbursed were Rs 21,534 crore across 12 sectors as on 24 June 2025.



Economic Survey 2025-26

By September 2025, actual investment exceeded Rs 2.0 lakh crore. Incremental production or sales exceeded Rs 18.70 lakh crore. Direct and indirect employment exceeded 12.60 lakh jobs. Incentives disbursed totalled Rs 23,946 crore across 12 sectors.

Exports under PLI exceeded Rs 8.20 lakh crore by September 2025, led mainly by electronics, pharmaceuticals, and telecom and networking products.



DPIIT statement on 25 September 2026

The figures, reported by PTI, refer to 30 June 2026: actual investment of Rs 2.58 lakh crore, production or sales of Rs 23.79 lakh crore, more than 14.57 lakh direct and indirect jobs, and Rs 36,754 crore in incentives disbursed.



Read the labels carefully

The date of an announcement can differ from the date its figures cover. Investment, production or sales, exports, jobs and incentive payments measure different things. The July 2025 answer even uses separate reference dates for investment and payments. Do not combine these snapshots into one undated total or confuse investment by firms with incentives paid by government.



Sources: Day 30 Source Index | Topic 293

Phones and pharmaceuticals show the gains

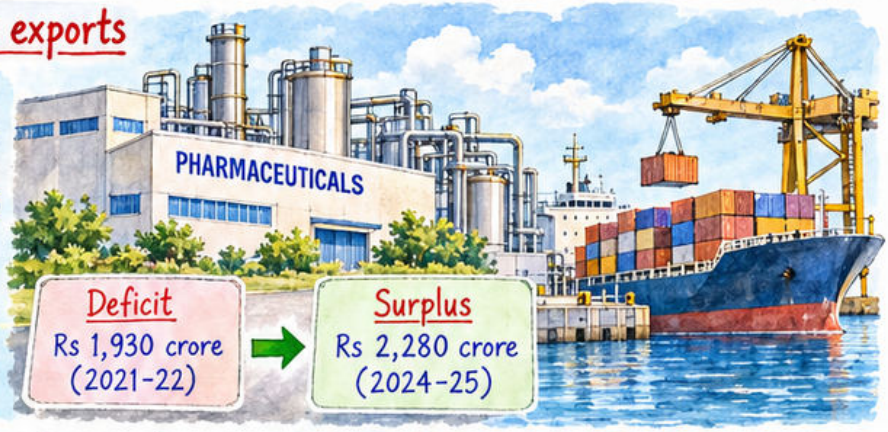
Mobile phones from 2020-21 to 2024-25

Production rose from Rs 2,13,773 crore to Rs 5,25,000 crore, an increase of about 146 per cent. Exports rose from Rs 22,870 crore to Rs 2,00,000 crore, an increase of about 775 per cent. These figures were presented in the July 2025 Lok Sabha answer.



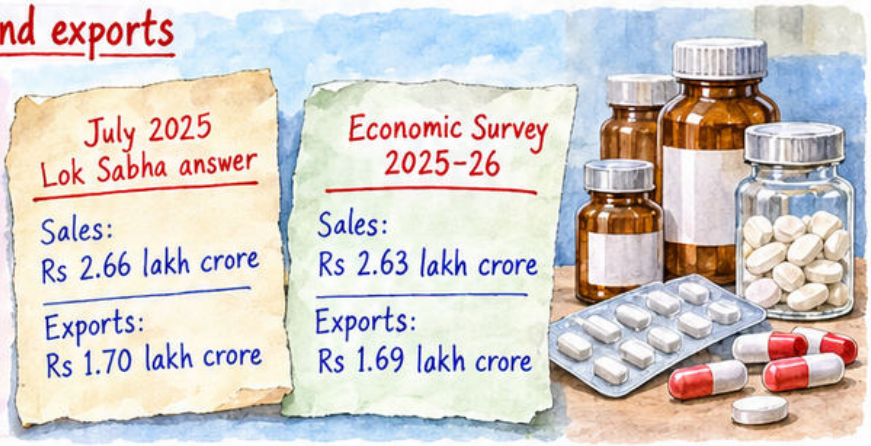
Bulk drugs turn to net exports

India moved from a bulk-drug trade deficit of Rs 1,930 crore in 2021-22 to a surplus of Rs 2,280 crore. The August 2025 government release dates that surplus to 2024-25. A deficit means imports exceed exports; a surplus means exports exceed imports.



Pharmaceutical sales and exports

The July 2025 Lok Sabha answer gives Rs 2.66 lakh crore in pharmaceutical-scheme sales during its first three years, including Rs 1.70 lakh crore in exports. The Economic Survey 2025-26 instead reports sales crossing Rs 2.63 lakh crore and exports of Rs 1.69 lakh crore. Keep these reporting versions separate.



Domestic value addition in pharmaceuticals reached 83.74 per cent in March 2025, showing a gain beyond phone assembly.

Growth is uneven

Exports were driven mainly by electronics, pharmaceuticals and telecom. By September 2025, incentive payments had reached 12 of the 14 sectors. Strong results in selected sectors do not establish equal progress across every PLI scheme.



Sources: Day 30 Source Index | Topic 293

Manufacturing support widens after 2025

National Manufacturing Mission

Announced in the Union Budget on 1 February 2025, the mission covers small, medium and large industries, furthers Make in India and supports clean-tech manufacturing. Its proposed 2035 targets are manufacturing at 25 per cent of GDP, compared with 12.9 per cent in 2023; 143 million jobs; and US$ 1.2 trillion in merchandise exports.



Electronics components

The Electronics Components Manufacturing Scheme began in April 2025 with Rs 22,919 crore. The Budget of 1 February 2026 proposed raising its outlay to Rs 40,000 crore because investment commitments already exceeded the target. A proposed increase must not be described as money already disbursed.

ECMS outlay

Proposed outlay: Rs 40,000 crore

Approved outlay: Rs 22,919 crore



2035 targets (proposed)

- Manufacturing at 25 per cent of GDP (compared with 12.9 per cent in 2023)
- 143 million jobs
- US$ 1.2 trillion in merchandise exports

Semiconductors

The Semicon India programme was approved in 2021 with Rs 76,000 crore. The Budget 2026-27 announced India Semiconductor Mission 2.0. Components and semiconductors widen the focus beyond final-product assembly.



Employment incentives

The Cabinet-approved Employment Linked Incentive scheme was renamed PM Viksit Bharat Rozgar Yojana, or PM-VBRY. Its outlay is Rs 99,446 crore. It aims to incentivise more than 3.5 crore jobs created between 1 August 2025 and 31 July 2027, with special focus on manufacturing.



Keep the sequence

Make in India began with facilitation in 2014; PLI added output-linked incentives from 2020. From 2025, the approach widened through components, semiconductor capacity, employment incentives and a mission for manufacturing as a whole.



2014 — Make in India began with facilitation.

2020 — PLI added output-linked incentives.

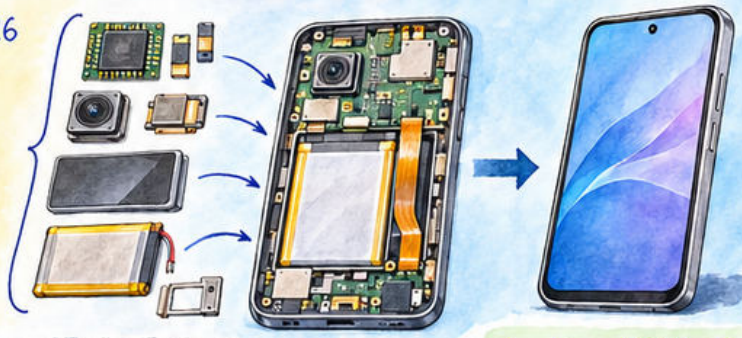
2025 — The approach widened through components, semiconductor capacity, employment incentives and a mission for manufacturing as a whole.

Sources: Day 30 Source Index | Topic 293

Assess results without losing the caveats

Production is not the same as value addition

The Economic Survey 2025-26 calls India the world's second-largest mobile-phone maker, but also notes semiconductor dependence on a handful of suppliers.



In May 2023, Raghuram Rajan, Rohit Lamba and Rahul Chauhan argued that most components were imported, assembly could be as little as 4 per cent of manufacturing cost, and net phone exports remained negative.



In June 2023, Electronics and IT Minister of State Rajeev Chandrasekhar replied that only about US$ 22 billion of the cited US$ 32.4 billion of imports related to mobile phones, and that net outflow was US$ 10.9 billion. These are dated, competing interpretations, not interchangeable measurements.

Why payments can lag

The government's July 2025 explanation was that projects take two to three years to establish and claims generally begin only after the first production year. Critics point to Rs 36,754 crore paid by 30 June 2026, less than one-fifth of the Rs 1.97 lakh crore outlay.



Project under construction (establishment: 2–3 years)



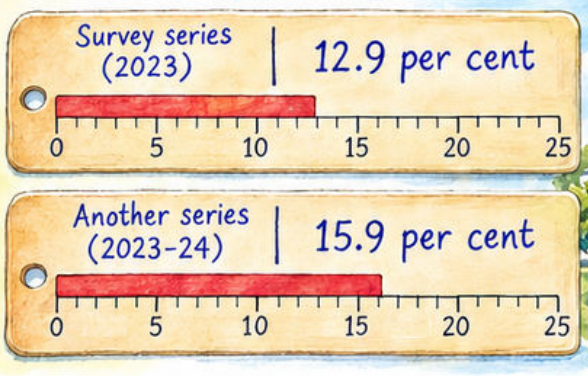
First production (after establishment)



Claim payment (after first production year)

Manufacturing share remains the larger test

The 25 per cent target for 2020 was missed. The Survey gives 12.9 per cent in 2023. Another series gives 15.9 per cent in 2023-24, against 16.7 per cent in 2013-14. These are different series and must not be spliced together. The National Manufacturing Mission complements Make in India with 25 per cent proposed for 2035.





Sources: Day 30 Source Index | Topic 293

Krishna water dispute

The sharing question

The Krishna dispute concerns sharing among Maharashtra, Karnataka and Andhra Pradesh, and, since 2014, between Andhra Pradesh and Telangana. Two tribunals have examined it under the Inter-State River Water Disputes Act, 1956.



River and projects

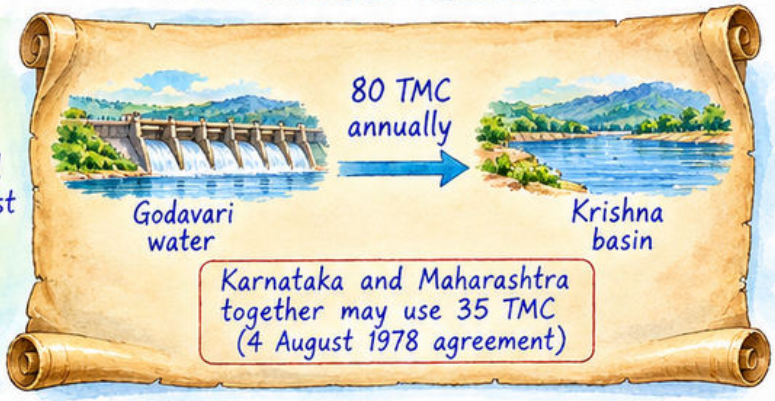
The Krishna rises near Jor village in Satara district, Maharashtra, just north of Mahabaleshwar in the Western Ghats. Its length is 1,400 km in India-WRIS; NCERT gives 1,401 km. The main river crosses Maharashtra, Karnataka, Telangana and Andhra Pradesh.

Left-bank tributaries: Bhima, Musi and Munneru. Right-bank tributaries: Ghataprabha, Malaprabha and Tungabhadra. Andhra Pradesh projects: Srisailam, Nagarjuna Sagar, Pulichintala and Prakasam Barrage. Recall Topic 45.



Godavari connection

Polavaram is to transfer 80 TMC of Godavari water annually to the Krishna basin. TMC means thousand million cubic feet. Under the 4 August 1978 agreement, Karnataka and Maharashtra together may use 35 TMC. Recall Topic 143.



Legal route

A State requests a tribunal under section 3; constitution follows under section 4. Reports come under section 5(2), further clarification reports under section 5(3), and Gazette publication under section 6(1).

Study tribunal dates, chairmen, dependability, allocations and post-bifurcation developments. Article 262 and the full Act: Topic 742. Godavari waters and interlinking: Topic 805.





Sources: Day 31 Source Index | Topic 305

The Bachawat Tribunal

Constitution and reports

KWDT-I was constituted in April 1969 for Maharashtra, Karnataka and Andhra Pradesh. Its chairman was Justice R.S. Bachawat. The three-volume report came in 1973, the further report in 1976, and the award in May 1976.



Water available

Yearly yield: 2,060 TMC at 75 per cent dependability. Adding 70 TMC of return flows gave 2,130 TMC in all.



State allocations

Maharashtra: 560 + 25 = 585 TMC.

Karnataka: 700 + 34 = 734 TMC.

Undivided Andhra Pradesh: 800 + 11 = 811 TMC.

State	Basic allocation (TMC)	Return flows (TMC)	Total (TMC)
Maharashtra	560	25	585
Karnataka	700	34	734
Undivided Andhra Pradesh	800	11	811

The further report gives these component figures. Books printing only 560, 700 and 800 TMC exclude return flows of 25, 34 and 11 TMC respectively.

Review safeguard

The award could be reviewed after 31 May 2000. As far as possible, a review was not to disturb water use a State had already developed within its allocation.



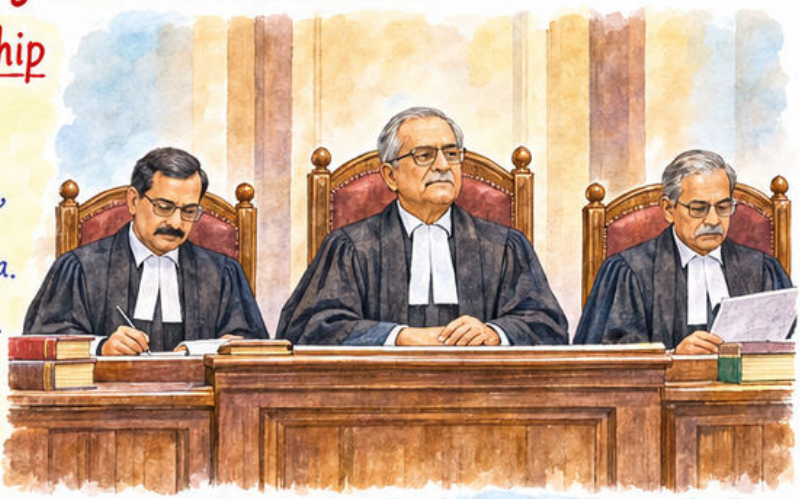
Sources: Day 31 Source Index | Topic 305

The Brijesh Kumar Tribunal

Constitution and membership

KWDT-II was constituted on 2 April 2004 by S.O. 451(E), under section 4 of the 1956 Act, at the request of Karnataka, Andhra Pradesh and Maharashtra.

Justice Brijesh Kumar chaired it. In February 2025, its members were Justice Ram Mohan Reddy and Justice S. Talapatra.



Two reports

The report and decision came on 30 December 2010 under section 5(2). After the States and Centre sought clarification, the further report followed on 29 November 2013 under section 5(3). It recommended allocations among erstwhile Andhra Pradesh, Maharashtra and Karnataka.

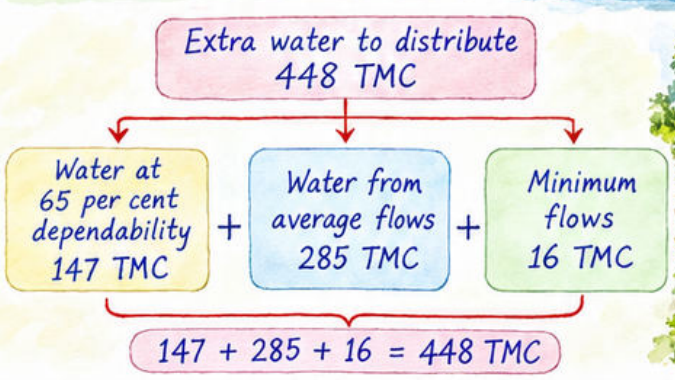


Allocation method

The first Tribunal's 2,130 TMC was retained. Average yield was assessed at 2,578 TMC, leaving 448 TMC extra to distribute.

Each extra allocation comprised water at 65 per cent dependability, water from average flows and minimum flows. Across the three States these components were 147 + 285 + 16 = 448 TMC.







Sources: Day 31 Source Index | Topic 305

KWDT II allocation figures

Read the components

Each State's extra water is shown in this order: 65 per cent dependability + average flows + minimum flows. All figures are TMC; the first Tribunal's allocations remain the base.

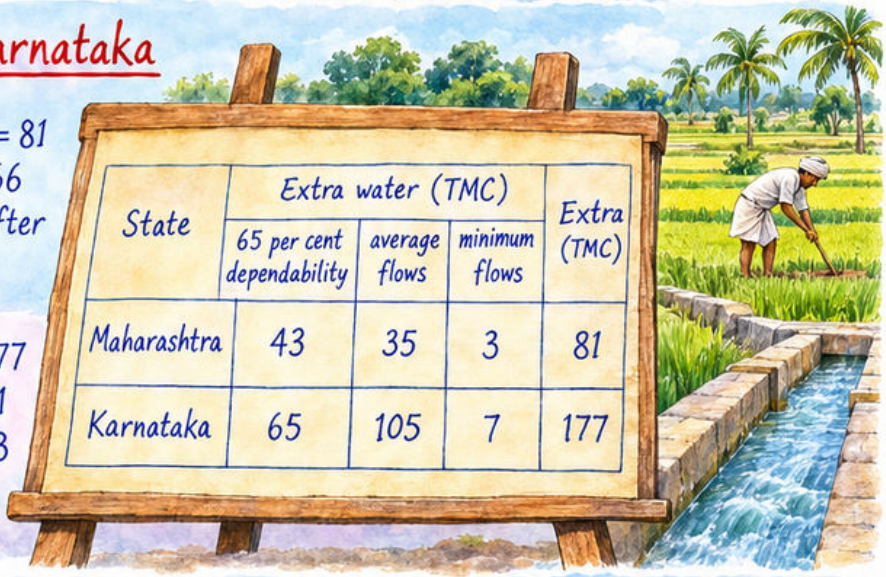


Maharashtra and Karnataka

Maharashtra: 43 + 35 + 3 = 81 extra. Base 585 + 81 = 666 in the 2010 report; 666 after the 2013 further report.

Karnataka: 65 + 105 + 7 = 177 extra. Base 734 + 177 = 911 in 2010; 907 after the 2013 further report.

State	Extra water (TMC)			Extra (TMC)
	65 per cent dependability	average flows	minimum flows	
Maharashtra	43	35	3	81
Karnataka	65	105	7	177



Undivided Andhra Pradesh

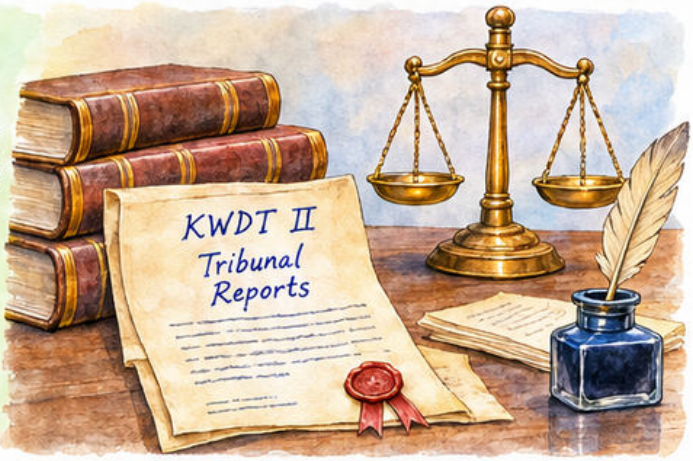
39 + 145 + 6 = 190 extra. Base 811 + 190 = 1,001 in 2010; 1,005 after the 2013 further report.



Check the totals

Across the three States: 147 + 285 + 16 = 448 extra. Total allocation was 2,578 TMC in both reports.

In 2013, 4 TMC moved from Karnataka, 911 to 907, to Andhra Pradesh, 1,001 to 1,005. The overall total did not change.



Sources: Day 31 Source Index | Topic 305

Compare the two tribunals

Dates and chairmen

KWDT-I: constituted April 1969; Justice R.S. Bachawat. Report in 1973; further report in 1976.

KWDT-II: constituted 2 April 2004; Justice Brijesh Kumar. Report on 30 December 2010; further report on 29 November 2013.



KWDT-I
Justice R.S. Bachawat



KWDT-II
Justice Brijesh Kumar

Water basis

KWDT-I: 2,060 TMC yearly yield at 75 per cent dependability, plus 70 TMC return flows = 2,130 TMC.

KWDT-II: retained 2,130 TMC and distributed 448 TMC more, up to average yield of 2,578 TMC. Part of the extra water was at 65 per cent dependability.



KWDT-I	
Yearly yield (at 75 per cent dependability)	2,060 TMC
Return flows	70 TMC
Total	2,130 TMC

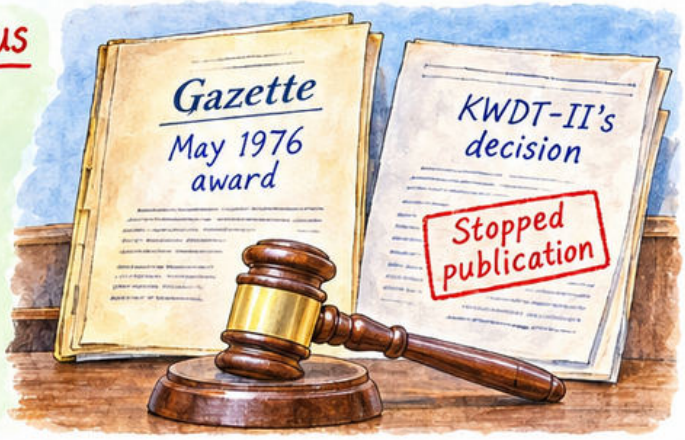
KWDT-II	
Retained	2,130 TMC
Distributed more	448 TMC
Average yield (Part at 65 per cent dependability)	2,578 TMC



Andhra Pradesh and legal status

Undivided Andhra Pradesh: 811 TMC under KWDT-I; 1,001 TMC under KWDT-II in 2010, revised to 1,005 TMC in 2013.

The May 1976 award is in the Gazette. KWDT-II's decision is not: the Supreme Court stopped publication.



Sources: Day 31 Source Index | Topic 305

Why publication is blocked

The challenge

Undivided Andhra Pradesh challenged the decision of 30 December 2010 in the Supreme Court. It filed SLP (Civil) No. 10498 of 2011 in March 2011.



The Court's order

On 16 September 2011, the Court directed that, until further orders, the Tribunal's decision should not be published in the Official Gazette under section 6(1).



Continuing effect

The further report of 29 November 2013 therefore could not be notified either. The matter remains sub judice before the Supreme Court, according to the Ministry of Jal Shakti.





Sources: Day 31 Source Index | Topic 305

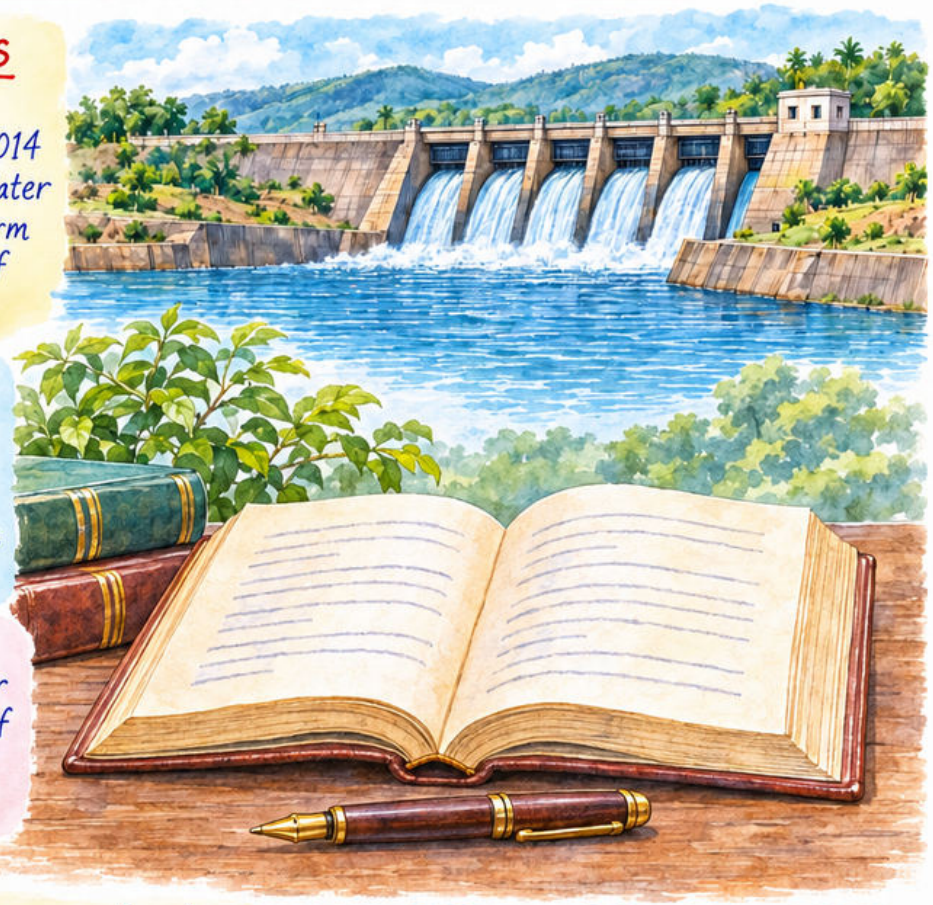
Bifurcation and the tribunal

Section 89 duties

The Andhra Pradesh Reorganisation Act, 2014 extends the Krishna Water Disputes Tribunal's term with further terms of reference.

Clause (a) requires project-wise specific allocation where a tribunal under the 1956 Act has not made such an allocation.

Clause (b) requires an operational protocol for project-wise release of water in the event of deficit flows.



Existing awards remain binding

The Explanation makes project-specific awards already made on or before the appointed day, 2 June 2014, binding on the successor States.

A notification of 15 May 2014 extended the term by two years from 1 August 2014. Year-by-year extensions followed.



Apex Council

Under section 84, the Union Minister of Water Resources chairs the Council; both Chief Ministers are members.

Section 84(3)(iii) includes amicable resolution of disputes arising from river-water sharing through negotiation and mutual agreement between the successor States.



Sources: Day 31 Source Index | Topic 305

Krishna River Management Board

Constitution and headquarters

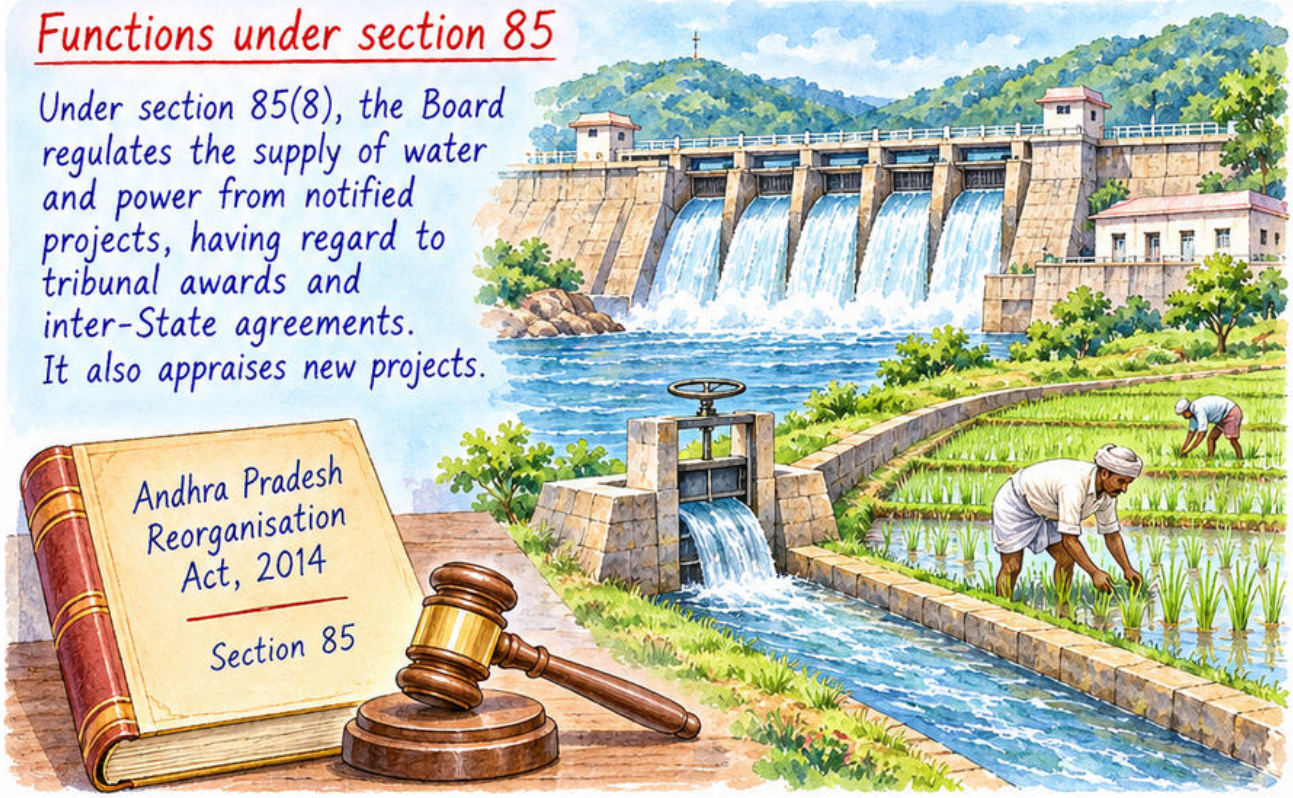
The KRMB was constituted on 28 May 2014 under section 85(1) of the Andhra Pradesh Reorganisation Act, 2014.

Section 85(2) places its headquarters in Andhra Pradesh; the Godavari Board's headquarters are in Telangana.



Functions under section 85

Under section 85(8), the Board regulates the supply of water and power from notified projects, having regard to tribunal awards and inter-State agreements. It also appraises new projects.



Notified jurisdiction

Section 87(1) says the Board "shall ordinarily exercise jurisdiction" over projects notified by the Central Government.

The Centre notified the jurisdiction of the Krishna and Godavari Boards in the Gazette on 15 July 2021.



Sources: Day 31 Source Index | Topic 305

Interim sharing after bifurcation

The common allocation

KWDT-I allocated undivided Andhra Pradesh 811 TMC. Pending a tribunal decision, Andhra Pradesh and Telangana shared it through interim arrangements. The official figures below are recorded in the Lok Sabha answer of 8 February 2024.



2015-16 and 2016-17

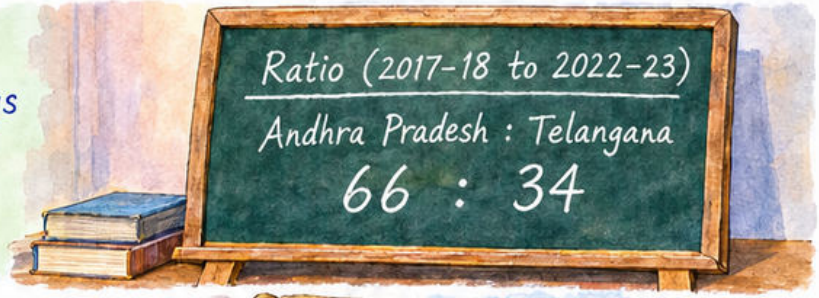
Andhra Pradesh: 512.04 TMC.
Telangana: 298.96 TMC.
Total: 811 TMC.

The Union Ministry convened the deciding meetings in June 2015 and June 2016.



2017-18 to 2022-23

KRMB's 7th to 16th meetings fixed the ratio at 66 for Andhra Pradesh to 34 for Telangana.



2023-24 and the ratio trap

There was no consensus. A three-member committee made working arrangements as needed. On 6 October 2023, it divided 80 TMC of usable Srisailam and Nagarjuna Sagar water: Andhra Pradesh 45 TMC, Telangana 35 TMC.



512.04 : 298.96 is about 63 : 37. Some press accounts call the 2015 arrangement 66 : 34; the official record places 66 : 34 from 2017-18.



Sources: Day 31 Source Index | Topic 305

The further reference of 2023

Telangana's request

Telangana complained under section 3 on 14 July 2014. It later sought referral to existing KWDT-II, limited to Telangana and Andhra Pradesh, with an en bloc allocation. It filed a Supreme Court writ in 2015 and withdrew it in 2021. The second Apex Council meeting considered the issue in 2020.





Cabinet and notification

After a Law and Justice Ministry legal opinion, the Union Cabinet approved further terms under section 5(1) on 4 October 2023. Notification followed on 6 October 2023.



Andhra Pradesh's challenge

Andhra Pradesh reportedly filed writ petition No. 1230 of 2023 on 17 October 2023. In April 2025, the Supreme Court declined a stay and required its participation in hearings, subject to the outcome.



Position as on 1 November 2026

Final arguments reportedly began on 19 February 2025. A Rajya Sabha answer of 1 December 2025 said no decision on the further terms had been submitted.

Notification S.O. 3221(E), dated 10 July 2025, extended the term from 1 August 2025 to 31 July 2026. A press report of 28 August 2026 said Telangana was preparing rejoinder arguments.



Sources: Day 31 Source Index | Topic 305

CURRENT-STATUS UPDATE

S.O. 3039(E), 12 June 2026 (published 13 June): the report-and-decision period was extended from 1 August 2026 to 31 July 2027. The 2025 notification shown above is historical. This is a time extension, not a new water allocation.

Source: Gazette transcription; original Gazette PDF unavailable during verification.

The unresolved issues

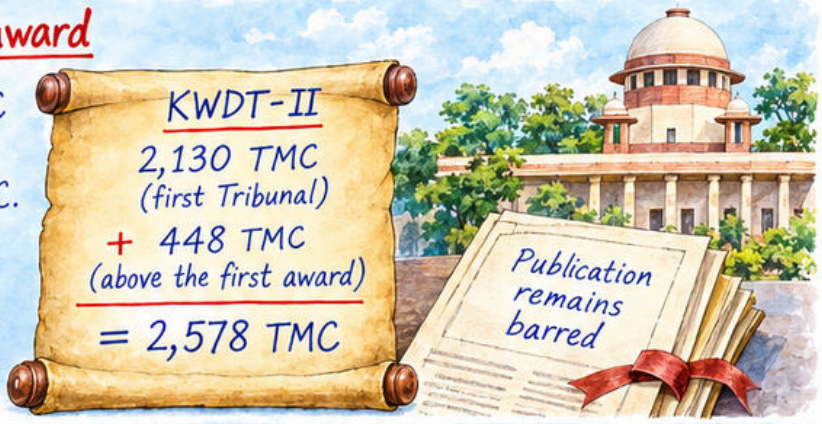
The 811 TMC share

The 2014 Act calls for project-wise allocation where none exists. Telangana sought an en bloc allocation between the successor States, as recorded in the 2024 Lok Sabha answer. Andhra Pradesh has reportedly challenged the 2023 terms in the Supreme Court.



Water above the first award

KWDT-II distributed 448 TMC above the first Tribunal's 2,130 TMC, reaching 2,578 TMC. Publication remains barred while the Supreme Court's 2011 order stands.



Common reservoirs

Srisailam and Nagarjuna Sagar had no agreed sharing arrangement in 2023–24. A three-member committee shares usable water as needed: 80 TMC was divided 45 : 35 in October 2023.



Project control and deficit flows

KRMB regulates supply only from projects notified by the Centre under sections 85 and 87. The Boards' jurisdiction was notified on 15 July 2021.

Section 89(b) asks the Tribunal to determine an operational protocol for project-wise releases during deficit flows.



Sources: Day 31 Source Index | Topic 305

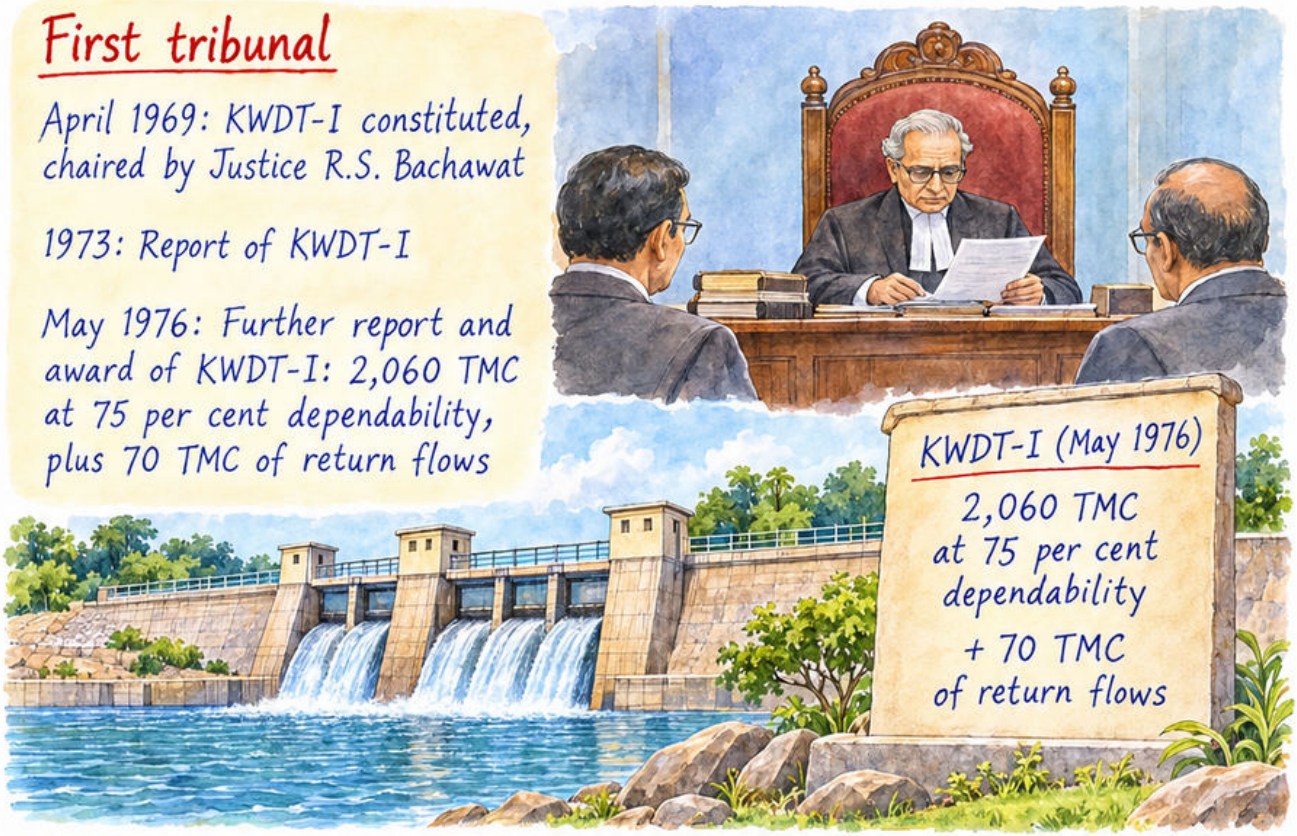
Tribunal and Court dates

First tribunal

April 1969: KWDT-I constituted, chaired by Justice R.S. Bachawat

1973: Report of KWDT-I

May 1976: Further report and award of KWDT-I: 2,060 TMC at 75 per cent dependability, plus 70 TMC of return flows



Review and second tribunal

31 May 2000: Review of the KWDT-I award possible after this date

2 April 2004: KWDT-II constituted (S.O. 451(E))

30 December 2010: KWDT-II report and decision under section 5(2)



The Supreme Court

March 2011: Andhra Pradesh files SLP (Civil) No. 10498 of 2011

16 September 2011: Supreme Court: the decision not to be published in the Gazette till further orders

29 November 2013: KWDT-II further report under section 5(3)



Sources: Day 31 Source Index | Topic 305

Bifurcation and later references

Reorganisation and management

1 March 2014: Andhra Pradesh Reorganisation Act, 2014 (Act No. 6 of 2014)

15 May 2014: Notification: KWDT-II term extended by two years from 1 August 2014

28 May 2014: KRMB constituted under section 85(1)

2 June 2014: Appointed day: Telangana formed



Telangana and interim sharing

14 July 2014: Telangana's complaint under section 3 of the 1956 Act

June 2015: Ad hoc sharing for 2015-16: 512.04 TMC and 298.96 TMC

2017-18 to 2022-23: Sharing at 66 : 34, decided in KRMB meetings

2021: Telangana withdraws its writ petition; gazette notification of 15 July 2021 on the jurisdiction of the Boards



Further reference and hearings

4 October 2023: Union Cabinet approves further terms of reference under section 5(1)

6 October 2023: Further terms of reference notified; three-member committee splits 80 TMC 45 : 35

17 October 2023: Andhra Pradesh's writ petition against the notification (as reported)

19 February 2025: Final arguments begin before KWDT-II (as reported)



Sources: Day 31 Source Index | Topic 305

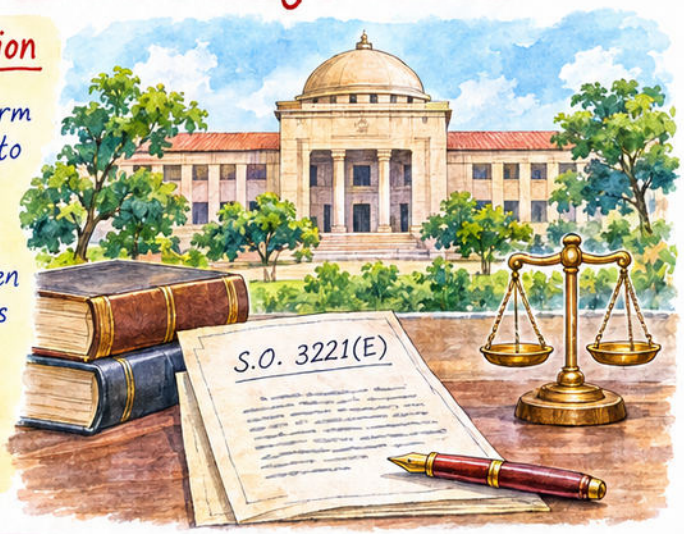
Later dates and memory anchors

Extension and pending decision

10 July 2025: S.O. 3221(E): term extended from 1 August 2025 to 31 July 2026

1 December 2025: Rajya Sabha told the Tribunal has not yet given its decision on the further terms of reference

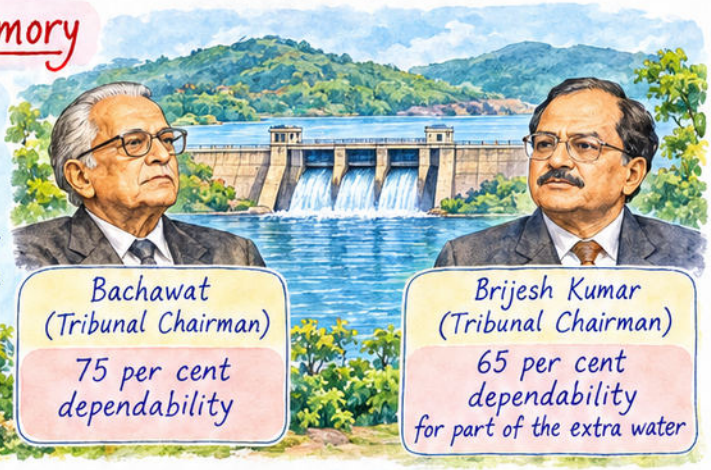
28 August 2026: Telangana preparing rejoinder arguments (as reported)



How to hold it in memory

How to hold it in memory:

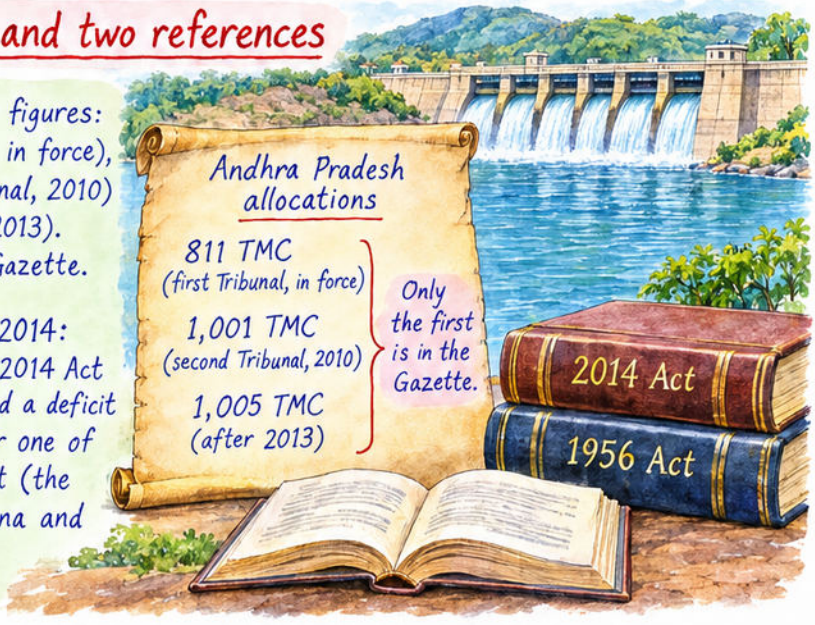
– Two tribunals, two chairmen, two dependabilities: Bachawat with 75 per cent; Brijesh Kumar with 65 per cent for part of the extra water.



Three allocations and two references

– Three Andhra Pradesh figures: 811 TMC (first Tribunal, in force), 1,001 TMC (second Tribunal, 2010) and 1,005 TMC (after 2013). Only the first is in the Gazette.

– Two references after 2014: the one written into the 2014 Act (project-wise allocation and a deficit protocol) and the further one of 2023 under the 1956 Act (the dispute between Telangana and Andhra Pradesh).



Sources: Day 31 Source Index | Topic 305

CURRENT-STATUS UPDATE

S.O. 3039(E), 12 June 2026 (published 13 June): the report-and-decision period was extended from 1 August 2026 to 31 July 2027. The 2025 notification shown above is historical. This is a time extension, not a new water allocation.

Source: Gazette transcription; original Gazette PDF unavailable during verification.

Krishna dispute exam traps

811 is a first-Tribunal figure

811 TMC is undivided Andhra Pradesh's KWDT-I allocation including return flows. Books omitting return flows show Andhra Pradesh 800, Maharashtra 560 and Karnataka 700 TMC. KWDT-II's 2010 report gave Andhra Pradesh 1,001 TMC. Do not swap 811 with 800 or treat it as the second award.



Keep the bodies distinct

The Tribunal adjudicates allocations. The Apex Council supervises the Boards and seeks settlement by agreement; its chair is the Union Minister of Water Resources and its members are the two Chief Ministers.

KRMB regulates supply from Centre-notified projects according to awards and agreements. It does not fix the States' shares itself.



Apex Council	• Supervises the Boards • Seeks settlement by agreement • Chair: Union Minister of Water Resources • Members: two Chief Ministers
Tribunal	• Adjudicates allocations
KRMB	• Regulates supply from Centre-notified projects • According to awards and agreements • Does not fix the States' shares itself

Project-wise versus en bloc

The 2014 Act seeks project-wise allocations where none exists. Earlier project awards remain binding on both successor States.

Telangana sought an en bloc allocation between Telangana and Andhra Pradesh, and the later further reference concerns only those two States. Both earlier tribunal proceedings also involved Maharashtra and Karnataka.



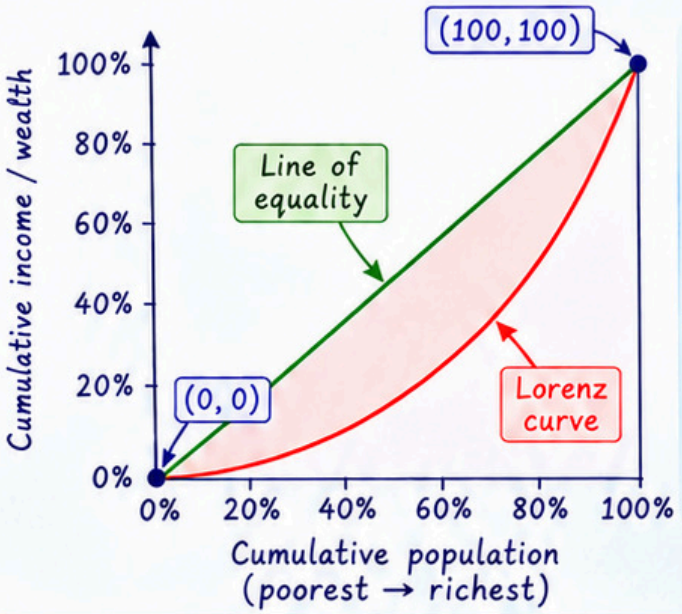
Sources: Day 31 Source Index | Topic 305

Concept in one line

Concept in one line

The Lorenz curve plots cumulative population against cumulative income or consumption. The Gini coefficient summarises inequality as a number from 0 to 1, or an index from 0 to 100.

Lorenz curve: how it is built and read

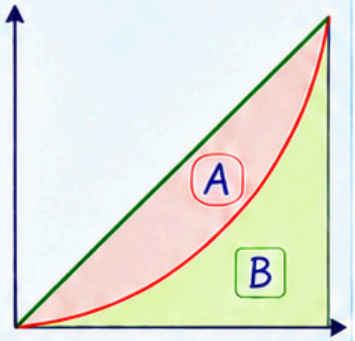


- **Built** by ordering people from poorest to richest and plotting cumulative population vs cumulative income or consumption.
- **Read as:** the farther the Lorenz curve from the line of equality, the higher the inequality.

Gini coefficient

$$G = \frac{A}{A + B}$$

- **A**: area between the line of equality and the Lorenz curve.
- **B**: area under the Lorenz curve.
- Scale: 0 to 1 (or 0 to 100).





Distinguish three measures: consumption inequality, income concentration and wealth concentration. They do not measure the same thing.

Consumption inequality

Inequality in household consumption expenditure (people's consumption spending).



Income concentration

Share of total income received by different population groups.



Wealth concentration

Share of total assets owned by different population groups.



2.1 What is being measured

Inequality can be measured in income, consumption expenditure and wealth.



Income



Consumption expenditure

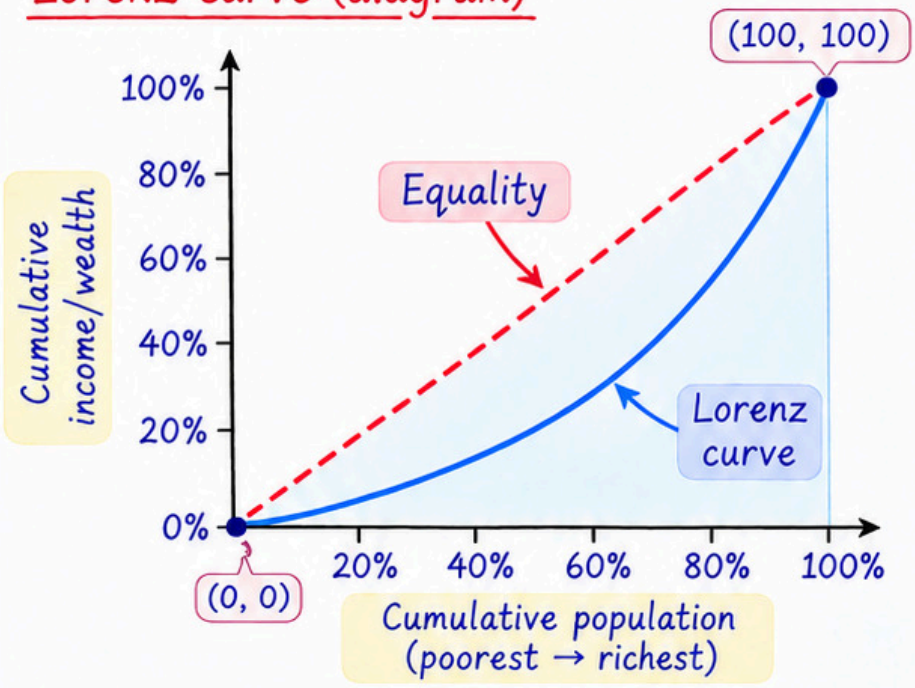


Wealth

A Lorenz curve and Gini can be calculated for each.



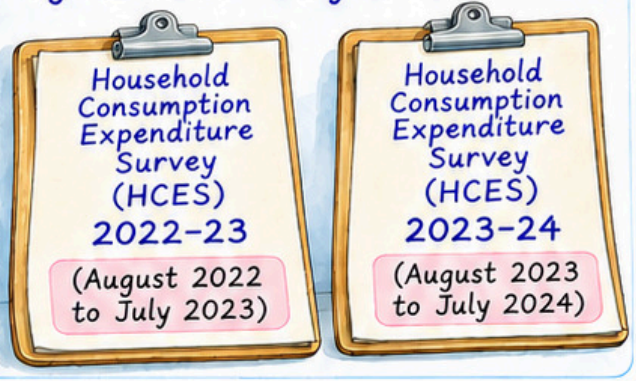
Lorenz curve (diagram)



Gini 0 means perfect equality; Gini 1, or index 100, represents perfect concentration in one person.



HCES 2022-23 covered August 2022-July 2023; HCES 2023-24 covered August 2023-July 2024.



Poverty

Poverty counts people below a poverty line.



Inequality

Inequality measures how the total is distributed.



2.2 The Lorenz curve

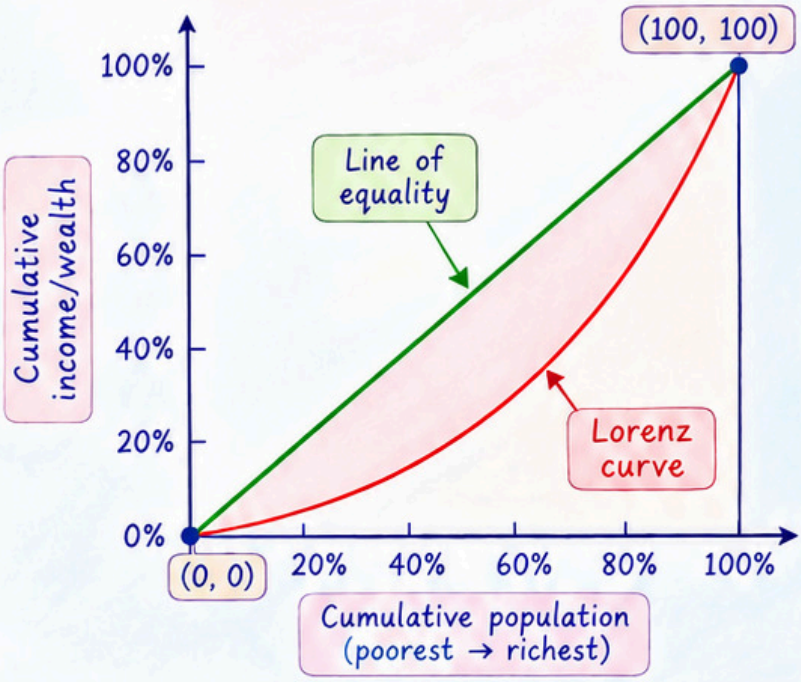
Developed by Max O. Lorenz in 1905 to measure wealth concentration.



1. Arrange people from poorest to richest.
2. Put cumulative population share on the horizontal axis and cumulative income or consumption share on the vertical axis.
3. Join the points from (0, 0) to (100, 100).



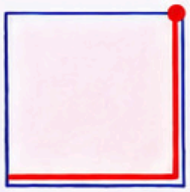
The Lorenz curve (diagram)



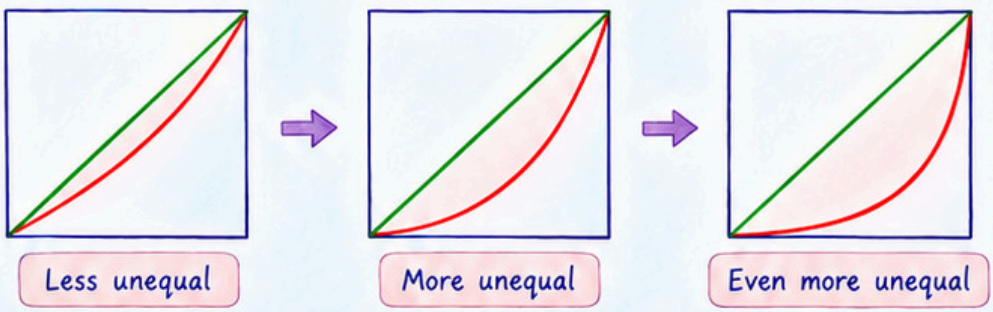
Line of equality: the bottom N% of people receive N% of total income.



Perfect inequality: the curve follows the horizontal axis and rises to 100% only at the end.



For non-negative income or consumption, the Lorenz curve lies on or below the equality line. Greater distance below it indicates greater inequality.



2.3 The Gini coefficient

Corrado Gini introduced the coefficient in 1912.



Coefficient: 0 to 1

Index: 0 to 100



As a formula.

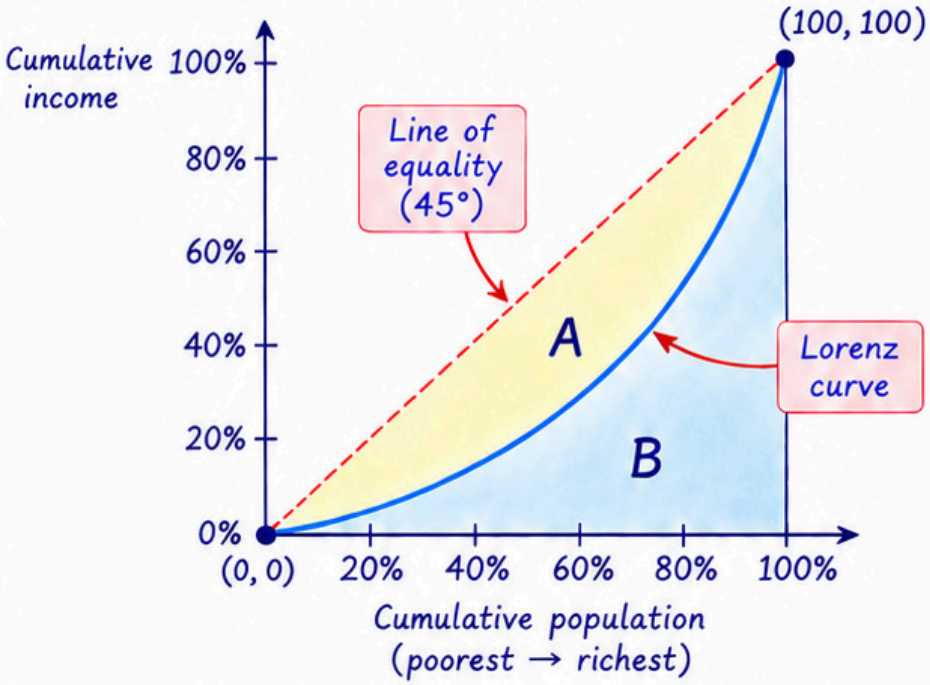
Let A be the area between the equality line and the Lorenz curve; B is the area below the Lorenz curve.

$$Gini = A \div (A + B).$$

With both axes scaled from 0 to 1: A+B = 0.5; therefore

$$Gini = 2A = 1 - 2B.$$

Areas A and B



Range: Gini coefficient: 0 to 1. Gini index: 0 to 100.
0 = perfect equality; 1 or 100 = perfect inequality.
A coefficient of 0.284 equals an index of 28.4.
An index of 25.5 equals a coefficient of 0.255.



Gini = 0
(perfect equality)



Gini = 1
(perfect inequality)

$$0.284 \times 100 = 28.4$$

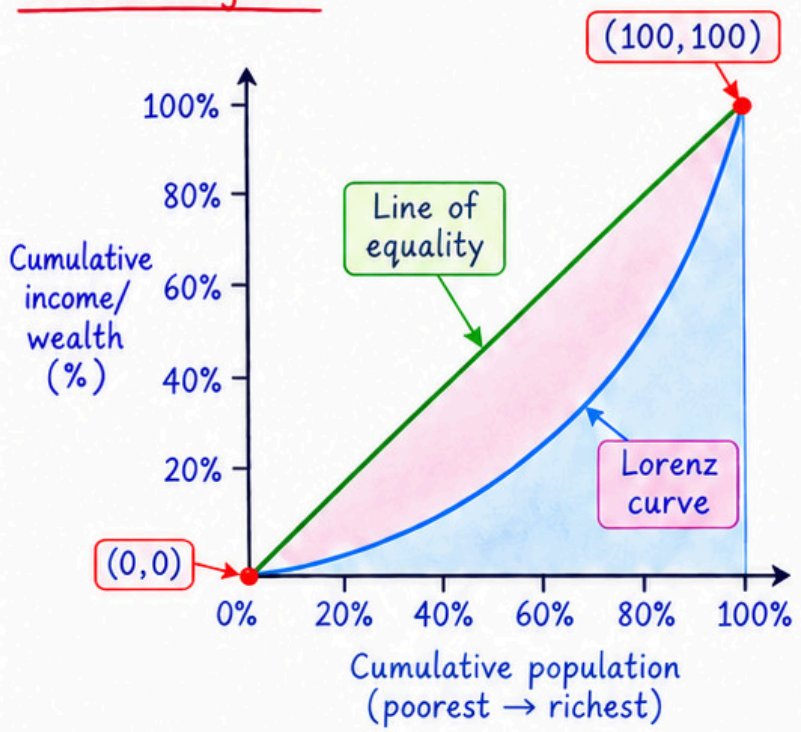
$$25.5 \div 100 = 0.255$$

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2.3 The Gini coefficient

Point	Lorenz curve	Gini coefficient
What it is	A graph	A single number
Built from	Cumulative share of people against cumulative share of income, consumption or wealth	The area between the line of equality and the Lorenz curve, divided by the whole area under the line of equality
Perfect equality	The curve lies on the line of equality	0
Perfect inequality	The curve runs along the horizontal axis and rises only at the end	1 (or 100 as an index)
More inequality shows as	A curve that sags further from the line of equality	A higher number

Lorenz diagram



Four limitations:

1. Not unique
2. Not additive
3. Relative rather than absolute
4. Not strictly comparable

Perfect equality



Lorenz = on equality line; Gini = 0.

Perfect inequality



Lorenz = along horizontal axis, rises only at end; Gini = 1 (or 100 as an index).

More inequality

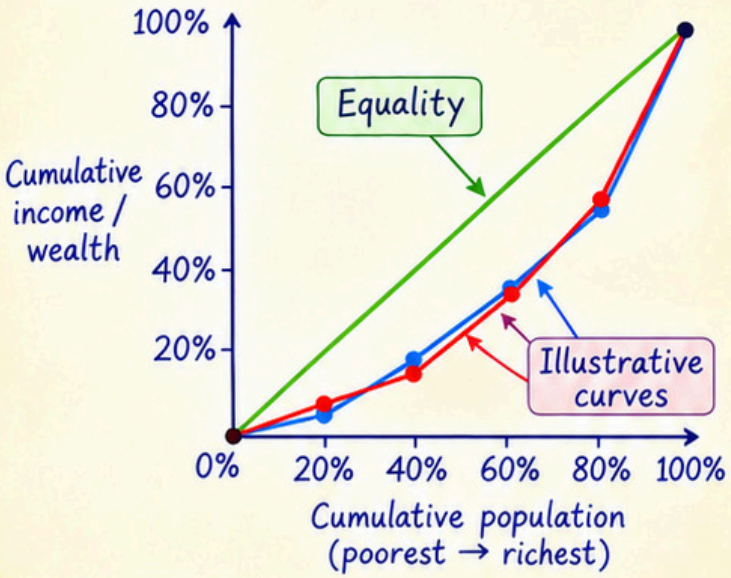


Lorenz = sags further from equality line; Gini = a higher number.

2.3 The Gini coefficient (3/3)

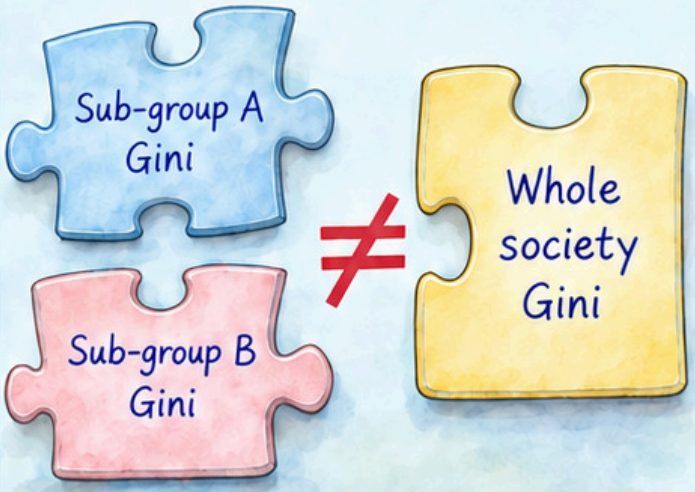
Not unique:

two different Lorenz curves can give the same Gini coefficient, for example when the two curves cross.



Not additive:

the Gini of a whole society is not the sum of the Ginis of its sub-groups.



Relative, not absolute:

the Gini of a developing country can rise while the number of people in absolute poverty falls.



Not strictly comparable:

surveys differ in method and in what they collect (income or consumption), so the figures are not strictly comparable across countries or even across years within a country.



2.4 Consumption, income and wealth

Consumption is a useful welfare measure, especially in developing countries. Comparisons based on income and consumption are not interchangeable.



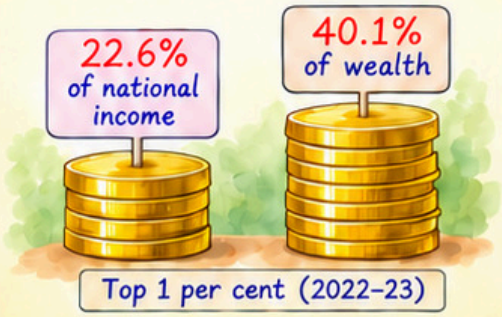
Higher-income households save a larger share of their income. Consumption therefore reveals less inequality than income.

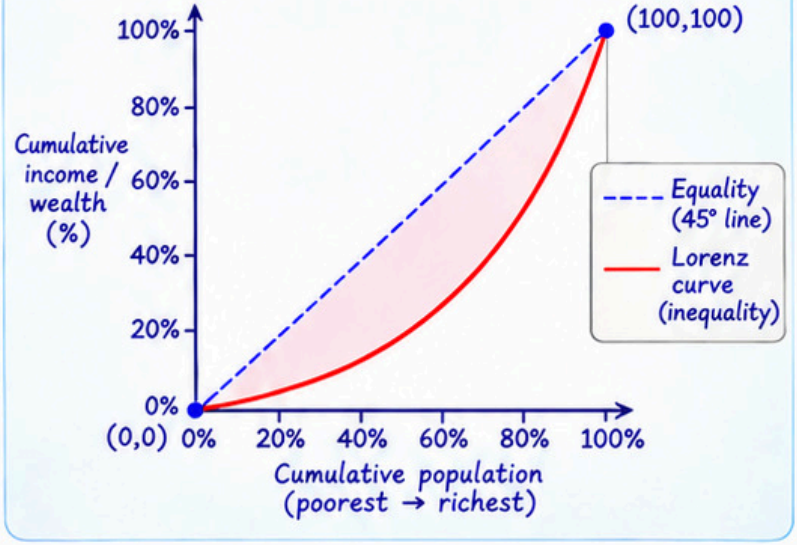


Household surveys may miss part of wealthy households' consumption and understate inequality. This limitation applies to the 2022-23 and 2023-24 consumption surveys.



India, 2022-23 (adults aged 20+): the top 1% received 22.6% of national income but held 40.1% of wealth.





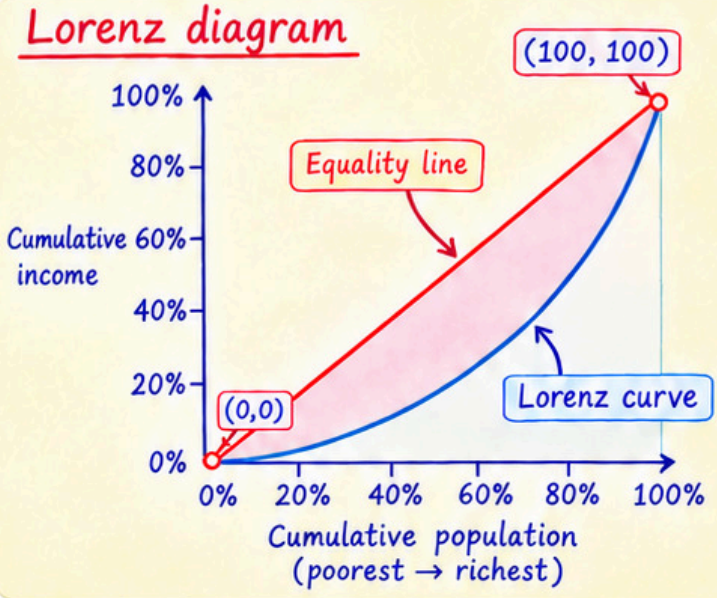
Income inequality is typically greater than consumption inequality. Wealth is generally more concentrated than income.

2.5 India's figures in one table

Consumption inequality	2022-23	2023-24	Scale
Rural India	0.266	0.237	0-1
Urban India	0.314	0.284	0-1

All-India consumption Gini index	2011-12	2022-23	2023-24
Index, scale 0-100	28.8	25.5	23.0

Lorenz diagram



What the Gini shows



Lower Gini → more equal

Higher Gini → more unequal





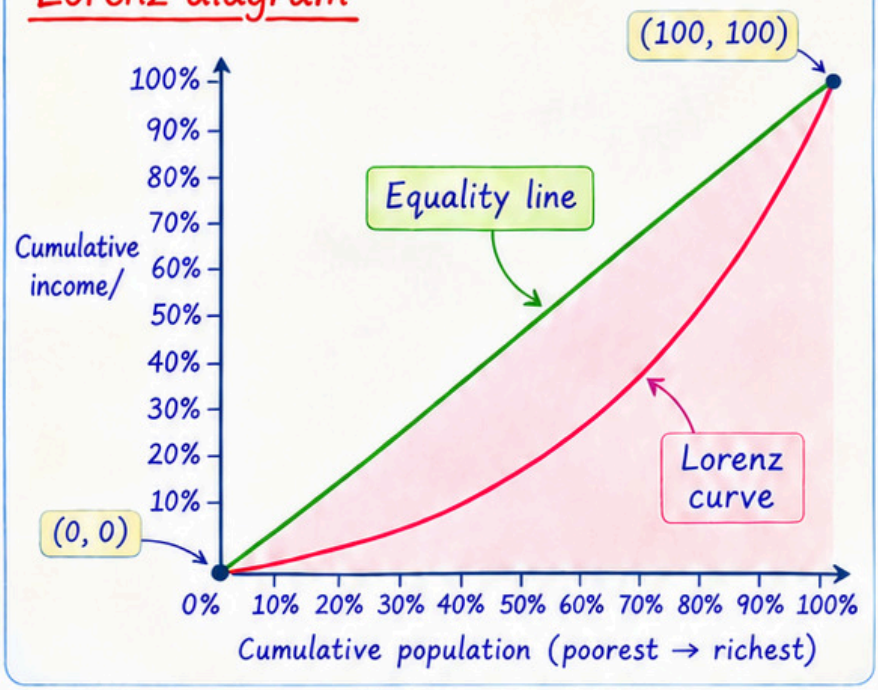
Consumption expenditure

India: income and wealth shares, 2022-23

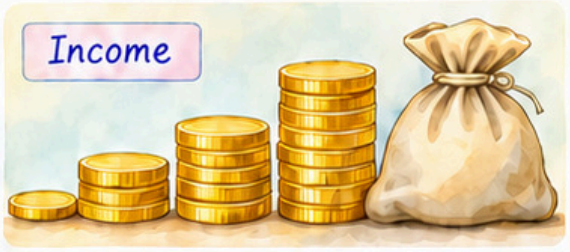
Group	Share of national income	Share of wealth
Top 10%	57.7%	65%
Top 1%	22.6%	40.1%
Bottom 50%	15%	Not shown

Income figures use pre-tax income per adult aged 20 and above.
Wealth shares measure ownership, not annual income.
These are shares of totals, not Gini coefficients.

Lorenz diagram



What the measures refer to





Key idea from the diagram

The Lorenz curve lies below the equality line, showing that income or wealth is not equally shared.

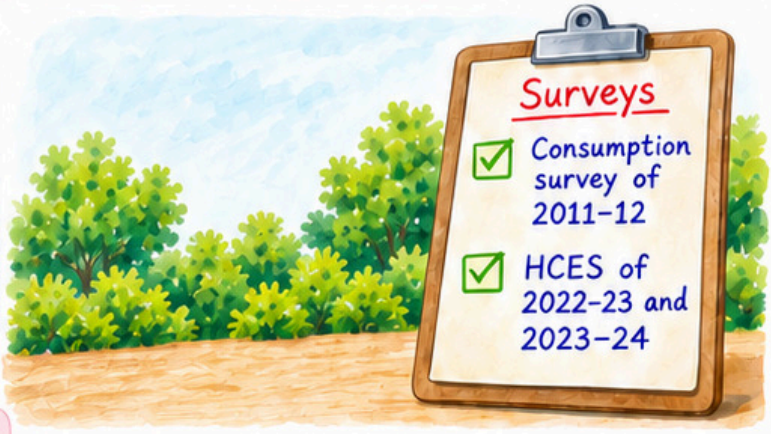


Concepts in the table



2.5 India's figures in one table

Single-year data label	Underlying consumption survey	Gini index
2011	2011–12	28.8
2022	2022–23	25.5
2023	2023–24	23.0



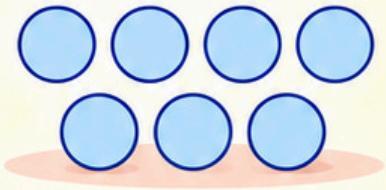
Latest available consumption index as at 7 November 2026: 23.0, based on 2023–24 survey data, not a 2026 survey.

Income estimates may use adults or the whole population. Keep these population bases separate.

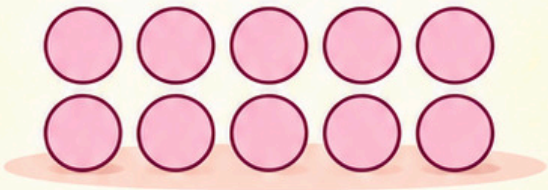
Pre-tax national income includes pensions and unemployment benefits but is measured before taxes and other transfers.

Survey period	Data year
2023–24	2023

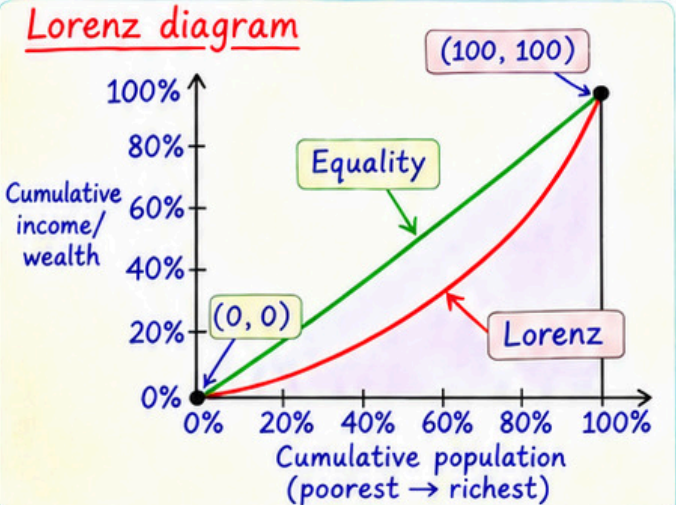
Adults



Whole population



Lorenz diagram



Income and wealth: what the figures mean

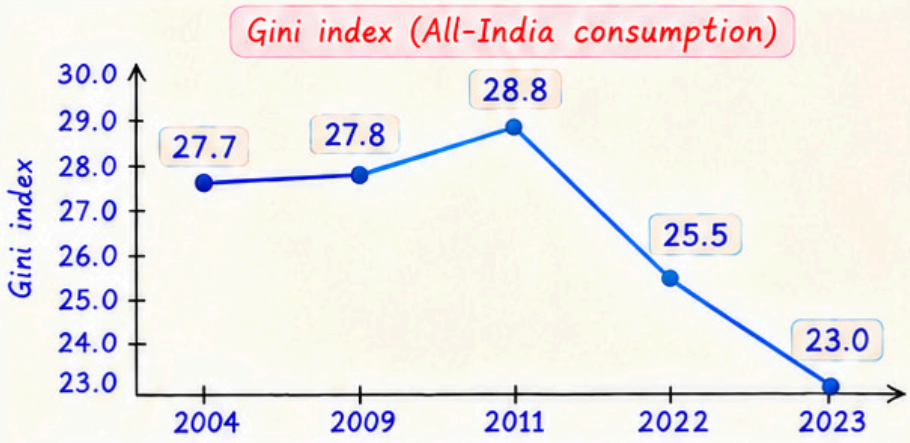


2.6 Trends and comparability

Consumption inequality declined between 2022-23 and 2023-24 in rural and urban India and in almost all 18 major States.



Data year	All-India consumption Gini index
2004	27.7
2009	27.8
2011	28.8
2022	25.5
2023	23.0



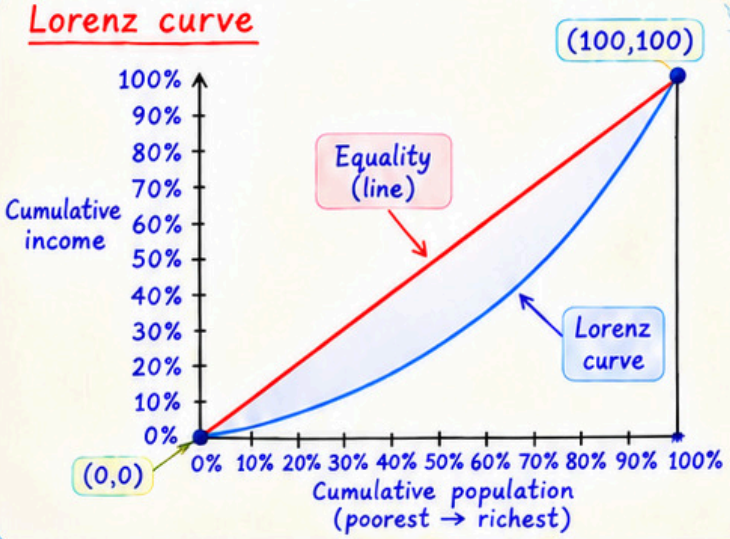
Comparable survey groups: 2004-2009; 2011 separately; 2022-2023. The decline from 2011 to 2022 crosses a survey-method change.

A country ranking can be misleading when some countries measure income and others consumption, or use different survey years. A lower consumption Gini does not establish lower income or wealth inequality.



Compare like with like

Lorenz curve

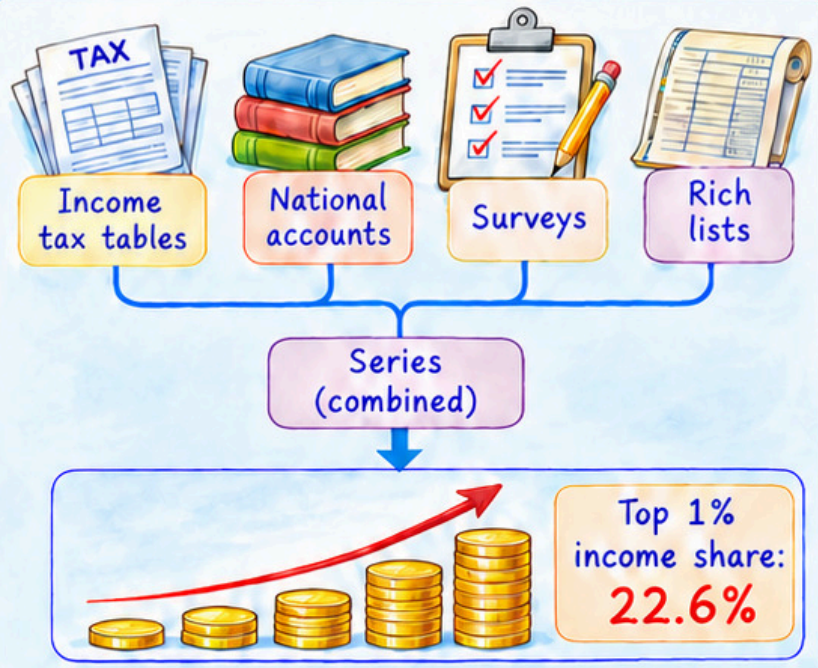


- ☐ Same measure?
- ☐ Same survey year?
- ☐ Comparable method?

2.6 Trends and comparability

The top 1% income share of 22.6% in 2022–23 was the highest in the historical series beginning in 1922, exceeding the inter-war colonial period.

Income and wealth estimates combine tax records, national accounts, household surveys and rich lists. Incomplete coverage can understate concentration at the top.

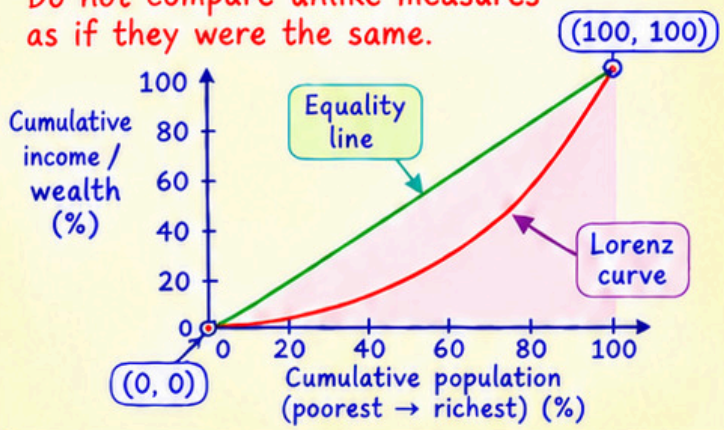


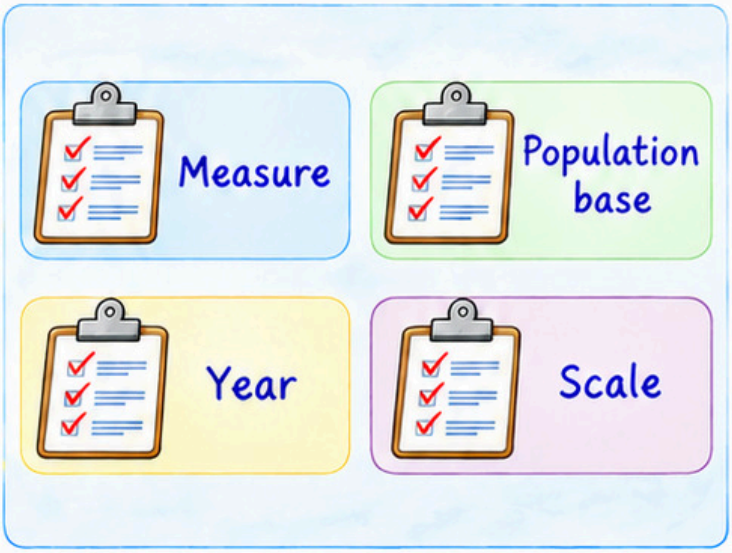
Consumption Gini, income shares and wealth shares answer different questions:

- **Consumption Gini:** distribution of household spending.
- **Income share:** proportion of annual income received by a group.
- **Wealth share:** proportion of assets held by a group.



Always match the measure, population base, year and scale. Do not compare unlike measures as if they were the same.





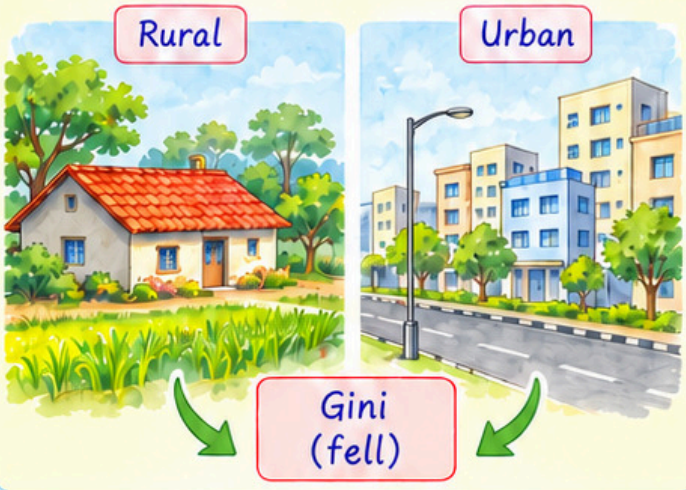
2.7 Andhra Pradesh consumption inequality



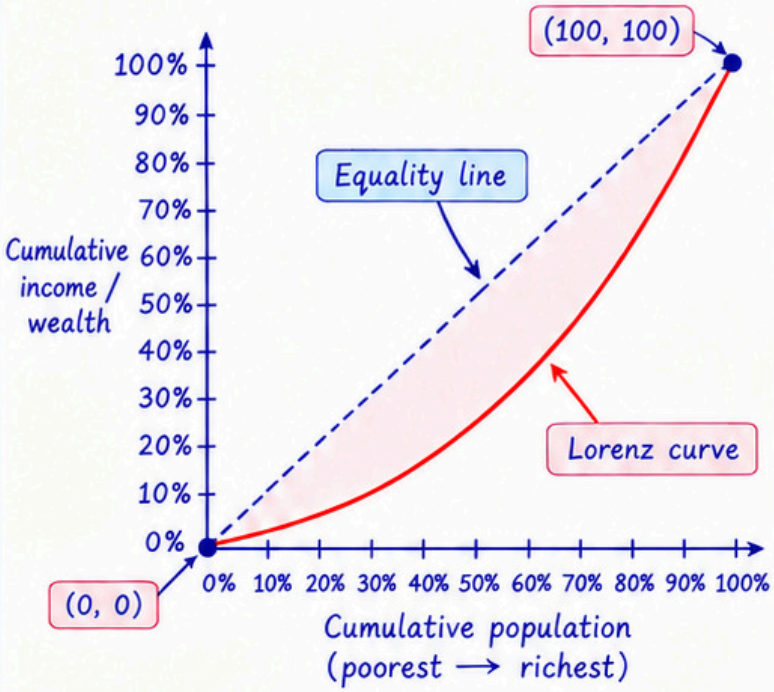
Consumption Gini: Andhra Pradesh and India

Area	2022-23 rural	2022-23 urban	2023-24 rural	2023-24 urban
Andhra Pradesh	0.243	0.283	0.196	0.240
All-India	0.266	0.314	0.237	0.284

- Both rural and urban inequality declined.
- Urban Gini remained above rural Gini.
- Andhra Pradesh's figures were below the corresponding all-India figures in both years.



Lorenz diagram







Lorenz curve and Gini: Society P (1/3)

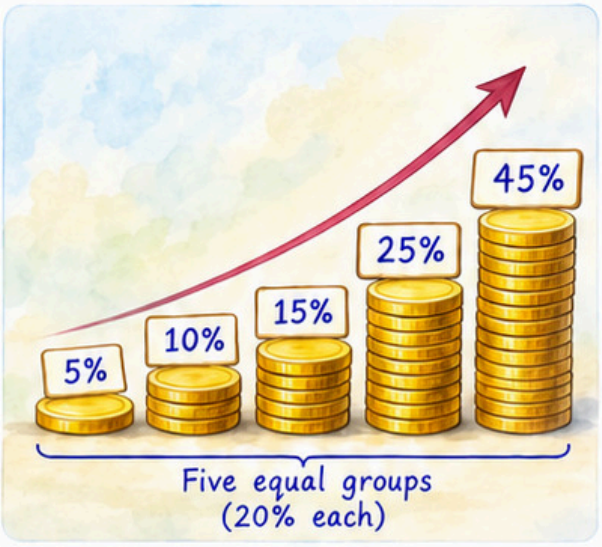
Society P has five groups of people, each 20 per cent of the population, arranged from the poorest. Their shares of income are 5, 10, 15, 25 and 45 per cent.

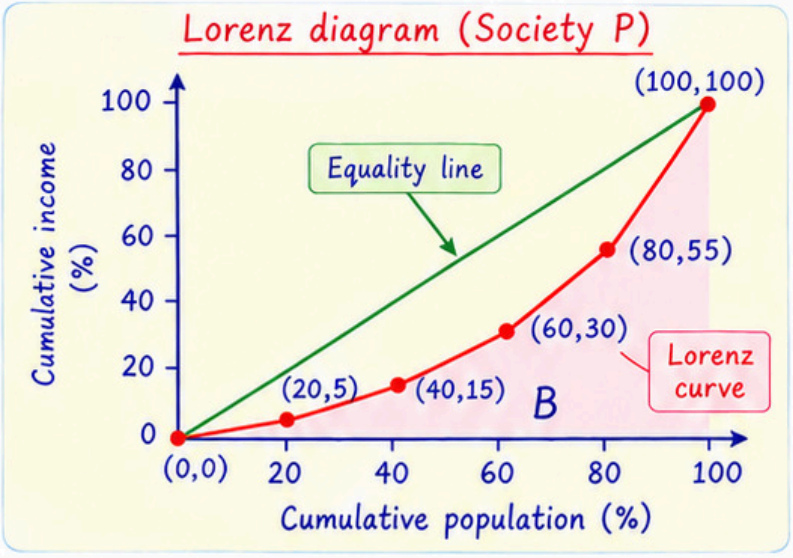
Lorenz curve and Gini

- Lorenz curve shows cumulative share of income against cumulative share of population.
- Gini is twice the area between the equality line and the Lorenz curve.

$$\text{Gini} = 1 - 2 \times B$$

– B : area under the Lorenz curve (axes 0 to 1)





Computation of area under the Lorenz curve

Group	Share of income (per cent)	Cumulative share of people (per cent)	Cumulative share of income (per cent)	Area of the strip under the curve
Poorest 20 per cent	5	20	5	$0.2 \times (0 + 0.05) \div 2 = 0.005$
Second 20 per cent	10	40	15	$0.2 \times (0.05 + 0.15) \div 2 = 0.020$
Middle 20 per cent	15	60	30	$0.2 \times (0.15 + 0.30) \div 2 = 0.045$
Fourth 20 per cent	25	80	55	$0.2 \times (0.30 + 0.55) \div 2 = 0.085$
Richest 20 per cent	45	100	100	$0.2 \times (0.55 + 1.00) \div 2 = 0.155$

Total area and Gini

$$B = 0.005 + 0.020 + 0.045 + 0.085 + 0.155 = 0.310$$

$$\text{Gini} = 1 - 2 \times 0.310 = 0.380$$



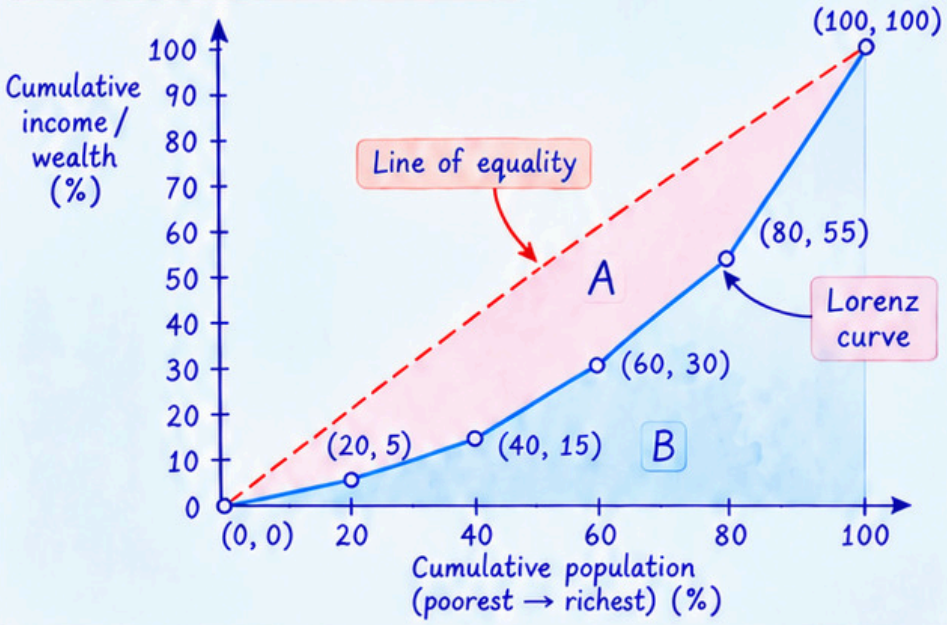
Lorenz curve and Gini coefficient (worked example)

Meaning

The Lorenz curve shows how income or wealth is distributed across the population, and the Gini coefficient measures the degree of inequality.



Lorenz curve (five groups)



Five-group data for the example

Group (cumulative population, %)	Cumulative income (%)
0	0
20	5
40	15
60	30
80	55
100	100



Worked out steps (for the five groups)

Step 1: Plot the curve.
Join (0, 0), (20, 5), (40, 15), (60, 30), (80, 55) and (100, 100). At 40 per cent of people the curve is at 15 per cent of income; the line of equality would be at 40.

Step 2: Area under the curve (B). Each strip is a trapezium: width 0.2 × the average of its two heights.
B = 0.005 + 0.020 + 0.045 + 0.085 + 0.155 = 0.31.

Step 3: Area between the line and the curve (A).
A = 0.5 - 0.31 = 0.19.

Step 4: Gini: Gini = A ÷ 0.5 = 0.19 ÷ 0.5 = 0.38.
Check: 1 – 2B = 1 – 0.62 = 0.38.
As an index, 38.



Comparison: three other cases (worked the same way)

Society	Shares of income of the five groups (per cent)	B	Gini
Equal	20, 20, 20, 20, 20	0.5	0 (the curve lies on the line of equality)
Q	8, 12, 16, 22, 42	0.344	0.312
P	5, 10, 15, 25, 45	0.31	0.38
Richest group takes all	0, 0, 0, 0, 100	0.1	0.8

Lorenz curve and Gini

Comparing inequality

Q's curve lies closer to the line of equality than P's, so Q has the lower Gini.

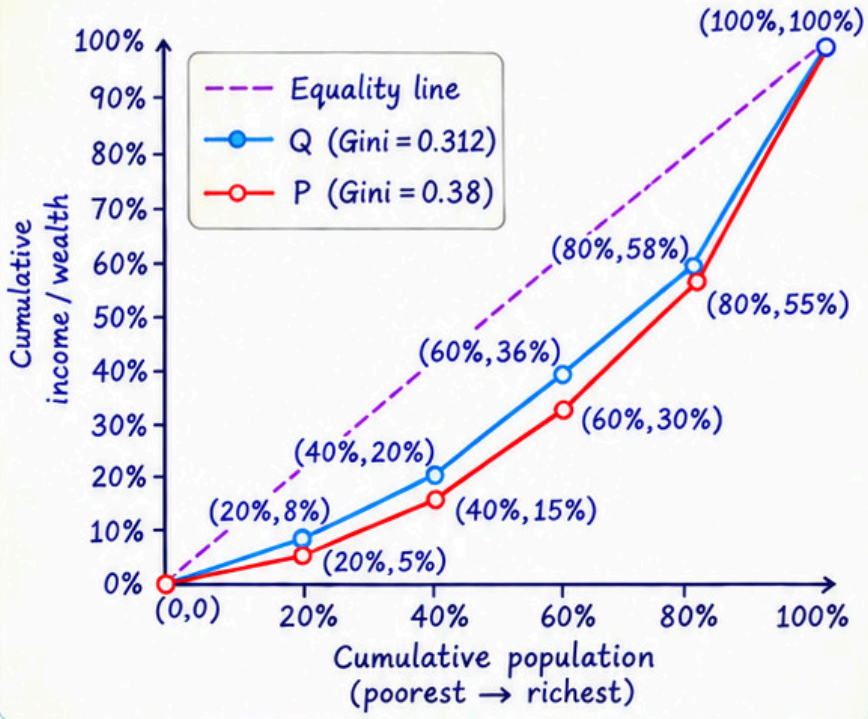


Gini and group limit

With five groups the Gini cannot reach 1, because everyone inside a group is treated as equal. It reaches 1 only when one person has everything.



Lorenz curve: P vs Q (five groups)



Data (five groups)

Group	Cumulative population	Cumulative income / wealth	
		P	Q
1	20%	5%	8%
2	40%	15%	20%
3	60%	30%	36%
4	80%	55%	58%
5	100%	100%	100%

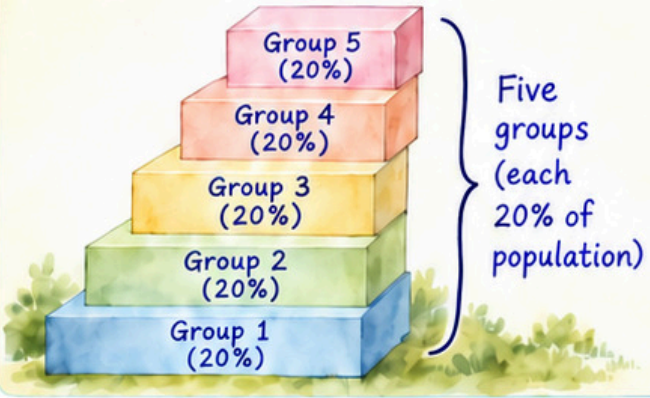
Gini (worked out)

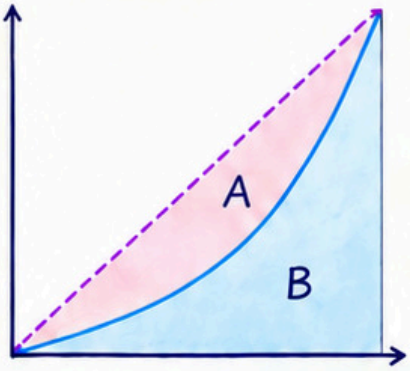
Gini = 1 − 2 × (area under Lorenz)

P: area = 0.310 → Gini = 1 − 2 × 0.310 = 0.38

Q: area = 0.344 → Gini = 1 − 2 × 0.344 = 0.312

How to read the diagram





A = area between equality line and Lorenz curve

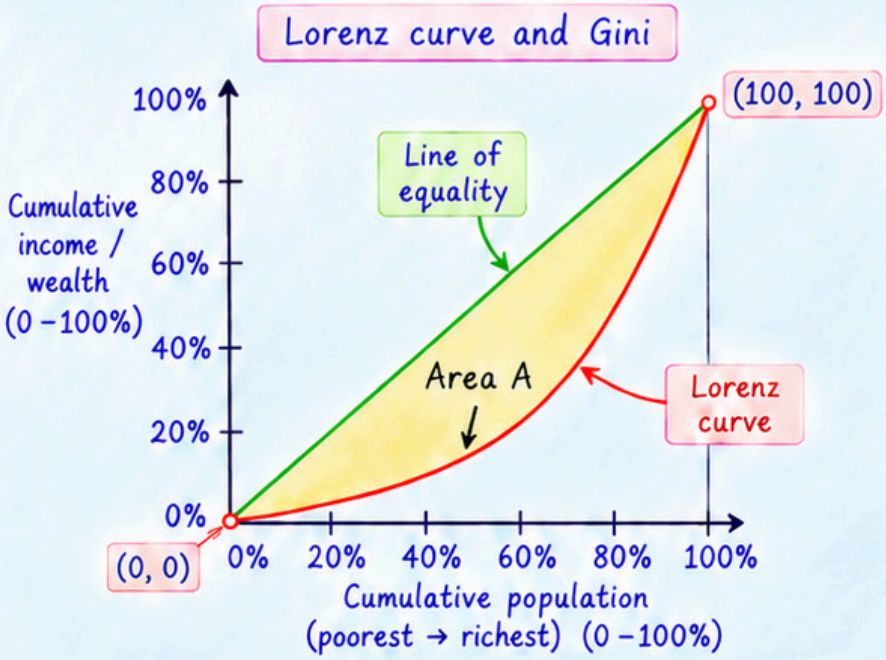
B = area under Lorenz curve

Gini = A / (A + B) = 1 − 2B

Three common exam traps

1. "A higher Gini means a more equal society", and mixing up the two scales.

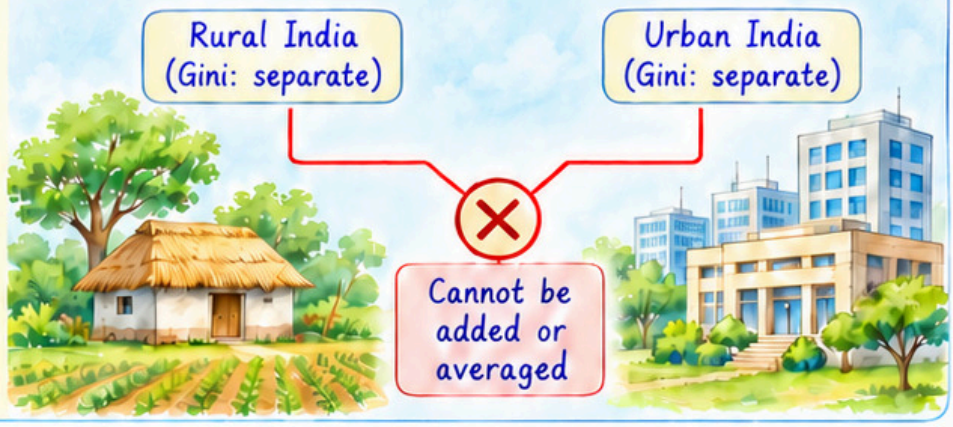
It is the reverse: 0 is perfect equality, The further the Lorenz curve sags from the line of equality, the larger the area between them and the higher the Gini. The coefficient runs from 0 to 1; the index runs from 0 to 100; a Gini of 0.30 and an index of 30 are the same level.



Two ways of writing the same level	Coefficient:0.30	⟷	Index: 30

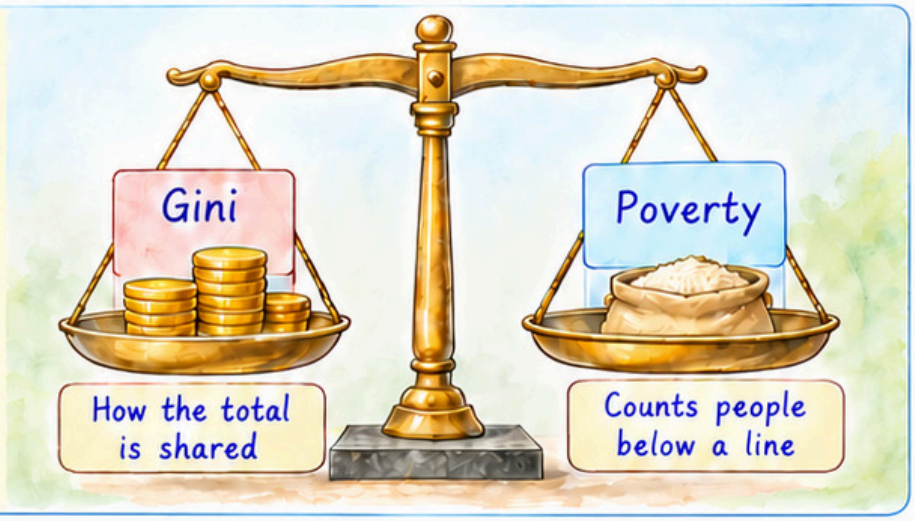
2. Adding or averaging the rural and urban figures.

Rural and urban Ginis are calculated separately. They cannot be added or averaged into an all-India Gini: the Gini of a whole population is not the sum of the Ginis of its parts.



3. Reading a fall in the Gini as a fall in poverty, or a rise as more poverty.

The Gini measures how the total is shared, not how well people live. A country's Gini can rise while the number of people in absolute poverty falls. Poverty counts the people below a line.



Concept in one line

Concept in one line

A non-performing asset (NPA) is a bank loan that no longer meets the applicable performance test.

Term loan: interest or an instalment of principal overdue for more than 90 days.

Other loan types have different tests, including crop seasons and an "out of order" account.



Asset classes

- ☑ Standard; Sub-standard; Doubtful; Loss.
- ☑ The last three are NPA categories.



RBI: classification of loans

Loan (assessment as per RBI norms)

- Standard (no NPA)
- Sub-standard (NPA)
- Doubtful (NPA)
- Loss (NPA)



Recovery and resolution mechanisms

Insolvency and Bankruptcy Code, 2016



SARFAESI Act, 2002

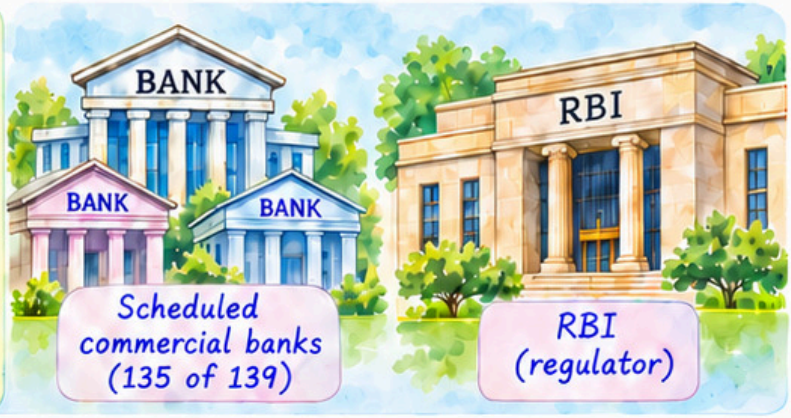


Recovery of Debts and Bankruptcy Act, 1993



2.1 What makes a loan an NPA

At end-March 2025, 135 of India's 139 commercial banks were scheduled commercial banks.



The RBI regulates income recognition, asset classification and provisioning for bank advances.

Income recognition → Asset classification → Provisioning

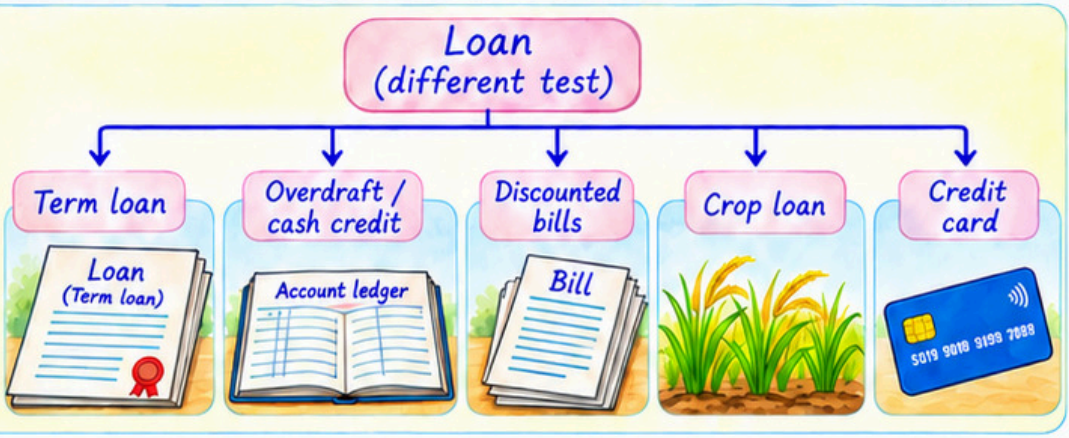
Overdue:

an amount due under a credit facility that is not paid on the bank-fixed due date.



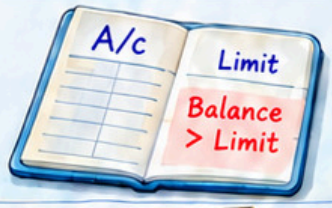
NPA.

NPA tests differ by facility: term loans; overdraft/ cash credit; discounted bills; crop loans; credit cards.



Overdue does not automatically mean NPA. Apply the correct facility-specific threshold.

2.1 What makes a loan an NPA

Kind of loan	It becomes an NPA when
Term loan 	Interest or an instalment of principal stays overdue for more than 90 days 
Overdraft or cash credit 	The account stays "out of order" for 90 days: the balance stays above the sanctioned limit or drawing power; or there are no credits, or the credits do not cover the interest debited
Bills purchased and discounted 	The bill stays overdue for more than 90 days 
Crop loan, short duration crop 	The instalment of principal or interest stays overdue for two crop seasons. 
Crop loan, long duration crop 	The instalment of principal or interest stays overdue for one crop season. 
Credit card account 	The minimum amount due is not paid in full within 90 days from the payment due date 

Borrower-wise, not loan-wise.

When one facility of a borrower becomes an NPA, all that bank's facilities to the borrower are treated as NPAs.



Upgrading.

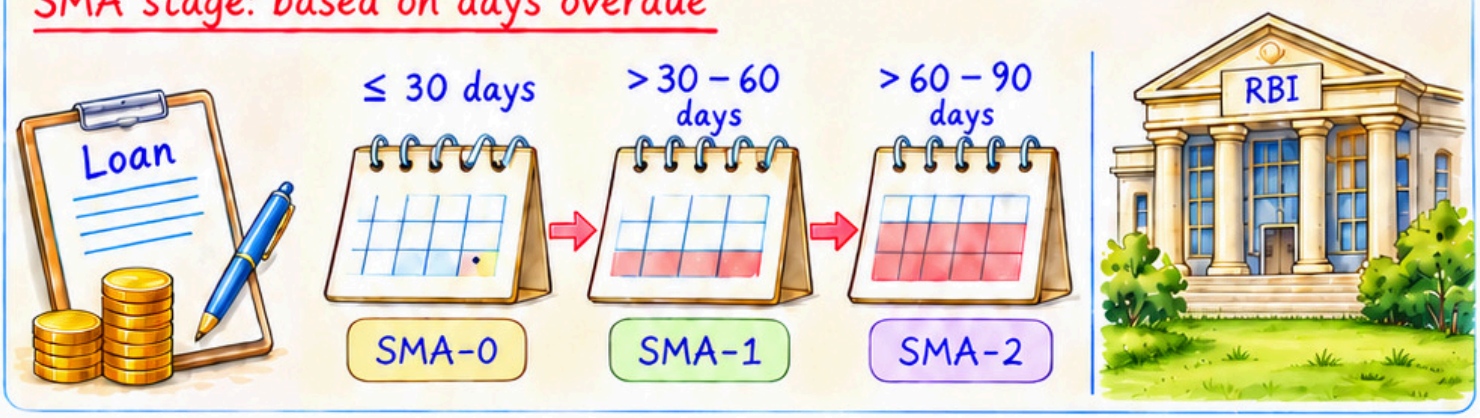
An NPA becomes standard again only when the entire arrears of interest and principal are paid.



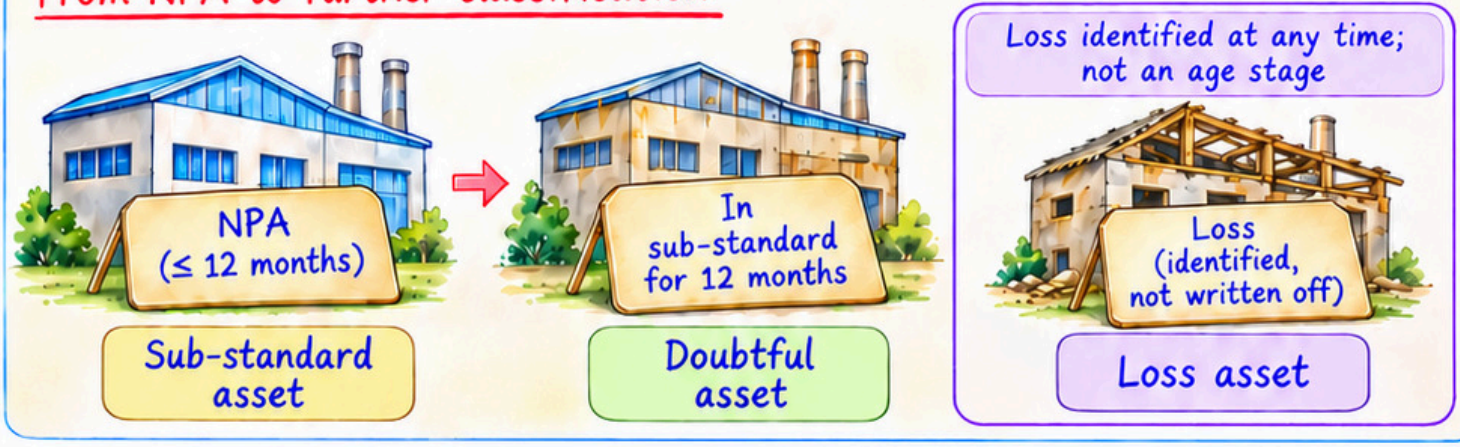
2.2 The classification in one table

Category	Rule (days overdue, or period as an NPA)
SMA-0 (special mention account)	Principal, interest or any other amount overdue for up to 30 days. Given only for loans other than revolving facilities (such as cash credit and overdraft)
SMA-1	Overdue for more than 30 days and up to 60 days. For cash credit and overdraft: the balance stays above the sanctioned limit or drawing power for that long
SMA-2	Overdue for more than 60 days and up to 90 days (for cash credit and overdraft, the same excess balance)
Sub-standard asset	It has been an NPA for 12 months or less
Doubtful asset	It has remained in the sub-standard category for 12 months
Loss asset	Loss identified by the bank, its auditors or the RBI's inspection, but not written off in full

SMA stage: based on days overdue

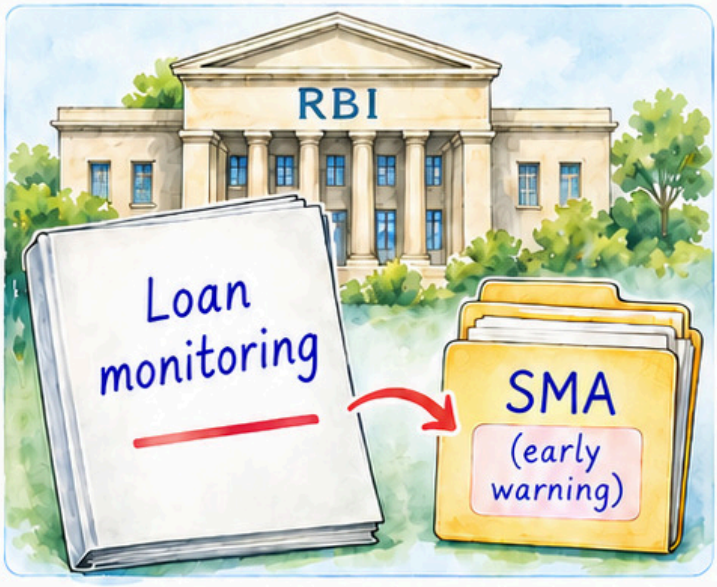


From NPA to further classification



2.2 The classification in one table

SMA accounts are early-warning accounts, not NPAs. Lenders recognise stress immediately on default.



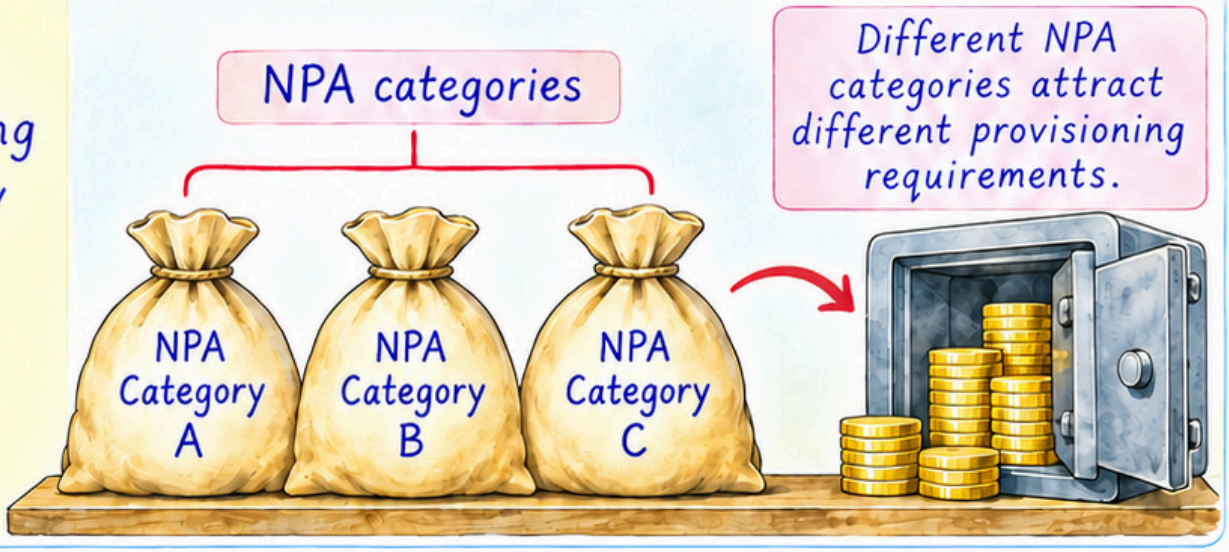
Cash-credit and overdraft accounts have SMA-1 and SMA-2 categories, but no ~~SMA-0~~ category.



SMA table (cash credit & overdraft)

SMA-1	✓
SMA-2	✓
SMA-0	✗

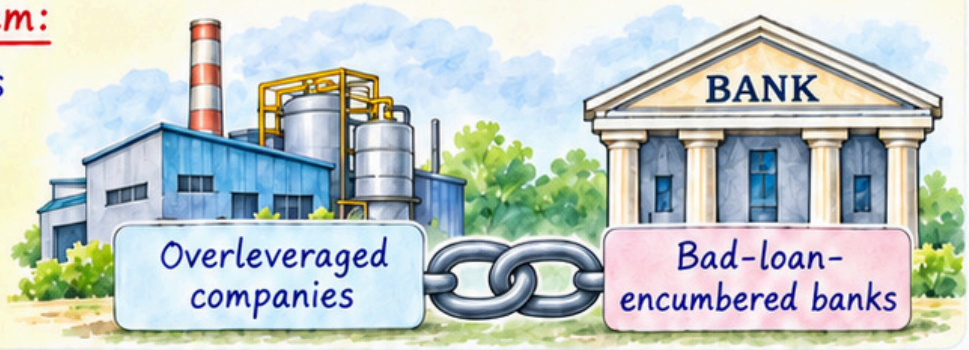
Provisioning means setting aside money against expected losses.

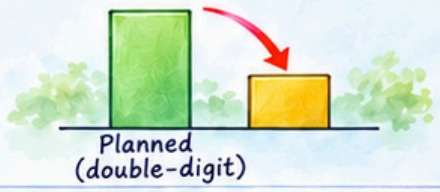
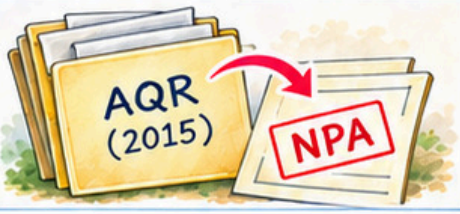


Different NPA categories attract different provisioning requirements.

2.3 Why NPAs piled up

Twin balance-sheet problem:
heavily indebted companies alongside banks burdened by bad loans.



Driver		Effect
Credit-financed investment boom in the mid-2000s		Large corporate debt exposure
Delayed land and environmental clearances		Project delays and cost overruns
Slower growth after the global financial crisis		Revenues below optimistic projections
Falling international steel prices		Stress in Indian steel companies
Aggressive lending, wilful defaults and frauds		Deterioration in loan quality
Asset Quality Review, 2015		Recognition of previously stressed loans as NPAs

Recognition increased reported NPAs; it did not mean all those loans became stressed for the first time during the review.

2.3 Why NPAs piled up

Public Sector Asset Rehabilitation Agency (PARA): proposed in 2016-17 to purchase and resolve the largest stressed loans.



The 4R strategy:

- **R** : Recognition of stressed assets.
- **R** : Resolution of bad loans.
- **R** : Recapitalisation of banks.
- **R** : Reforms to improve banking practices.

Treat it as a proposal, not an established recovery institution.



Proposed model (schematic)

The 4R strategy:

R : Recognition of stressed assets.



R : Resolution of bad loans.



R : Recapitalisation of banks.



R : Reforms to improve banking practices.



2.4 The trend: the peak of 2018 and the fall since

Gross NPA (GNPA): non-performing loans in total loans.



Net NPA (NNPA): non-performing loans after provisioning.

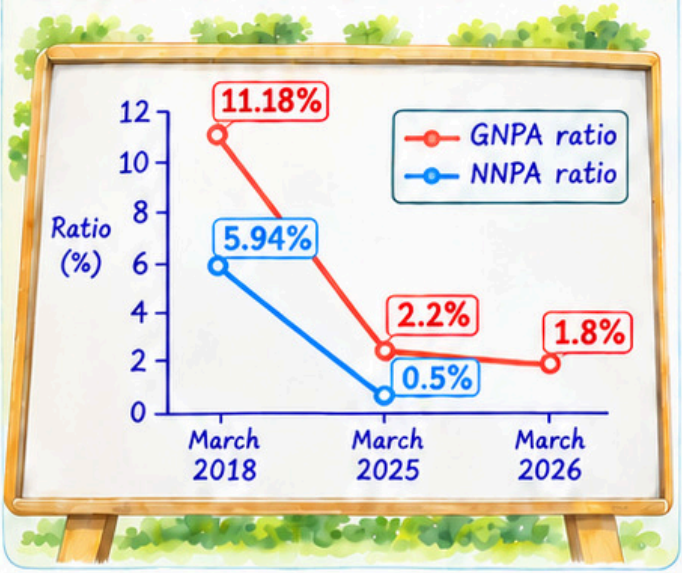


Provision coverage ratio (PCR): the share of NPAs covered by provisions.



Date	Measure	Figure
March 2018	Gross NPA (GNPA) ratio of scheduled commercial banks: the peak	11.18 per cent
March 2018	Net NPA (NNPA) ratio of scheduled commercial banks: the peak	5.94 per cent
March 2025	GNPA and NNPA ratios of scheduled commercial banks	2.2 and 0.5 per cent
March 2026	GNPA ratio of scheduled commercial banks	1.8 per cent, a "multi-decadal low"
March 2026	PCR of scheduled commercial banks	75.6 per cent

The trend at a glance



Provision coverage

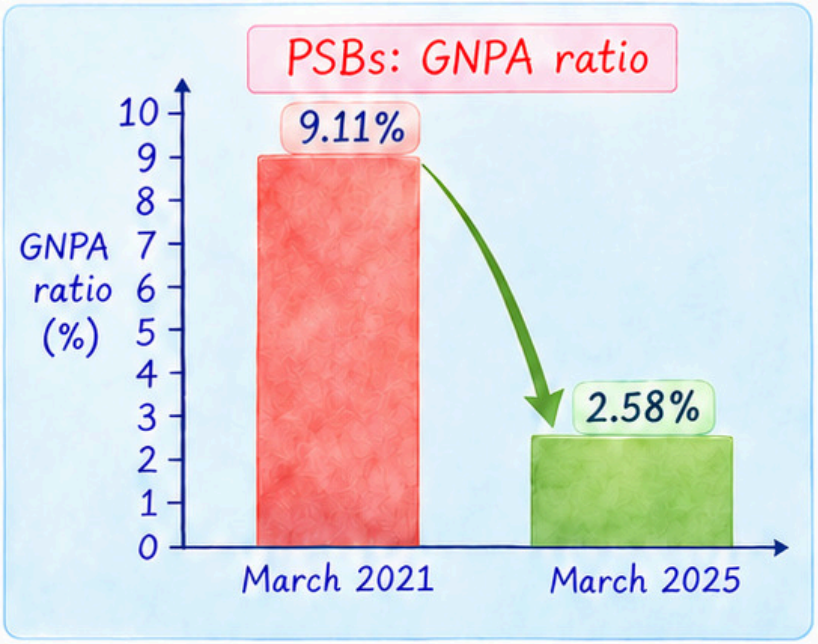
NPAs → Provisions

PCR: 75.6% (March 2026)

2.4 The trend: the peak of 2018 and the fall since

Public-sector banks: GNPA ratio fell from 9.11% in March 2021 to 2.58% in March 2025.





March 2018 peak figures differ by dataset and coverage:

- SCB headline series: GNPA 11.18%; NNPA 5.94%.
- Domestic-operations series: GNPA 11.46%, amount ₹9,62,621 crore; NNPA about 6.1%.
- Rounded GNPA figure: 11.5%.

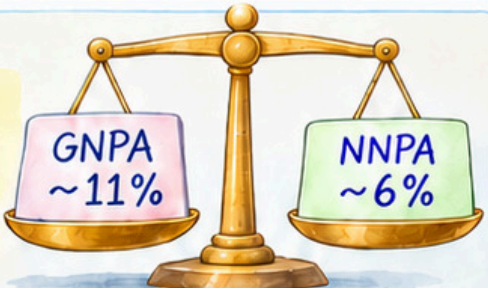
These are alternative data presentations, not three separate peaks. Match the dataset and coverage.





Data	Figure
SCB headline series: GNPA	11.18%
SCB headline series: NNPA	5.94%
Domestic-operations series: GNPA (amount ₹9,62,621 crore)	11.46%
Domestic-operations series: NNPA	about 6.1%
Rounded GNPA figure	11.5%

Broad pattern: March 2018 peak, GNPA slightly above 11% and NNPA about 6%.



2.5 The tools of resolution (1/4)

Tool	Law or rule	Year	Who decides	Time limit or threshold
Prudential Framework for Resolution of Stressed Assets	RBI directions to lenders	7 June 2019	The lenders, who sign an inter-creditor agreement (ICA) during the review period	Review of the account within 30 days of default; resolution plan implemented within 180 days from the end of the review period; if not, extra provisions of 20 per cent, 35 per cent in all at 365 days



Enforcement of security interest	Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act	2002	The secured creditor itself, without going to a court	Notice of 60 days to the borrower once the account is an NPA; the borrower may apply to a Debts Recovery Tribunal within 45 days of a measure

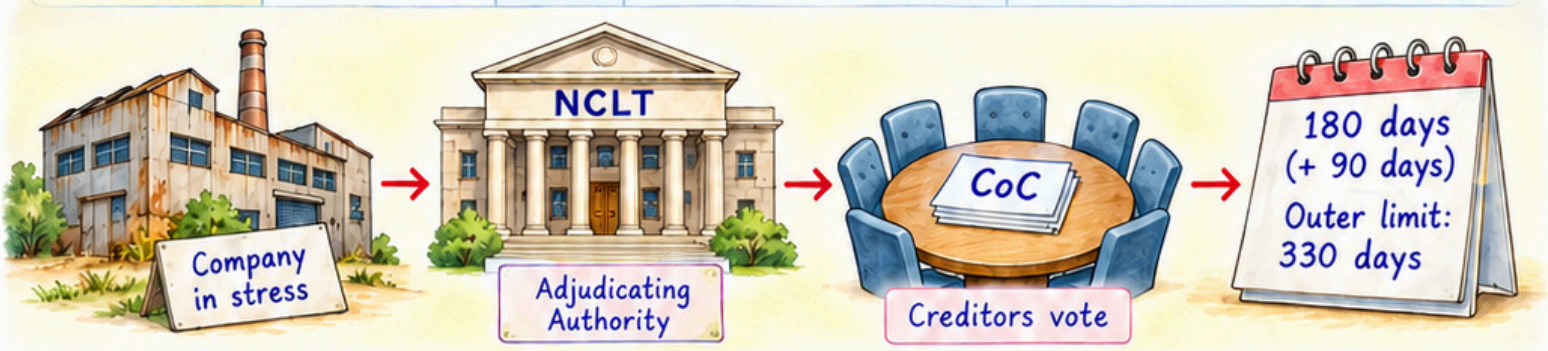


Recovery case before a tribunal	Recovery of Debts and Bankruptcy Act	1993	The Debts Recovery Tribunal (DRT)	Its pecuniary limit was raised from Rs 10 lakh to Rs 20 lakh



2.5 The tools of resolution

Tool	Law or rule	Year	Who decides	Time limit or threshold
Corporate insolvency resolution process (CIRP)	Insolvency and Bankruptcy Code (IBC)	2016	The National Company Law Tribunal (NCLT), as the Adjudicating Authority; the creditors vote in a committee of creditors (CoC)	180 days, which may be extended by 90 days; an outer limit of 330 days, including the extension and the time taken in litigation, added by the IBC (Amendment) Act, 2019



The SARFAESI Act, 2002

(Act 54 of 2002, enacted on 17 December 2002). Once a secured loan is an NPA and the 60-day notice has run out, the secured creditor may take possession of the secured asset, take over the management of the business, appoint a manager, or ask a person who has acquired the asset to pay the creditor, with no permission from a court. It does not apply to a loan of up to Rs 1 lakh, to agricultural land, or where the amount due is less than 20 per cent of the principal and interest.



Asset Reconstruction Companies (ARCs)

set up under the same Act and registered and regulated by the RBI, take over bad loans from banks and try to recover them.



2.5 The tools of resolution

National Asset Reconstruction Company Ltd (NARCL): announced in Budget 2021–22, incorporated on 7 July 2021 and registered with the RBI as an ARC.
It purchases large stressed loans: 15% cash and 85% security receipts.
In September 2021, a Central Government guarantee of up to ₹30,600 crore was approved for these receipts for five years.



NARCL: how it works



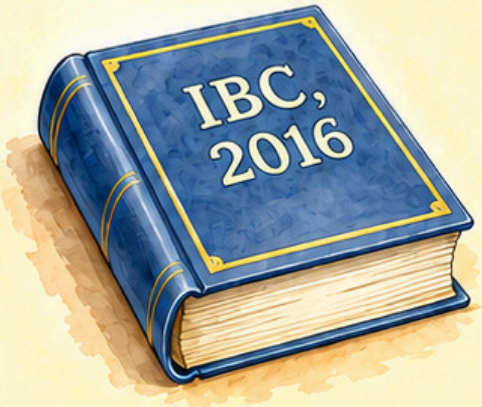
A Debts Recovery Tribunal also hears borrowers' applications against SARFAESI measures.



2.5 The tools of resolution

The IBC, 2016

(assent on 28 May 2016)



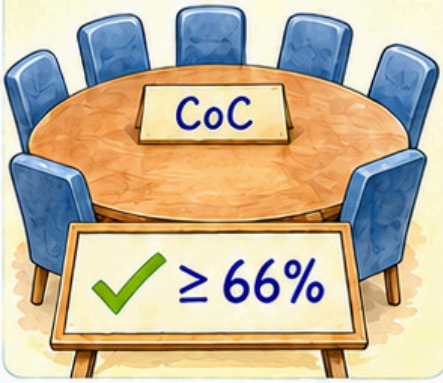
A financial creditor (section 7), an operational creditor (section 9) or the company itself (section 10) may apply to start a CIRP.



The minimum default in section 4 is Rs 1 lakh, which the Central Government may raise to not more than Rs 1 crore; the Ministry of Corporate Affairs fixed it at Rs 1 crore on 24 March 2020.



A resolution plan needs a CoC vote of not less than 66 per cent of the voting share of the financial creditors (section 30(4)).



A moratorium from the start of insolvency stops suits against the company and bars it from selling its assets until the CIRP ends.



The Code took control of defaulting companies away from promoters.



If no plan is approved, the company goes into liquidation.



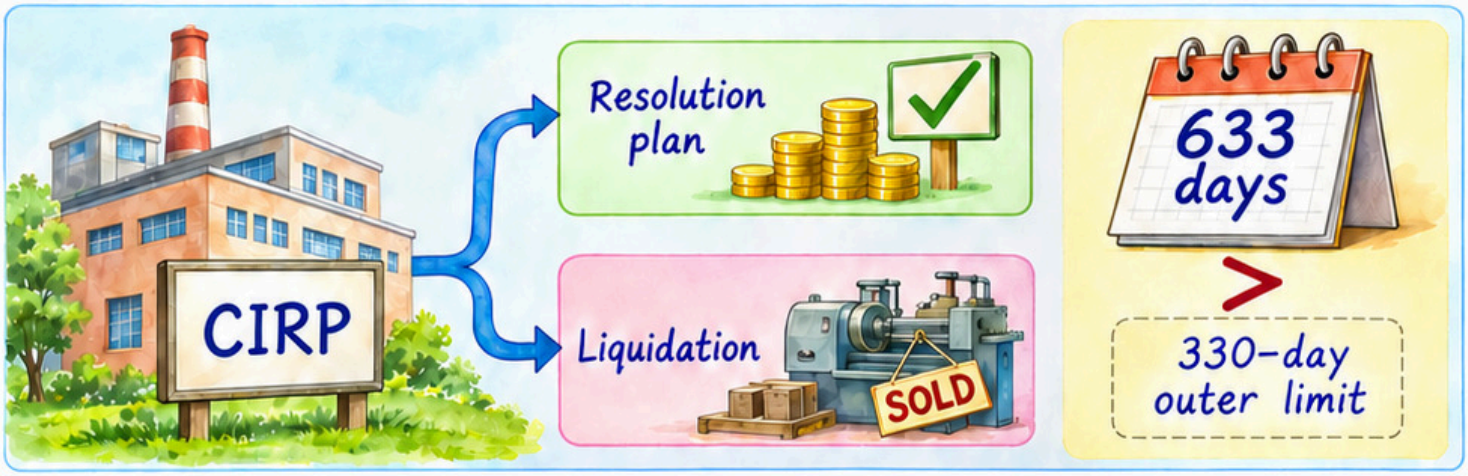
The Insolvency and Bankruptcy Board of India (IBBI) is the regulator.



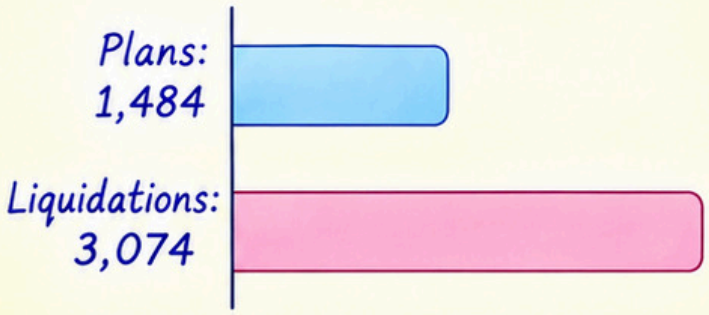
2.6 The IBC in figures: 30 June 2026



Item	Figure
CIRPs admitted since the Code began	9,166
Closed with approved resolution plans	1,484
Closed with liquidation orders	3,074
Creditors' realisation under resolution plans	30.52% of admitted claims
Average duration of CIRPs ending in a plan	633 days



– Liquidation closures exceeded resolution-plan closures by more than two times. Average duration of completed resolutions exceeded the statutory 330-day outer limit.

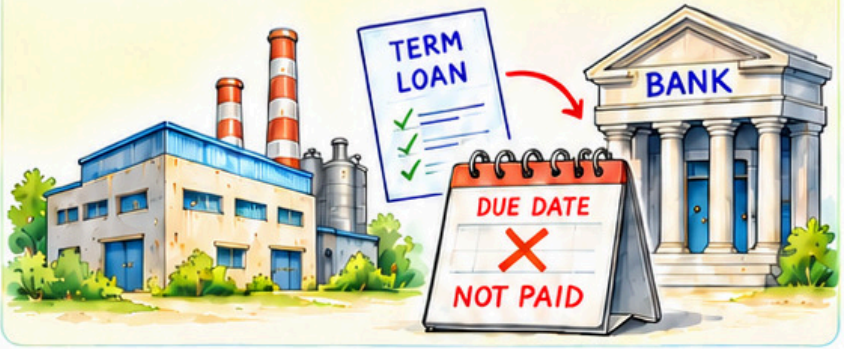


– Resolution plans: creditors realised 30.52% of admitted claims.

Admitted claims → Realisation: 30.52%

The life of a bad loan, from the first missed payment to a loss asset

Example: a term-loan instalment is unpaid on its due date and remains unpaid.



Key terms in this journey:

- **Instalment** : A scheduled repayment of a term loan.
- **NPA** : For this term loan: interest or instalment overdue for more than 90 days.
- **Loss asset** : Loss identified by bank, auditors or RBI, but not written off in full.

How the loan turns into a bad loan

1. Due date missed

Instalment not paid on the due date.



2. Overdue account

Due date missed → overdue account.



3. NPA (> 90 days)

More than 90 days overdue → NPA, subject to the applicable classification rules.



Loss asset

Loss identification is separate: a loss asset may be identified at any time, not automatically after a fixed age.



Process flow at a glance

Due date → Overdue (≤ 90 days) → NPA (> 90 days) → Identified at any time: Loss asset

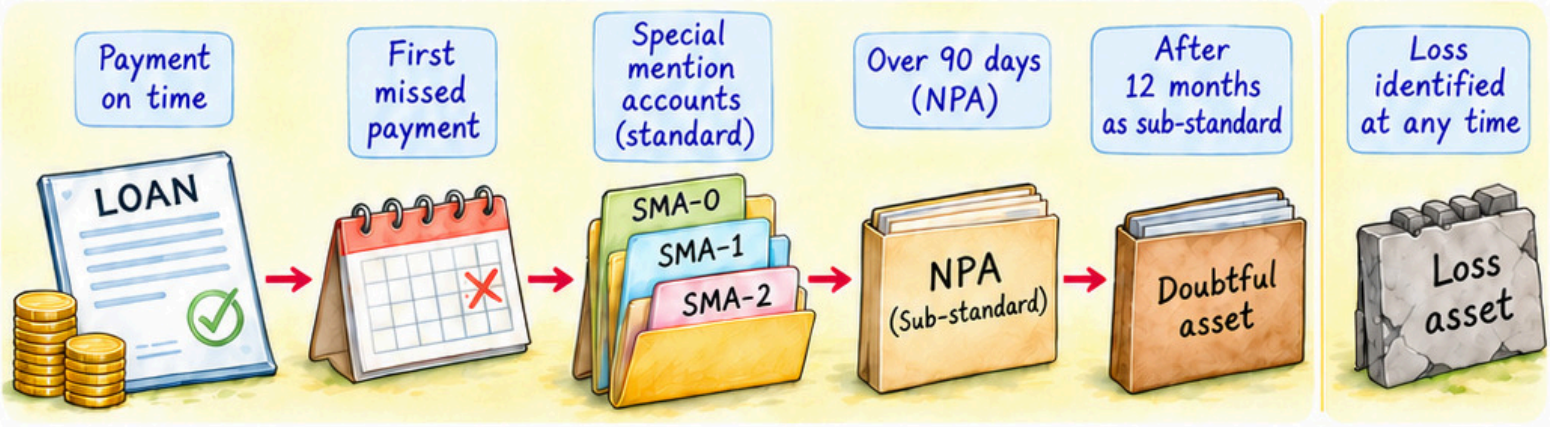


Outcome at the loss asset stage

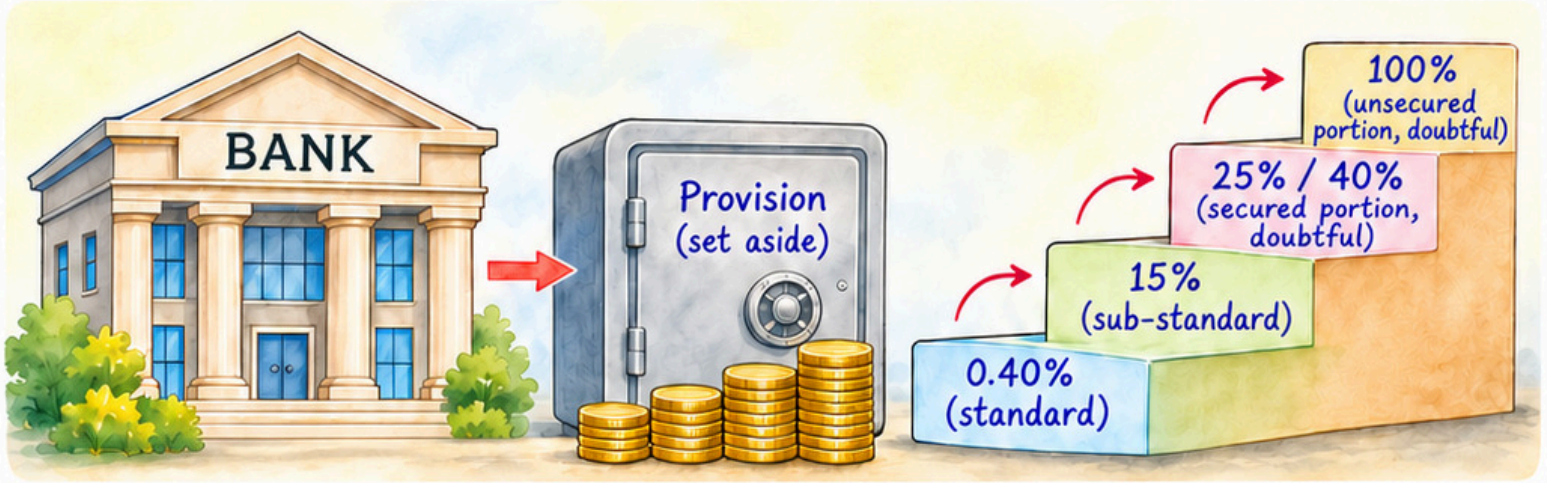
A loss asset should be written off; if retained in the books, provide 100% of the outstanding.



The life of a bad loan, from the first missed payment to a loss asset



Stage	When	Class	Provision the bank must make
1	Overdue for up to 30 days	SMA-0, still a standard asset	Only the provision on standard assets, for example 0.40 per cent for most loans
2	Overdue for more than 30 and up to 60 days	SMA-1, still a standard asset	The same
3	Overdue for more than 60 and up to 90 days	SMA-2, still a standard asset	The same
4	Overdue for more than 90 days, and an NPA for up to 12 months	Sub-standard asset	15 per cent of the outstanding; an unsecured exposure needs 10 per cent more, 25 per cent in all
5	After 12 months as a sub-standard asset: doubtful for up to one year	Doubtful asset	100 per cent of the unsecured portion; 25 per cent of the secured portion
6	Doubtful for one to three years	Doubtful asset	100 per cent of the unsecured portion; 40 per cent of the secured portion



The life of a bad loan, from the first missed payment to a loss asset (3/3)

Stage	When	Class	Provision the bank must make
7	Doubtful for more than three years	Doubtful asset	100 per cent of the unsecured portion and of the secured portion
Any time	Loss identified by the bank; its auditors or the RBI	Loss asset	It should be written off; if it is kept on the books, 100 per cent of the outstanding

What the table tells us:

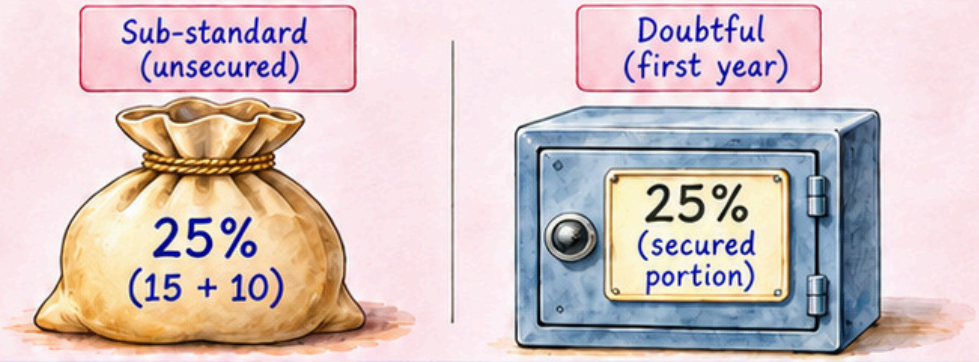
- Days decide the SMA classes; months as an NPA decide the NPA classes.



- The provision climbs with age. The secured portion of a doubtful asset goes from 25 to 40 to 100 per cent.



- Two different 25 per cents: a sub-standard exposure that is unsecured needs 25 per cent in all (15 plus 10), while a doubtful asset in its first year needs 25 per cent on its secured portion.

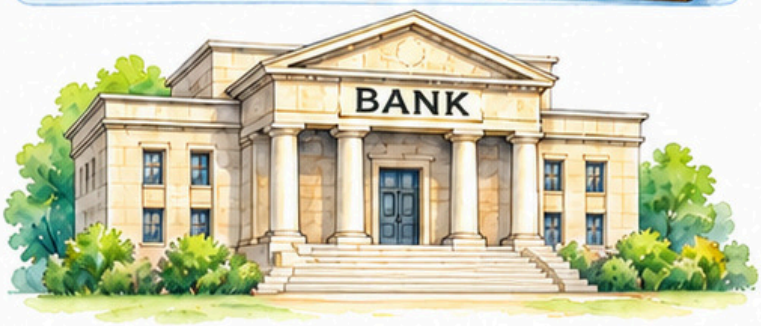


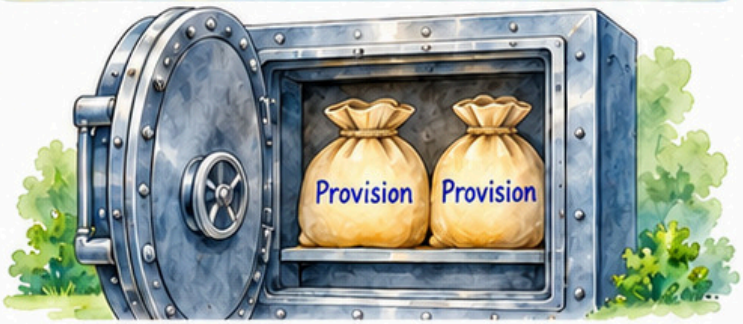
- A loss asset is not a stage reached by age. It can be declared at any time once the loss is identified.



- Paying only the latest instalment does not bring an NPA back to standard: all the arrears must be paid.



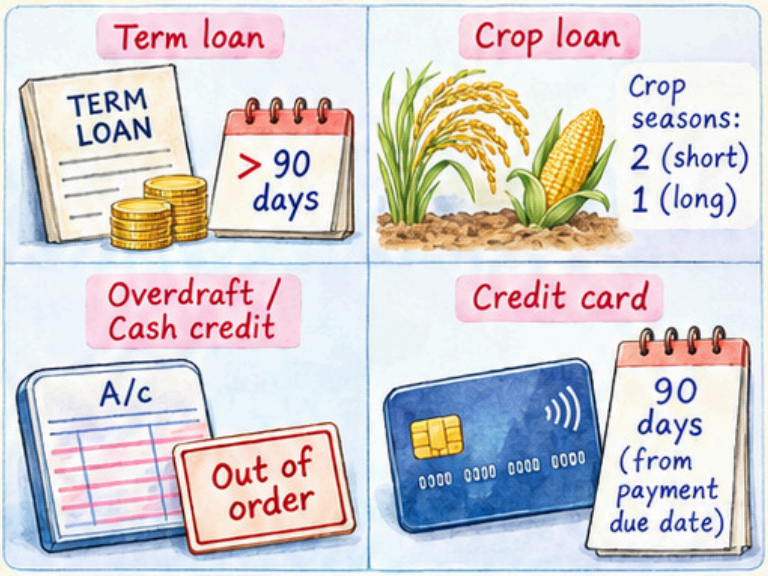




Three common exam traps

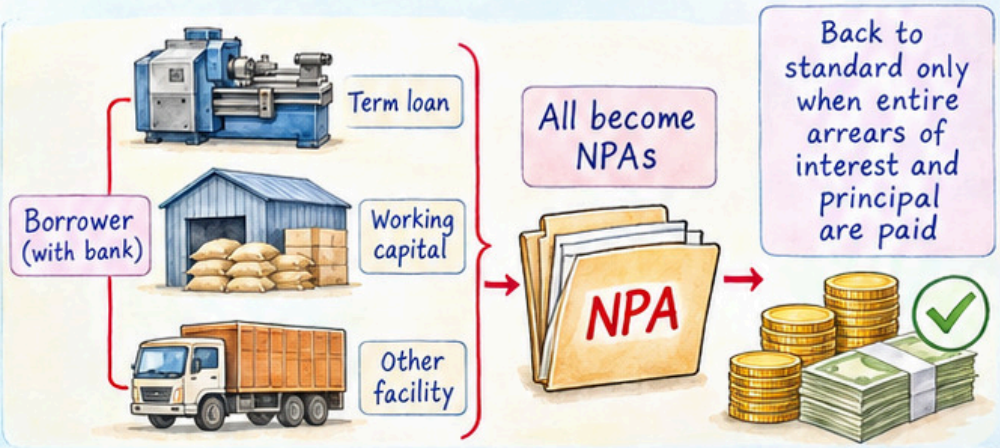
1. "An NPA is any loan unpaid for 90 days."

For a term loan the test is "more than 90 days", not 90. And other loans have other tests: crop loans are counted in crop seasons (two for short duration crops, one for long duration crops), an overdraft or cash credit account must be "out of order", and a credit card account turns NPA when the minimum amount due is not paid within 90 days from the payment due date.



2. "Only the loan in default becomes an NPA, and one payment cures it."

Classification is borrower-wise: all the facilities of that borrower with the bank become NPAs. And the account goes back to standard only when the entire arrears of interest and principal are paid.



3. Two different "180 days".

Under the IBC the CIRP has 180 days, which may be extended by 90 days, within an outer limit of 330 days that includes the time taken in litigation. Under the RBI's 2019 framework, the 180 days for implementing a plan are counted from the end of the review period, not from the date of default.

