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Page 01:Prelims Fact

The Ministry of Statistics and Programme Implementation (MoSPI) released the Index of Industrial Production (IIP) data for April 2025, which showed that India's industrial growth slowed down to an eight-month low of 2.7%, raising concerns about weak momentum in several key sectors.

Key Highlights of the IIP Data:

1. **Overall IIP Growth:**
   - Industrial production grew at 2.7% in April 2025, the slowest pace since August 2024 (which recorded 0% growth).
2. **Sector-Wise Performance:**
   - **Mining and Quarrying:** Declined by 0.2%, worst since August 2024.
   - **Electricity:** Slowed to 1.1%, also lowest since August 2024.
   - **Primary Goods:** Contracted by 0.4%, indicating subdued base production.
   - **Manufacturing:** Saw moderate recovery with 3.4% growth, a three-month high.
   - **Capital Goods:** Strong growth of 20.3%, indicating possible investment revival.
   - **Consumer Durables:** Growth rose to 6.4%, aided by the Rabi crop, marriage season, and auto sector.
   - **Consumer Non-Durables:** Contracted 1.7%, fourth contraction in five months.

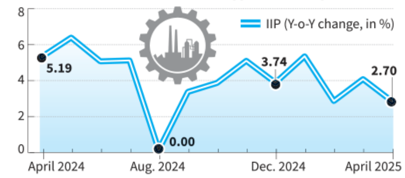
Economic Interpretation:

- The sharp growth in capital goods suggests early signs of revival in investment activity.
- Consumer non-durables contracting continuously indicates weak rural demand or consumption slowdown.
- The performance of consumer durables was supported by seasonal factors like good agricultural output and festive/marriage demand.
- Electricity and mining sectors slowing down points towards sluggish infrastructure or heavy industries demand.

IIP growth falls to eight-month low of 2.7% in April

In the slow lane

Lower activity in the mining, electricity, construction, and consumer non-durables sectors dragged down IIP growth



SOURCE: CMIE

T.C.A. Sharad Raghavan
NEW DELHI

Growth in industrial activity in the country slowed to an eight-month low of 2.7% in April 2025, dragged down by lower activity in several sectors, including mining and quarrying, electricity, primary goods, infrastructure and construction, and consumer non-durables, according to the Index of Industrial Production (IIP) for April 2025 released by the Ministry of Statistics and Programme Implementation on Wednesday.

Growth in industrial activity was last slower in August 2024, when the IIP value stayed at 0.0%, showing no growth.

In April this year, the mining and quarrying sector shrank 0.2%, its worst performance since August 2024.

Capital goods growth

Notably, the capital goods sector saw very strong growth of 20.3% in April 2025, albeit on a low base of 2.81% in April last year.

The manufacturing sector also saw a growth of 3.4%, a three-month high.

The electricity sector saw growth slowing to 1.1% in April, also the slowest since August 2024.

Similarly, the primary goods category contracted by 0.4% in April, an eight-month low.

"On the forefront was a smart increase in capital goods supported by both electrical and non-electrical machinery," Madan Sabnavis, chief economist at the Bank of Baroda said. "While there was a favourable base effect, growth of 20.3% is impressive. It needs to be seen if this is maintained in the coming months as one is looking at investment to pick up."

Consumer durables

The consumer durables segment saw growth quickening to 6.4%, a three-month high.

"The successful rabi crop as well as the upcoming marriage season has helped to prop up production," Mr. Sabnavis added. "The auto sector was also a driver of production with growth of 15.4%."

The consumer non-durables sector, however, shrank 1.7% in April 2025, the third consecutive quarter of contractions. In fact, the sector has contracted in four out of the last five months.

Implications:

- IIP is a key high-frequency indicator of industrial activity**.**
- Growth in capital goods is often seen as a proxy for investment sentiment in the economy.
- Sectoral variations help understand structural challenges and opportunities in Indian manufacturing.

UPSC PrelimsPractice Question

Ques :Which of the following correctly explains a recent trend in India's Index of Industrial Production (IIP) for April 2025?

a) Consumer non-durables saw their highest growth in five months.

b) Capital goods recorded a decline due to poor investment sentiment.

c) Mining and primary goods sectors showed contraction.

d) Electricity generation witnessed a sharp recovery to double-digit growth.

Ans: c)

Page 03:GS 2 & 3 : Social Justiceand Environment

A major environmental concern has emerged on the Kerala coast following the sinking of the Liberian cargo ship MSC ELSA3, which led to the washing ashore of plastic pellets (nurdles) in places like Varkala and Kochuveli in Thiruvananthapuram. Experts have termed this the first major nurdle spill incident in India and a wake-up call for India's coastal and marine environmental governance.

Nurdle spill is a wake-up call: expert

While not inherently toxic, plastic pellets remain a dangerous pollutant; their short- and long-term impacts include habitat contamination and breaking down into micro and nano plastics, and entering the food chain, says expert

Tiki Rajwi
THIRUVANANTHAPURAM

Tiny plastic pellets (nurdles) found on beaches in Thiruvananthapuram following the sinking of the container vessel *MSC ELSA3* could have serious implications for the marine and coastal ecosystems and humans, warn experts.

While not inherently toxic, the pellets remain a dangerous pollutant. Their short- and long-term impacts include habitat contamination and their breaking down into micro and nano plastics and entering the food chain, according to A. Biju Kumar, Senior Professor, Marine Monitoring Lab, Department of Aquatic Biology and Fisheries, University of Kerala.

Plastic pellets from the sunken Liberian ship's cargo that washed up on a coastal road in Thiruvananthapuram. NIRMAL HARINDRAN

The 'nurdle spill' on Kerala's coast is a wake-up call for India's coastal management, shipping safety, and marine conservation, Dr. Biju Kumar said on Wednesday after conducting field verifications at the Varkala and Kochuveli beaches in Thiruvananthapuram. "While the crew of the *MSC ELSA3* were safely rescued, the ocean remains at risk," he said, describing this as the first major incident of plastic nurdle landings in India caused by a shipwreck.

Classified as primary microplastics, these pellets and are between 1 mm and 5 mm in diameter. They constitute a major component in the global plastic chain. According to Dr. Biju Kumar, the pellets found in Kochuveli are mostly low-density polyethylene (LDPE) and high-density polyethylene (HDPE). They are the most commonly used material for manufacturing products such as plastic bags and films, flexible tubing, coatings for paper cartons and cables, detergent bottles, hard plastic containers, pipes and crates. They are also used in packaging material, household goods, electronics and automotive parts and medical equipment. LDPE is quite difficult to recycle, he said.

Volunteers enlisted

The State has enlisted volunteers to remove piles of plastic granules washed ashore. The police will use drones to survey the State's beaches.

The Chief Minister's Office (CMO) stated that the government has prepared rapid response teams under the command of the State Pollution Control Board to remove oil slicks and other hazardous materials that are running ashore and posing a threat to fishermen and the marine environment.

What are Nurdles?

Nurdles are small plastic pellets, typically 1–5 mm in diameter, used as raw material in the production of a wide range of plastic products. These are classified as primary microplastics and are made of polymers such as low-density polyethylene (LDPE) and high-density polyethylene (HDPE).

Environmental and Ecological Concerns:

1. **Not Toxic, But Pollutant:**
    - Though not inherently toxic, nurdles are a major marine pollutant.

- They break down into micro and nano plastics, contaminating habitats and entering the marine food chain.

2. **Marine Ecosystem Disruption:**
    - These plastic particles can absorb persistent organic pollutants (POPs) and become toxic over time.
    - They are easily ingested by marine organisms, leading to bioaccumulation and potential human health risks.
3. **Impact on Fisheries and Livelihood:**
    - Coastal pollution affects fishermen's livelihood, damages fish breeding grounds, and reduces catch quality.
4. **Difficult to Recycle:**
    - LDPE is particularly hard to recycle, adding to long-term waste management challenges.

Administrative and Policy Response:

- **State Response:**
    - Volunteers mobilized for beach cleanup.
    - Police drones deployed to monitor affected coastal stretches.
    - Rapid Response Teams led by the State Pollution Control Board are handling oil slicks and plastic waste.
- **Broader Policy Reflection:**
    - The incident exposes loopholes in maritime safety protocols, weak enforcement of hazardous cargo regulation, and the lack of marine pollution contingency planning.

UPSC MainsPractice Question

Ques: The recent nurdle spill on the Kerala coast is a warning about India's preparedness in tackling marine plastic pollution. Examine the causes and impacts of such spills and suggest a comprehensive policy response for sustainable coastal and marine management. **(250 Words)**

Page : 04 :GS 3 : Indian Economy : Agriculture

The Cabinet Committee on Economic Affairs, chaired by the Prime Minister, has approved an increase in the Minimum Support Price (MSP) for 14 kharif crops for the 2025–26 marketing season, with a total budgetary outlay of ₹2.07 lakh crore. This move is aimed at ensuring remunerative returns to farmers and reinforcing the government's commitment to agricultural welfare.

Cabinet approves hike in MSP for kharif crops; outlay stands at ₹2.07 lakh crore

The Hindu Bureau
NEW DELHI

The Cabinet Committee on Economic Affairs chaired by Prime Minister Narendra Modi on Wednesday approved the increase in the Minimum Support Price (MSP) for 14 kharif crops for 2025-26. The total outlay is nearly ₹2.07 lakh crore.

"Government has increased the MSP of kharif crops for marketing season 2025-26 to ensure remunerative prices to the growers for their produce," a press statement from the Ministry of Agriculture stated.

The highest absolute increase in MSP over the previous year has been recommended for nigerseed (₹820 a quintal) followed by ragi (₹596), cotton (₹589) and sesamum (₹579).

In 2024-25, the MSP for nigerseed was ₹8,717 a quintal, which has been revised to ₹9,537 for the same quantity.

The expected margin over production cost is highest in the case of bajra.

Similarly for ragi, the MSP of ₹4,290 a quintal has been revised to ₹4,886. As for cotton, the MSP of medium staple variety has been revised from ₹7,121 to ₹7,710 and for long staple variety, from ₹7,521 to ₹8,110.

For sesamum, the MSP has been revised from ₹9,267 to ₹9,846.

The increase in MSP for kharif crops is in line with the Union Budget 2018-19 announcement of fixing the MSP at a level of at least 1.5 times the all-India weighted average cost of production, the statement said.

"The expected margin to farmers over their cost of production are estimated to be highest in case of bajra (63%) followed by maize (59%), tur (59%) and urad (53%). For the rest of the crops, the margin to farmers over their cost of production is estimated to be at 50%," it further said.

In recent years, the government has been promoting the cultivation of nutri-cereals, or "Shree Anna", by offering a higher MSP for these crops.

During the period 2014-15 to 2024-25, procurement of 14 kharif crops amounted to 7,871 lakh tonnes, while during the period 2004-05 to 2013-14, the procurement was 4,679 lakh tonnes, the statement said.

Key Features of the MSP Hike:

- **MSP Revision:**The MSP has been increased for all 14 kharif crops, with the highest absolute increase recorded in nigerseed, followed by ragi, cotton, and sesamum.
- **Profit Margin:**The expected margin over the cost of production is:

    - Highest for bajra (63%)
    - Followed by maize and tur (59%), and urad (53%)
    - For remaining crops, the margin is kept at 50%, aligning with the Budget 2018–19 promise.
- **Focus on Nutri-cereals:** In recent years, higher MSPs have been offered for nutri-cereals or "Shree Anna" like ragi and bajra, promoting their cultivation due to nutritional and climate resilience value.

Why This Matters:

For UPSC Prelims:

- Understanding MSP mechanism
- Difference between absolute MSP hike and profit margin over cost
- Identification of crops with highest increase/profit margins
- MSP policy linkage with Union Budget 2018–19

For UPSC Mains (GS Paper III):

- MSP is central to agriculture pricing policy, farmers' income security, and rural distress management.
- Highlights the government's approach to doubling farmers' income.
- Emphasizes the shift towards promoting climate-resilient and nutrition-rich crops.

Analytical Insights for Mains:

1. **Economic Security to Farmers:**
    - Higher MSP ensures predictability of income, particularly in regions dependent on rainfall-based agriculture.
2. **Crop Diversification:**
    - Strategic pricing of nutri-cereals aims to shift cultivation away from water-intensive crops like paddy, especially in semi-arid regions.
3. **Sustainability Angle:**
    - Incentivizing millets and pulses has positive implications for soil health, water conservation, and nutritional security.
4. **Challenges:**
    - **Procurement limitations:** MSP is meaningful only when backed by effective procurement.
    - **Regional bias:** Major MSP procurement still occurs in a few states (Punjab, Haryana, MP).
    - **Inflationary risks:** Excessive MSP hikes may cause inflationary pressures and impact the fiscal burden.

UPSCMainsPractice Question

Ques: The Minimum Support Price (MSP) mechanism is intended to secure farmers' income, promote sustainable agriculture, and reduce rural distress. Critically examine the effectiveness of MSP in achieving these goals, and suggest reforms for making MSP more inclusive and impactful. (250 Words)

Page 06 :GS 2 : Social Justice

A recent report by the National Academy of Medical Sciences (NAMS) has highlighted a critical deficiency incancer care in India – the lack of adequate diagnostic services, especially in the case of breast cancer, the most common malignancy among Indian women. The report underlines how this shortcoming contributes to delayed diagnosis, late-stage detection, and poor survival rates, significantly widening the cancer burden.

'Inadequate diagnostic services still a critical gap in cancer care in India'

Bindu Shajan Perappadan
NEW DELHI

One of the critical gaps in cancer care in India is the lack of adequate diagnostic services, says the latest report by the National Academy of Medical Sciences (NAMS), an advisory body to the Union government for health policy and planning.

India records nearly 2,00,000 new cancer cases each year, the report adds.

The NAMS Task Force Report on Breast Cancer in India, published recently, notes that the proportion of patients diagnosed with breast cancer at a younger age is notably higher in India than in high income countries. Additionally, patients in India tend to present with later-stage disease compared with the western pattern. More than 60% of the patients in India present at Stages 3 or 4, while around 60% of the patients in the U.S. are diagnosed *in situ* or at Stage 1. It adds that more than 50% of the patients in India experience a delay of over three months before seeking medical care.

Cancer cases are projected to reach 2.08 million by 2040 in India, a 57.5% increase from the 2020 figure. SPECIAL ARRANGEMENT

In India, breast cancer is the most common malignancy among women, and a leading cause of cancer-related deaths. The NAMS established a task force to prepare a report addressing this critical issue, and said there was an urgent need for a comprehensive approach to manage the disease effectively.

"Breast cancer is treatable when diagnosed in its early stages. In India, the survival rate for patients with breast cancer is lower than in western countries due to several factors, including the late-stage presentation, delayed initiation of definitive management, and inadequate or fragmented treatment," the paper says. The NAMS's task force is looking into developing guidelines in combating breast cancer across the Indian population.

"Sixty percent of the global population resides in Asia, which accounts for 50% of cancer cases and 58% of cancer-related deaths. India ranks third in accounting for cancer cases, following China and the United States of America. The projected cancer burden in India is estimated to reach 2.08 million by 2040, representing a 57.5% increase from 2020," the paper says. Gaps in diagnostic services, treatment modalities, and lack of awareness are among the shortcomings in cancer care in India, it adds.

Key Findings of the Report:

- **Delayed Diagnosis:** Over 60% of breast cancer patients in India are diagnosed in Stages 3 or 4, compared to around 60% Stage 1 or in situ diagnoses in the U.S.
- **High Delay in Seeking Treatment**: Over 50% of patients experience a delay of more than three months before consulting a doctor.
- **Rising Burden**: India's cancer burden is projected to increase by 57.5% by 2040, reaching 2.08 million cases, up from 2020 levels.
- **Comparative Global Data**:
    - Asia accounts for 60% of global population and 50% of cancer cases.
    - India is the third highest contributor to cancer cases globally, after China and the U.S.
- **Inadequate Infrastructure**:
    - Gaps in diagnostic services, treatment access, and public awareness persist.
    - Cancer care is fragmented and unevenly distributed, especially in rural and underserved areas.

Why This Matters

Prelims Analysis:

- Reports by NAMS and its advisory role.
- **Data points:**India's global ranking in cancer, projected cancer burden by 2040, diagnostic delays.
- Breast cancer as the leading malignancy among women in India.

Mains Analysis:

- **Issues in health infrastructure**: Access to affordable and timely diagnostics.
- **Public health challenges**: NCDs (Non-Communicable Diseases) like cancer require long-term policy focus.
- **Gender and Health**: Breast cancer highlights gender-specific vulnerabilities in public health systems.
- Health policy and governance: Role of advisory bodies like NAMS in shaping national health strategy.

Critical Challenges Identified:

1. **Inadequate Diagnostic Capacity:**
    - Shortage of trained radiologists, pathology labs, and screening infrastructure.
    - Poor rural-urban distribution of facilities.
2. **Low Awareness and Cultural Stigma**:
    - Delay in seeking treatment due to lack of awareness, social stigma, and fear of cancer.

3. **Fragmented Treatment Ecosystem**:
   - Lack of integrated cancer care pathways across public and private sectors.
4. **Resource and Infrastructure Gaps**:
   - Insufficient allocation of funds for non-communicable disease prevention and screening programs.

Recommendations Moving Forward:

- Strengthen Primary Health Infrastructure for early screening and diagnosis.
- National Awareness Campaigns to reduce stigma and improve health-seeking behavior.
- Integration of Cancer Care Services into Ayushman Bharat Health and Wellness Centres.
- Capacity Building for oncology services at district and sub-district levels.
- Invest in Research & Data Systems for early detection, especially for vulnerable groups.

UPSC MainsPractice Question

Ques: Delayed diagnosis and treatment of breast cancer in India reflects systemic gaps in public health infrastructure. In this context, evaluate the key challenges in cancer care delivery in India and suggest policy measures to address them effectively. **(250 words)**

Page 10: GS 2 :Indian Polity

The post of the Deputy Speaker of the Lok Sabha has remained vacant for over six years (since 2019), raising critical questions about constitutional adherence, democratic conventions, and the balance of power in India's parliamentary system. The ongoing refusal to fill the position — particularly with a member from the Opposition — is increasingly viewed as a constitutional and democratic concern.

The importance of the Deputy Speaker

The Deputy Speaker is not a mere substitute of the Speaker; he plays an indispensable role in maintaining the continuity of legislative work. Conventionally, this position has been handed over to the Opposition, in order to develop harmony between the ruling party and the Opposition

LETTER & SPIRIT

C. B. P. Srivastava

The position of the Deputy Speaker has been lying vacant for the last six years raising questions on constitutional adherence and democratic resilience. The position goes beyond ceremonial significance and is indispensable to parliamentary democracy. The present scenario of the vacant position could be understood through some very important questions. The framers of the Constitution adopted a parliamentary form of governance to ensure effective representation of the people of India in the political system. This idea would lose its significance if the system does not function properly, effectively and smoothly. It is also extremely important that debates and discussions between the ruling establishment and the Opposition remain proper to make the government accountable, and that checks and balances are ensured. It has been alleged that the current ruling government has vehemently denied to hand over the position of the Deputy Speaker to an Opposition member. This is against the principle of sharing of powers which is one of the mandates of a successful parliamentary democracy. It may also be noted that constitutional conventions do have statutory effect in cases of absence.

Vacant seat: A view of the Lok Sabha during the Winter session of Parliament, in New Delhi, on December 16, 2024. PTI

A Deputy Speaker's role

The Deputy Speaker is not a mere substitute of the Speaker; he plays an indispensable role in maintaining the continuity of legislative work. He also presides over committees such as the private member's bill and the House Budget Committee of Parliament; oversees crucial debates; and serves as a neutral arbiter during sensitive discussions. Provisions for a Deputy Speaker is listed under Article 93 of the Constitution. The language of the Article which includes the phrase 'as soon as' for electing both the Speaker and the Deputy Speaker implies urgency and necessity, and not discretion. Article 94 reinforces the continuity of the Deputy Speaker's office until resignation, removal, or disqualification.

Conventionally the position of the Speaker goes to the ruling party. There has been an informal practice of offering the Deputy Speaker's post to a member of the Opposition. The essence of this practice is to develop harmony between the ruling party and the Opposition for the smooth functioning of Parliament.

Prolonged vacancy

The Government of India did not appoint a Deputy Speaker in the 17th Lok Sabha (2019-24), and it appears now that it does not have the intention to appoint one in the 18th Lok Sabha as well. It is really unfortunate that the government and the Opposition could not come to terms on the issue of appointing a Deputy Speaker, which could be primarily because the government does not want to give this position to the Opposition. According to Rule 8 of the Rules of Procedure and Conduct of Business in Lok Sabha 1952, election to the post of the Deputy Speaker "shall be held on such date as the Speaker may fix". The Deputy Speaker is elected once a motion proposing his or her name is moved. He enjoys the same powers as the Speaker when he presides over a sitting House. According to Article 180 of the Constitution, the Deputy Speaker has the power to conduct the duties of the Speaker when his chair is vacant. Thus, this vacancy violates not only Articles 93, 94 and 180 of the Constitution, it is also inconsistent with the Rules of Procedure.

Constitutional implications

While Article 93 provides for the election of the Deputy Speaker "as soon as may be", it does not set a timeline. The misinterpretation of this phrase may lead to a long delay which could distort constitutional intent and create a constitutional vacuum. Conventionally, the position is handed over to the Opposition, but now that the position is vacant, authority is centralised in the Speaker and thereby in the ruling party which will be inconsistent with the democratic intent of the Constitution. In fact, constitutional conventions intend to strike a delicate balance between the ruling party and the Opposition to ensure that democratic resilience is maintained and sustained in the parliamentary system, based on the Westminster model, which mandates effective discussions and deliberations. Moreover, in a situation caused due to the resignation of the Speaker or even in case of incapacitation, a severe constitutional crisis may surface which will be detrimental to the system of governance.

Above all, the failure to uphold the tradition of offering the office to the Opposition undermines the spirit of consensus-driven politics.

C. B. P. Srivastava is President, Centre for Applied Research in Governance, Delhi

THE GIST

- Provisions for a Deputy Speaker is listed under Article 93 of the Constitution. The language of the Article which includes the phrase 'as soon as' for electing both the Speaker and the Deputy Speaker implies urgency and necessity.
- While Article 93 provides for the election of the Deputy Speaker "as soon as may be", it does not set a timeline.
- The Government of India did not appoint a Deputy Speaker in the 17th Lok Sabha (2019-24), and it appears now that it does not have the intention to appoint one in the 18th Lok Sabha as well.

Role and Constitutional Provision:

- Article 93 of the Constitution mandates that the House of the People (Lok Sabha) shall choose two members — Speaker and Deputy Speaker — "as soon as may be".
- Article 94 reinforces the continuity of the office, stating that the Deputy Speaker shall not vacate the position unless they resign, are disqualified, or removed.

- Article 180 empowers the Deputy Speaker to perform the functions of the Speaker when the Speaker is absent or the post is vacant.
- Rule 8 of the Rules of Procedure and Conduct of Business in Lok Sabha (1952) requires that the Speaker fix the date for electing the Deputy Speaker.

Why Is the Deputy Speaker Important?

1. **Not Just a Substitute:**
   - Presides over House proceedings in the absence of the Speaker.
   - Has the same powers as the Speaker while chairing sessions.
   - Presides over important parliamentary committees like the House Budget Committee and Private Members' Bills Committee.
2. **Neutral Arbiter**:
   - Plays a non-partisan role, especially during sensitive debates.
   - Acts as a balancing mechanism between ruling and opposition benches.
3. **Upholding Democratic Traditions**:
   - Conventionally offered to the Opposition, fostering bipartisan cooperation.
   - Absence undermines Westminster-based conventions of consensus-building and inclusivity.

Issues with the Prolonged Vacancy:

- **Violation of Constitutional Spirit:** While the Constitution doesn't specify a strict timeline, the phrase "as soon as may be" implies urgency, not indefinite delay.
- **Centralization of Power**: Absence of a Deputy Speaker leads to excessive concentration of procedural power in the Speaker, often affiliated with the ruling party.
- **Erosion of Parliamentary Checks and Balances**: A vacant position weakens institutional mechanisms designed to ensure accountability and legislative independence.
- **Risk of Constitutional Crisis**: In case the Speaker resigns or is incapacitated, no fallback option remains, threatening continuity of proceedings.

UPSC Mains Practice Question

Ques: The prolonged vacancy of the Deputy Speaker's post in the Lok Sabha not only violates constitutional spirit but also undermines parliamentary democracy. Critically examine the constitutional provisions, democratic conventions, and the implications of such a vacuum in India's legislative functioning. (**250 words)**

Page : 08 Editorial Analysis

India's financial sector reforms need a shake-up

India's financial sector stands at an inflection point. For years, the government and regulators have attempted incremental reform in banking, financial services, and insurance (BFSI), yet systemic frictions persist. These frictions are not just inefficiencies. They are barriers that deter savers, discourage investors and delay growth. A truly professional, transparent and investor-friendly financial sector demands deeper structural corrections, particularly in corporate bond markets, retirement planning instruments, nomination processes across BFSI, and the growing menace of shadow banking.

On nomination and nominees

Let us begin with the nomination conundrum. Across BFSI verticals (banks, mutual funds, insurance), the rules governing nominees are startlingly inconsistent. A citizen can nominate a single person for one account but multiple for another, with different rights attached. This patchwork approach does not have logical or legal clarity. Rather, it confuses ordinary savers and benefits only those who seek to exploit legal ambiguities, often through protracted litigation.

What public interest is served by maintaining three separate nomination regimes? A harmonised nomination framework, with clarity on nominee rights versus legal heir claims, is overdue. If the disconnect exists for a good reason, the government must share the evidence and case studies that justify it.

Zooming out, the larger structural lacuna in India's financial landscape is the underdeveloped corporate bond market. Despite years of policy pronouncements, it remains shallow, illiquid and opaque. This matters because the cost of capital is the single biggest determinant of business viability. An efficient bond market can reduce funding costs by 2% to 3%, potentially unlocking massive gains for industry and employment. The Reserve Bank of India once mandated the National Stock Exchange (NSE) to develop a secondary bond market, but this directive was quietly ignored. Why? Equity trading offers more profit, especially through opaque algorithmic

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There must be a harmonisation of rules across verticals, the nurturing of a deep bond market, vibrant retirement finance and a reining in of shadow banking

strategies that have previously attracted regulatory scrutiny and journalistic exposés. When a journalist called out malpractices, the NSE responded with a ₹100-crore defamation suit, only to be admonished by the High Court later. India's bond market reform cannot be divorced from broader regulatory concerns either, particularly around transparency in capital flows. As a member of the Financial Action Task Force (FATF), India is committed to implementing global Know Your Customer (KYC) norms, which include clear identification of Ultimate Beneficial Owners (UBOs). FATF's updated guidelines in 2022 underscore the need for countries to maintain accurate and accessible ownership data to prevent misuse of financial structures.

Yet, practical implementation remains a challenge. For instance, in recent months, the Securities and Exchange Board of India (SEBI) has had to press two Mauritius-based foreign portfolio investors (Elara India Opportunities Fund and Vespera Fund) to disclose granular shareholder data related to their holdings in listed Indian firms. These funds reportedly did not comply with multiple disclosure requests, complicating regulatory oversight and delaying enforcement actions.

Moreover, India's current UBO disclosure thresholds (10% for companies and 15% for partnerships) create loopholes that allow entities to structure investments just below these limits, thereby avoiding identification. This makes it difficult for regulators to ascertain the true economic interest behind trades in Indian exchanges or bond markets, particularly when routed through jurisdictions such as Mauritius.

While this is not unique to India, opacity in ownership structures does weaken market integrity and may inhibit sustained long-term investments, both domestic and foreign.

Retirement planning

Additionally, the long-term needs of India's young professionals, especially those in BFSI itself, remain unmet. Retirement planning in India is mostly routed through annuities – products that are costly due to the intermediation margin taken by insurance companies.

There is a simpler and cheaper alternative that exists: long-dated zero-coupon government securities. The math is compelling, removing the 2% intermediation fee over a 30-year period leads to massive gains for the saver. We already have the technology to "strip" principal and coupon payments and offer these as zero-coupon bonds, but the government and the Reserve Bank of India (RBI) have shown little initiative. We are missing an opportunity to build a vibrant, low-cost retirement ecosystem anchored on sovereign credibility.

Shadow banking

Then comes the most ominous blind spot: shadow banking. Non-banking financial companies (NBFCs), margin lenders, repo traders, and brokers are offering bank-like services without being subject to full regulatory oversight. This is not a fringe issue. Global economists warn that the next financial crisis could originate here, just as the 2008 financial crisis did in the United States via unregulated derivatives.

In India, retail investors are being financed by brokers who offer loans masked as margin funding. The effective interest rates in such transactions can easily exceed 20%, often without the investor even realising it. The broker holds the investor's contribution as collateral, lends it back to them, and charges interest on the full amount – a classic shadow banking trick. Does the Finance Ministry or RBI even know the scale of this lending?

The European Union has already passed legislation to gather comprehensive data on shadow banking activities. India must follow suit. Transparency must precede regulation, and data is the first step toward transparency.

India's financial sector reforms must go beyond slogans and cosmetic amendments. We need a coherent, forward-looking strategy that harmonises rules across verticals, nurtures a deep bond market, innovates in retirement finance, and reins in shadow banking.

Paper 03: Indian Economy

UPSC Mains Practice Question: India's financial sector reforms have been piecemeal and reactive. In light of emerging challenges in bond markets, shadow banking, and investor transparency, critically evaluate the steps needed to make India's financial ecosystem efficient, equitable, and future-ready. (250 words)

Context :

India's financial sector, encompassing banking, financial services, and insurance (BFSI), is facing systemic inefficiencies that go beyond minor reforms. A recent opinion by a LAMP Fellow argues that the sector needs a bold, structural reset to address loopholes in bond markets, nomination rules, retirement planning, and shadow banking — all of which are interlinked with transparency, investor confidence, and regulatory capacity.

Key Issues Highlighted in the Article:

1. Inconsistent Nomination Rules:

- Rules for nominations vary across banks, mutual funds, and insurance products.
- This inconsistency causes confusion for retail savers and leads to legal disputes.
- The lack of a harmonized legal framework results in litigation and asset lock-ins after the account holder's death.
- A uniform nomination law and clarity between nominee vs. legal heir rights is overdue.

2. **Underdeveloped Corporate Bond Market:**

- India's corporate bond market remains illiquid and opaque, despite policy focus for years.
- A deeper bond market can significantly reduce the cost of capital and enable long-term financing for infrastructure and industry.
- Regulatory neglect, preference for equity trading, and profit-centric behavior by exchanges (like NSE) hamper development.
- RBI's mandate to NSE to develop a bond platform has not been followed.

3. **Ultimate Beneficial Ownership (UBO) Disclosure Gaps:**

- India's current UBO thresholds (10%-15%) allow funds to remain opaque.
- Non-compliance by foreign portfolio investors (FPIs), especially through Mauritius, challenges regulatory oversight.
- Lack of granular disclosure undermines SEBI's enforcement, and violates FATF transparency commitments.

4. **Inefficient Retirement Planning Products:**

- Most retirement savings are routed through annuities, which are expensive and have poor returns.
- Zero-coupon government bonds offer a better alternative — cost-effective and sovereign-backed.
- However, neither RBI nor the government has taken steps to offer such long-dated securities for retail investors.

5. **Shadow Banking Risks:**

- NBFCs, brokers, and margin lenders act like banks but operate outside full regulatory frameworks.
- Brokers lend to retail investors under margin trading with disguised interest rates of over 20%, posing risks of retail debt traps.
- India lacks comprehensive data and regulatory coverage of such activities — raising the risk of a financial crisis.

Analytical Insights:

- Financial inclusion must go hand-in-hand with regulatory clarity and investor protection.
- India's reform narrative has been incremental, but now demands foundational reforms in financial architecture.
- Fragmentation of laws, regulatory arbitrage, and opaque financial flows erode investor confidence and widen inequality.
- Technology and legal harmonization must be used to build a coherent financial ecosystem.