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EDITORIAL ANALYSIS



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3. Sitting or Peking Duck? (THE ECONOMIC TIMES)
4. Decoding banks' return to health (THE HINDU BUSINESSLINE)



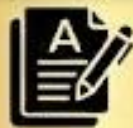
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How India is governing its water resources

India's water crisis is often described as one of scarcity. Yet the deeper reality is a paradox: the country receives nearly 4,000 billion cubic metres of annual rainfall, but only a fraction of this water is captured, stored or used efficiently, highlighting a deeper institutional challenge. The question confronting policymakers is not merely how much water India has, but how its water is governed. As India works toward the global commitments of the UN Sustainable Development Goal 6, and the national aspiration of becoming a developed economy by 2047, strengthening the architecture of water governance will be central to sustaining economic growth and social well-being.

Enduring paradox

India's hydrological arithmetic reveals striking contradictions. The country supports nearly one-fifth of the world's population but has access to only about 4% of global freshwater resources. According to the NITI Aayog Composite Water Management Index, around 600 million people face high to extreme water stress. At the same time, India receives substantial precipitation each year. Hydrological assessments indicate that while total water availability is high, only about 1,000 billion cubic metres are considered usable, due to limitations in storage infrastructure, uneven rainfall distribution and ecological constraints.

The decline in per-capita water availability illustrates this growing stress. In the early years after independence, water availability exceeded 5,000 cubic metres per person annually. Today it has fallen to around 1,400 cubic metres. Groundwater extraction has become the principal coping mechanism. India is now the world's largest groundwater user, accounting for roughly a quarter of global extraction. This dependence has enabled



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agricultural expansion and rural livelihoods, but it has also resulted in declining water tables across several regions. These realities point to a central conclusion: India's water crisis is as much institutional as it is hydrological.

On water governance

India's water governance operates through a complex, multi-level institutional structure involving the Union government, State governments and local bodies. At the national level, the Ministry of Jal Shakti serves as the nodal authority responsible for water resources, drinking water supply and sanitation. There is also the Central Water Commission which focuses primarily on surface water planning, river basin development and flood control, while the Central Ground Water Board assesses groundwater resources and provides scientific inputs for sustainable aquifer management.

Additionally, the NITI Aayog evaluates water governance performance across States through indicators such as the Composite Water Management Index. This benchmarking mechanism has helped introduce accountability and evidence-based policymaking into the water sector. However, India's federal constitutional structure places most water-related responsibilities with the States. Irrigation, water supply and groundwater regulation fall primarily within State jurisdiction. As a result, State irrigation departments, urban water boards and local governments play a decisive role in implementing water policies. This multi-layered system reflects India's federal design but also creates coordination challenges.

To address institutional fragmentation, the Union government has increasingly relied on national missions that align central funding with State-level implementation. One of the most transformative initiatives has been the Jal Jeevan Mission, launched in 2019, to provide tap connections to rural homes.

Recognising the scale of the task, the mission has been extended until 2028 to enable States to achieve universal coverage.

Groundwater sustainability is being addressed through the Atal Bhujal Yojana, which promotes participatory aquifer management in water-stressed regions. By encouraging community-based groundwater budgeting and monitoring, the programme attempts to correct the long-standing gap in groundwater regulation. The Pradhan Mantri Krishi Sinchayee Yojana promotes micro-irrigation technologies and improved water management practices. Given that agriculture consumes the majority of India's freshwater resources, improving irrigation efficiency is essential.

Urban water management is addressed through the Atal Mission for Rejuvenation and Urban Transformation, which aims to expand water supply networks, sewage treatment systems and wastewater reuse in cities. River basin restoration has also gained prominence through initiatives such as the Namami Gange Programme, which combines pollution control, sewage treatment and ecological restoration in the Ganga basin.

A circular water economy

India's water governance is moving toward a more integrated, circular approach. Global best practices underscore the value of wastewater reuse, efficient irrigation, and technological innovation. Expanding wastewater recycling in Indian cities can ease pressure on freshwater resources, while better crop choices and irrigation methods can improve agricultural water productivity. India's water future will depend less on how much rain it receives and more on how well it is governed. By aligning governance with scientific knowledge, technological innovation, and participatory approaches, India can transform its water economy from a cycle of scarcity to a framework of sustainability.

Global best practices underscore the value of wastewater reuse, efficient irrigation, and technological innovation

- **Key Terms and Explanations**

- **Hydrological Arithmetic:** The quantitative estimation of water availability, use, and demand in a geographical unit. For India, it reveals a stark mismatch—around 4,000 billion cubic metres (BCM) of rainfall annually, but only about 1,100 BCM is considered usable due to spatial-temporal variation and limited storage. Think of it as a household that earns a good annual income but has no savings account to park surplus.
- **Per Capita Water Availability:** Total renewable freshwater per person per year. Post-independence, India had over 5,000 cubic metres per capita; today it has plunged to around 1,400 cubic metres, dipping below the water-stress threshold (1,700 cubic metres) and nearing absolute scarcity (1,000 cubic metres). This decline mirrors the relentless pressure of population growth and inefficient use.
- **Composite Water Management Index (CWMI):** A tool devised by NITI Aayog to rank states on water management performance through indicators like source augmentation, restoration, drinking water access, and governance. It functions like a school report card, pushing states toward evidence-based improvements and creating healthy competition.
- **Groundwater Extraction:** India has become the world's largest user of groundwater, extracting roughly a quarter of global volume. This supports 60% of irrigated agriculture and 85% of rural drinking water. Excessive withdrawal, however, causes aquifer depletion, much like an overdrawn bank account that depletes the principal.
- **Circular Water Economy:** An approach where water is used, treated, and reused in a closed loop rather than the linear model of take-use-dispose. It emphasizes reducing freshwater extraction by recycling municipal and industrial wastewater. A simple example: treated sewage can irrigate urban parks or supply industrial cooling.
- **Atal Bhujal Yojana (ABHY):** A central scheme promoting participatory groundwater management in water-stressed areas, encouraging gram panchayats to prepare water budgets and monitor usage.
- **Atal Mission for Rejuvenation and Urban Transformation (AMRUT):** Targets urban water supply, sewerage networks, and stormwater drains in cities, pushing for wastewater reuse.
- **Namami Gange Programme:** A flagship integrated mission for Ganga rejuvenation combining pollution abatement, sewage infrastructure, and ecological restoration.
- **Water Stress:** A condition where water demand exceeds the available amount during a certain period or when poor quality restricts use. India's 600 million people facing high to extreme water stress implies severe competition and vulnerability.

- **Main Arguments and Substantive Parts**

- The core thesis is simple but powerful: India's water crisis is not fundamentally a crisis of scarcity; it is a crisis of governance. The nation receives generous rainfall, but the institutional machinery to capture, store, allocate, and recycle water is fragmented and inefficient. The argument is supported by several interlocking points.
- **The Paradox of Plenty:** India receives about 4,000 BCM of rainfall annually, yet only around 1,100 BCM is usable. The gap arises not from nature's stinginess but from limitations in storage infrastructure—dams, reservoirs, tanks—and the highly skewed seasonal distribution of monsoon rains. This reveals a problem of public investment, planning, and maintenance.
- **Per Capita Decline as a Stress Multiplier:** The dramatic fall from 5,000 cubic metres to 1,400 cubic metres per person per year should be read as a collective failure to augment utilisable resources in step with population growth. Even without significant climate change, the demand-supply gap would have widened due to poor governance.
- **Institutional Fragmentation:** Water governance is split among multiple layers—Union ministries, state irrigation departments, urban local bodies, and gram panchayats. The Ministry of Jal Shakti gives unified vision, but implementation remains with states. This federal design, while constitutionally sound, often results in disjointed action, overlapping mandates, and weak accountability.
- **Groundwater Dependency as a Symptom:** India became the world's largest groundwater user not by design but by default. Surface water projects remained underperforming, canal irrigation suffered inefficiencies, and the Green Revolution incentivised individual pump extraction. The absence of effective groundwater regulation made extraction a free-for-all. Today, declining water tables in Punjab, Rajasthan, Gujarat, and peninsular India are ecological alarm bells.
- **Missions as Centralised Coordination Tools:** Recognizing the limits of direct command, the Union government increasingly deploys centrally-sponsored schemes—JJM, ABHY, PMKSY, AMRUT—that tie funding to state-level performance. These missions try to correct institutional fragmentation by creating unified targets and monitoring frameworks.
- **Evidence :** One might argue that storage infrastructure is as much an engineering and financial challenge as an institutional one. Hilly terrains, inter-state river disputes, and long gestation periods for dam projects are not purely governance failures but also physical and political constraints. Another counterpoint: the focus on governance may underestimate the impending threats of climate change, glacial retreat, and monsoon unpredictability, which purely institutional fixes cannot address. The article acknowledges these but insists that effective governance can significantly mitigate even climate-induced stress by improving efficiency and demand management.

- **Historical Evolution of the Issue**

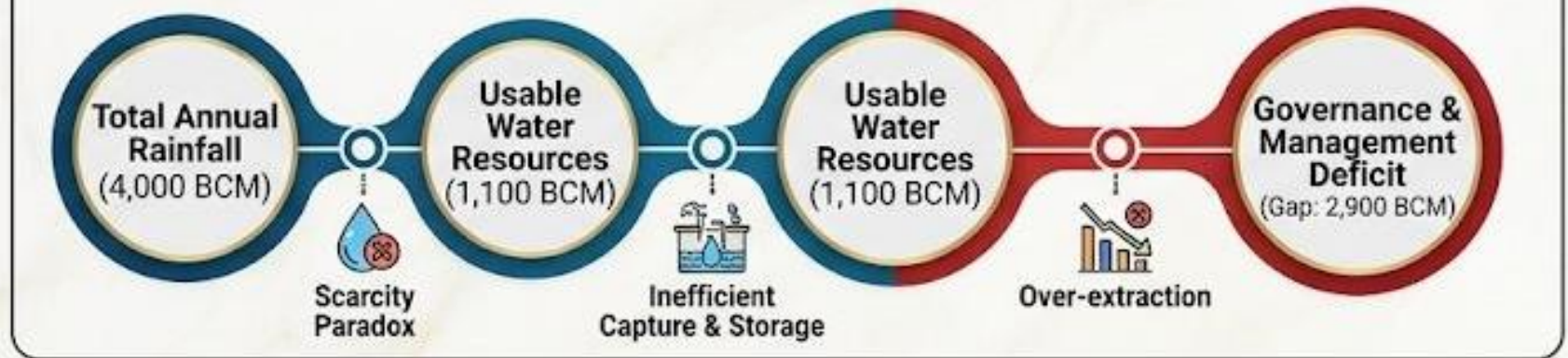
- A brief historical sweep reveals how today's governance paradox took shape.
- **Pre-Independence Period:** Water management was largely community-driven—tank systems in south India, stepwells in Gujarat, inundation canals in the Indus and Ganga plains. Colonial engineering focused on large perennial canals (Ganga, Godavari, Bari Doab) to secure revenue and prevent famines. However, traditional local institutions began eroding under centralised state control.
- **Post-Independence Era (1950s–1970s):** The new nation invested heavily in large multi-purpose river valley projects—Bhakra Nangal, Hirakud, Damodar Valley—branded “temples of modern India.” The thrust was on surface storage and hydropower. Irrigation departments at state level became powerful silos. The first National Water Policy came only in 1987, indicating policy was not a priority initially.
- **Green Revolution and Groundwater Boom (1970s–1990s):** The adoption of high-yielding varieties required assured water. As surface canals could not reach all farms, farmers turned to tube wells, aided by subsidised electricity and diesel. Groundwater extraction exploded. The number of mechanised wells went from a few lakhs to over 30 million by the 2010s. This “silent revolution” boosted food security but planted the seeds of aquifer depletion.
- **Emergence of Scarcity Discourse (2000s):** The 2001 National Water Policy highlighted the need for integrated water resources management. The Central Ground Water Authority was constituted under the Environment Protection Act (1986) to regulate extraction in notified areas, but enforcement remained weak. By 2012, the National Water Policy advocated for a water framework law, but political consensus proved elusive.
- **Institutional Reshuffling (2010s–2020s):** In 2019, the government merged several water-related ministries to form the Ministry of Jal Shakti, recognising the need for convergence. The Jal Jeevan Mission was launched the same year, targeting piped water for all. The Atal Bhujal Yojana (2020) introduced community-led groundwater management. NITI Aayog's CWMI (2018 onwards) introduced performance benchmarking.
- **Current Thrust:** The focus is now moving towards a “circular water economy,” wastewater reuse, and nature-based solutions. River basin organisations like the National Mission for Clean Ganga (Namami Gange) coordinate multi-state actions. Yet, the legacy of fragmentation and supply-side bias persists, demanding deeper legal and institutional reforms.
- Thus, the evolution shows a shift from state-led infrastructure creation to a more nuanced understanding that governance—laws, institutions, community participation—is the linchpin of sustainability.



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ANALYSIS: INDIA'S WATER CRISIS: A GOVERNANCE CHALLENGE

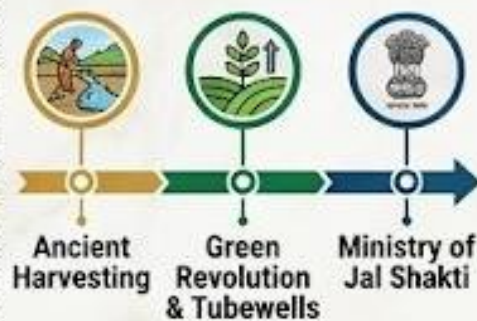
INDIA'S WATER PARADOX: THE MISSING LINK



1. KEY TERMS & CONCEPTS



2. HISTORICAL EVOLUTION



3. LOGICAL & PHILOSOPHICAL BASE



4. KEY CHALLENGES & SOLUTIONS



5. POLICY MISSIONS



- **Logical and Philosophical Base**

- The argument rests on a strong institutionalist logic: structures, rules, and coordination mechanisms determine outcomes more than resource endowment. Several philosophical underpinnings strengthen this reasoning.
- **Institutionalism in Public Policy:** The idea that institutions—both formal (laws, departments) and informal (community norms)—shape actor behaviour. If the Central Water Commission only plans surface water and the Ground Water Board only assesses aquifers, the integration gap is an institutional design flaw. Hence, fragmented institutions produce fragmented results.
- **Common Pool Resource Theory:** Elinor Ostrom’s work demonstrates that communities can sustainably manage shared resources like groundwater without state or market control if certain design principles are met—clear boundaries, collective decision-making, monitoring, and graduated sanctions. The Atal Bhujal Yojana’s emphasis on village-level water budgets and panchayat-led groundwater monitoring echoes Ostrom’s framework.
- **Tragedy of the Commons:** Where open-access resources like groundwater are concerned, individuals have an incentive to extract as much as possible before others do, leading to depletion. The lack of legal groundwater ownership till the Model Groundwater Bills further worsens this race to the bottom. The article implicitly critiques this vacuum.
- **Circular Economy Philosophy:** Moving beyond the linear “take-make-dispose” mindset, a circular water economy treats used water as a resource. It reflects a shift from waste management to resource recovery, aligning with sustainable development principles.
- **Rights-Based and Equity Considerations:** The right to water is a derivative of the right to life under Article 21. If governance fails to allocate water fairly, it violates basic justice. John Rawls’ difference principle would suggest that water institutions should prioritise the most vulnerable, ensuring minimum access even in scarcity.
- **Epistemology of Measurement:** The use of CWMI reflects a belief that what gets measured gets managed. However, it also raises epistemological questions: are the indicators capturing the lived reality of water stress accurately? Data limitations can lead to policy blind spots.
- Thus, the logical spine of the analysis is that better coordination, community participation, and legal clarity can transform India’s water trajectory, even under climatic and demographic pressures.

- **Multidimensional analysis**

- **Social**

- Water insecurity deepens inequality because the poor spend more time, labor, and money securing basic supply.
 - Women and girls are disproportionately affected where household access is weak, making drinking water a question of dignity, time poverty, and public health.
 - Reliable tap water improves health, schooling, and everyday quality of life, which is why Jal Jeevan Mission has significance beyond infrastructure.

- **Political**

- Water is a deeply political resource because it shapes inter-State relations, Centre-State bargaining, farmer politics, and urban local governance.
 - Mission-mode schemes show how the Union uses funding and national targets to influence outcomes in a constitutionally State-heavy domain.
 - Local participation in groundwater governance also redistributes authority from bureaucracy toward communities, at least in principle.

- **Legal**

- Water regulation sits at the intersection of constitutional federalism, environmental law, public health obligations, and local self-government.
 - The legal difficulty is that groundwater often behaves like a shared commons, but regulation on the ground has historically been weak and fragmented.
 - Urban wastewater reuse additionally raises standards, compliance, and institutional liability issues.

- **Ethical**

- The ethical core is distributive justice: who gets water first in scarcity conditions—drinking needs, agriculture, industry, or ecosystems?
 - It also raises inter-generational ethics because over-extraction today imposes hidden costs on future citizens.
 - Procedural ethics matter too: transparency, participation, inclusion of women, and accountable decision-making are essential in public resource governance.

- **International**

- Water governance is linked to SDG 6 and to global discussions on climate adaptation, resilience, and resource circularity.
 - India's challenge resembles that of many monsoon-dependent and groundwater-stressed countries, making wastewater reuse, aquifer management, and demand-side reform globally relevant themes.

- **Economic**

- Agriculture remains the dominant water user, so irrigation efficiency and crop rationalization are central to productivity and sustainability.
 - Urban water scarcity and poor sewage management also impose economic costs through health burdens, industrial disruption, tanker dependence, and degraded ecosystems.
 - Better governance can therefore be seen as a growth-enabling reform, not just a welfare measure.

- **NCERT linkages**

- **1. Geography**

- Class XI NCERT, *India: Physical Environment* is directly relevant for drainage systems, monsoon, river basins, groundwater, and regional distribution of water resources.
- Class XII NCERT, *India: People and Economy* helps in linking water with irrigation, agriculture, resource planning, and regional development.
- These chapters build the physical base needed to understand why total rainfall does not equal usable water.

- **2. Polity**

- Class XI NCERT, *Indian Constitution at Work* helps in understanding federalism, Centre-State powers, local bodies, and public policy design.
- Water governance questions often require constitutional reasoning, not just geography.

- **3. Economics**

- Class XII NCERT, *Introductory Macroeconomics* and *Indian Economic Development* can be used conceptually to discuss public goods, externalities, resource allocation, and development planning.
- Water is a classic case of market failure and collective action failure.

- **4. Sociology and society**

- Class XII NCERT, *Indian Society* helps relate water to inequality, rural distress, gender burden, and development transitions.
- This adds social depth to otherwise technical answers.

- **5. Science and environment**

- Basic school-level understanding of hydrological cycle, pollution, and ecosystems helps explain recharge, treatment, contamination, and reuse.
- It also supports questions on sustainability and climate-linked variability.

Linkages with UPSC CSE Syllabus

GS Paper 1 (Geography)

- Distribution of key natural resources; water resources.
- Factors responsible for the location of primary, secondary, tertiary sector industries— water-intensive industries.
- Critical geographical features and changes: glacier retreat, aquifer depletion.
- Urbanisation and its problems: urban water stress.

GS Paper 2 (Governance, Constitution, Polity, Social Justice)

- Issues and challenges pertaining to the federal structure; devolution of powers up to local levels— water being state subject, JJM and local bodies.
- Government policies and interventions for development— schemes like JJM, AMRUT, PMKSY, ABHY, Namami Gange.
- Important aspects of governance: transparency, accountability; NITI Aayog's CWMI as a benchmarking tool.
- Statutory, regulatory, and quasi-judicial bodies: CGWB, CWC, inter-state water dispute tribunals.

GS Paper 3 (Technology, Economic Development, Environment)

- Agriculture: irrigation, micro-irrigation, groundwater, crop diversification.
- Environment and conservation: water pollution, river rejuvenation, sustainable development.
- Disaster management: floods, droughts.
- Infrastructure: water supply, sanitation, wastewater treatment.
- Inclusive growth and issues arising from it: water as a resource limiting growth.

GS Paper 4 (Ethics)

- Ethics in public administration: efficient use of public resources, accountability in mission delivery.
- Corporate governance: industrial water use and pollution.
- Ethical dimensions of water distribution: right to water, intergenerational equity, common-pool resource management.
- Case studies on water conflict and ethical dilemma.

Way Forward

An ecologically sustainable and socially just water future requires a blend of legal, institutional, technological, and behavioural measures.

Enact a National Water Framework Law

- This law should codify the right to minimum water for all, establish basin-level integrated management bodies with statutory powers, and clearly define groundwater as a common pool resource with controlled extraction rights.
- It must also create a robust, time-bound interstate dispute resolution mechanism to replace the current ad hoc tribunals.

Strengthen Participatory Groundwater Governance

- Atal Bhujal Yojana should be scaled to all water-stressed blocks. Gram panchayats need legal authority to regulate borewell depth and spacing.
- Link groundwater recharge and rainwater harvesting structures with MGNREGA to create durable village-level assets while providing livelihoods.

Advance the Circular Water Economy in Urban India

- Mandate treated wastewater reuse for non-potable purposes in all cities above a certain size, with targeted investments under AMRUT.
- Promote public-private partnerships for sewage treatment plants; set standards for industrial reuse to reduce freshwater abstraction.

Transform Agricultural Water Use

- Shift from power subsidy to direct benefit transfer (DBT) for electricity to incentivise farmers to save energy and water.
- Align MSP and procurement policies with water-availability mapping; discourage water-guzzling crops in over-exploited zones.
- Expand micro-irrigation coverage by making it a condition for canal water supply in tail-end areas.

Invest in Climate-Resilient Infrastructure

- Combine grey (dams, reservoirs) with green (wetland restoration, floodplain zoning) infrastructure.
- Develop real-time digital water data platforms integrating satellite, IoT sensors, and community inputs for adaptive management.

Foster Transparent Metrics and Accountability

- Institutionalise independent water audits and enforce legal consequences for non-compliance.
- Extend CWMI to include equity, quality, and ecosystem health indicators.

Citizen Sensitisation and Behavioural Change

- Massive campaigns linking water conservation to cultural pride and sustainability can nudge consumption patterns, much like Swachh Bharat did for sanitation.

A multi-pronged, cooperative federalism model where communities, states, and the Union share responsibilities is the only durable way forward.

UPSC Mains (General Studies)

GS1 – Geography

- 2020: “Examine the challenges of water resource management in India and suggest measures to overcome them.”
- 2019: “Why is India facing a water crisis? Discuss the role of governance and community participation.”
- 2017: “What are the reasons for groundwater depletion in India? What steps have been taken to check it?”
- 2015: “Discuss the water crisis in India with special reference to the interlinking of rivers project.”

GS2 – Governance

- 2022: “Jal Jeevan Mission aims to provide safe and adequate drinking water to all rural households. Discuss its implementation challenges and the way forward.”
- 2021: “Examine the role of NITI Aayog’s Composite Water Management Index in promoting competitive and cooperative federalism.”
- 2019: “Constitutional mechanisms to resolve inter-state water disputes have failed to address the problem satisfactorily. Discuss.”
- 2018: “Discuss the role of the Atal Mission for Rejuvenation and Urban Transformation (AMRUT) in addressing urban water stress.”

GS3 – Agriculture, Environment, Economy

- 2023: “Explain the causes and consequences of groundwater contamination and depletion in India. Suggest remedial measures.”
- 2021: “Discuss the significance of micro-irrigation in enhancing water use efficiency in Indian agriculture.”
- 2020: “What are the challenges to the circular economy model in water management? Illustrate with Indian examples.”
- 2018: “Evaluate the Namami Gange Programme in terms of river rejuvenation and pollution abatement.”

GS4 – Ethics

- 2020: Case study on water allocation between industry and farmers.
- 2019: “Water sharing disputes between states raise ethical dilemmas about justice and fairness. Elaborate.”

The Act That Denies Women Choice

A pregnant 15-yr-old's ordeal again underscored the conceptual flaw in our abortion law. MTP law, despite amendments, makes terminating pregnancy an arbitrary process. Everyone has a say, except the woman

Nikhil Datar



In 2021, after five decades of silence, India amended the Medical Termination of Pregnancy (MTP) Act. The revision extended abortion access to 24 weeks for women under certain conditions, and beyond that, for foetal anomalies.

The amended law appeared to respond to decades of clinical realities and judicial nudging.

Yet, a closer look reveals the amendment is less a structural reform, and more a calibrated patchwork retaining deficiencies that continue to restrict access, generate legal uncertainty and undermine constitutional principles.

The most fundamental flaw is conceptual.

The MTP Act remains an exception-based statute rather than a rights-based one. Termination of pregnancy is not recognised as a woman's right but is conditional upon statutory grounds and medical opinion. This embeds medical paternalism within the law, where the doctor functions not only as a clinical adviser but as a legal gatekeeper. Such a model sits uneasily with judicial interpretation of Article 21, which recognises that autonomy and bodily integrity are integral to the right to life.

This conceptual weakness is compounded by imprecise drafting of the statute. India drew upon the British Abortion Act of 1967. The word "abortion", in plain English, means the deliberate ending of a pregnancy, so that it does not result in a live birth. Intent and outcome are embedded in the word itself.

Indian Parliament chose not to use the word "abortion" in the Act. Instead, it coined the term 'Medical Termination of Pregnancy (MTP)', defined it as any procedure using medical or surgical methods to terminate a pregnancy – silent on both intent and outcome. Thus, a caesarean section to save a distressed baby, removal of a dead embryo or surgery for an

ectopic pregnancy would technically qualify to fit into the definition of 'MTP'. But, when foeticide is performed to reduce the number of foetuses in case of multifoetal pregnancy, it isn't MTP.

The inadequacy is most stark in cases involving child survivors of sexual assault. The law restricts MTP in this most vulnerable group only up to 24 weeks, unless the woman's life is in immediate danger. But a 15-year-old who discovers her pregnancy at 26 weeks is not facing immediate death. She is facing a different kind of devastation: a body not ready for pregnancy, a mind not ready for motherhood, and a law that forces her to continue. Courts have had to, repeatedly, step in – including a recent Supreme Court order permitting termination at 30 weeks for a minor rape survivor with no foetal anomaly.

Marital status still governs access for women seeking termination between 20 and 24 weeks. Only if a woman's marital status has changed – meaning widowhood or divorce – can she seek termination. Single women and those in live-in relationships are excluded. This is not just retrograde – it is unconstitutional, considering Supreme Court's 2022 ruling, in 'x' vs Principal Secretary, Health & Family Welfare, which held that all women, married or not, are entitled to safe and legal abortions.

I helped a woman in identical circumstances to file a writ petition in Bombay HC. Court directed Centre to remove marital status as a criterion for termination. More than two years since that order, the rules remain unchanged.

The amended Act creates an entity called 'Medical Board' to approve terminations beyond 24 weeks, comprising a gynaecologist and several non-gynaecologist

specialists. The gynaecologist is the only member legally empowered to perform or certify a termination – yet the other specialists, none of whom has ever performed even a single MTP, can collectively outvote the gynaecologist.

The law prescribes no decision-making framework, no requirement for reasoned refusal, and no mechanism for appeal. It is a structure designed for arbitrariness and denial.

The confidentiality provision is equally misconceived. Rules require that an MTP patient be identified by number, rather than name. Imagine a hospital where every patient's case paper bears a name – except one who has a number. Does that conceal her situation or advertise it? The regulation achieves the opposite of its purpose.

Meanwhile, since her name cannot appear on prescriptions, bills or discharge papers, the woman cannot claim medical expenses from her employer or insurer. The Act bars disclosure to anyone except "persons authorised by law" – a term it never defines – leaving the practitioner exposed to criminal liability, with no clear protection.

In 2016, Supreme Court, in *Dr Nikhil Datar vs Union of India*, struck at the rigid 20-week ceiling the MTP Act had imposed. Since then, the judiciary has ruled consistently, based on medical evidence and constitutional principle. Yet a woman's right to her own body should not require a court petition. It is a repetitive, expensive exercise, available only to those with the means and knowledge to litigate.

The 2021 amendment was a step, not a destination. Until law recognises that reproductive autonomy belongs to the woman – not to the doctor, the Board, spouse or state – it will continue to fall short of delivering justice.

The writer is a gynaecologist based in Mumbai



- **Key Terms and Explanations**

- **Medical Termination of Pregnancy (MTP)** means legally permitted ending of pregnancy through medical or surgical methods. The Indian law avoids the word “abortion” and uses a clinical expression, which creates ambiguity because not every pregnancy-ending medical act has the same purpose. For example, removing an ectopic pregnancy saves the woman’s life, while terminating an unwanted pregnancy concerns reproductive choice.
- **Gestational limit** refers to the number of weeks of pregnancy after which termination becomes legally restricted. Under the amended framework, termination is generally allowed up to 20 weeks with one doctor’s opinion, 20–24 weeks for specified categories with two doctors’ opinion, and beyond 24 weeks mainly in cases of substantial foetal abnormalities through a Medical Board.
- **Medical Board** is a committee constituted to decide late-stage termination cases. The concern is that it may become a bureaucratic gatekeeping body rather than a rights-sensitive medical forum, especially when non-gynaecological specialists can influence decisions affecting reproductive autonomy.
- **Reproductive autonomy** means a woman’s freedom to make informed decisions about pregnancy, contraception, childbirth and bodily integrity. It flows from dignity, privacy, decisional autonomy and Article 21.
- **Medical paternalism** means a model where doctors or state authorities decide what is “best” for the woman, instead of treating her informed consent as central.
- **Foetal anomaly** refers to serious abnormality in the foetus. The law permits termination beyond 24 weeks mainly when such anomaly is diagnosed, but this leaves out many cases of rape, incest, mental trauma or socio-economic vulnerability.

Main Arguments and Substantive Parts

The central argument is that India's abortion law has expanded access procedurally but has not fully transformed into a rights-based law. The 2021 amendment looks progressive because it extends the gestational ceiling to 24 weeks for certain categories and allows termination beyond 24 weeks for substantial foetal abnormalities. Yet, the deeper structure remains controlled by statutory exceptions, doctor approval and state supervision.

The first major concern is conceptual. Termination is not treated as an independent reproductive right of the woman. It is allowed only when the law, doctor or Board permits it. This creates a tension with constitutional morality, because bodily integrity and decisional privacy are now recognised as part of Article 21.

The second concern is poor drafting. The expression "Medical Termination of Pregnancy" is broader and vaguer than abortion. It may technically include medical procedures that end pregnancy without being abortions in the social or ethical sense, such as ectopic pregnancy surgery or removal of a dead embryo.

The third concern relates to vulnerable groups, especially minor survivors of sexual assault. A rigid 24-week limit may force a child to continue pregnancy unless she approaches court. This creates inequality because only those with legal awareness, family support and resources can litigate.

A counter-view is that abortion law must balance women's autonomy, medical safety, foetal viability and ethical concerns. The state may argue that later-stage termination requires stricter scrutiny because medical risk and foetal interests increase with gestational age. The UPSC-balanced position is that regulation is necessary, but regulation must not become denial.

- **Historical Evolution of the Issue**
- **Pre-independence period:** Abortion was largely governed by criminal law. The Indian Penal Code treated miscarriage as an offence except when done in good faith to save the woman's life. This reflected colonial morality, population anxieties and limited medical infrastructure.
- **Post-independence early decades:** Unsafe abortions became a major public health concern. Women, especially poor and rural women, suffered from clandestine procedures. The state gradually recognised abortion as a health issue, not merely a criminal issue.
- **1971:** The Medical Termination of Pregnancy Act was enacted. It created limited statutory grounds for termination, such as risk to the woman's life, grave injury to physical or mental health, rape, contraceptive failure and foetal abnormality.
- **1990s–2000s:** Advances in ultrasound technology created a new problem: sex-selective abortion. The PCPNDT Act was strengthened to prevent misuse of diagnostic technology. This complicated the abortion debate because legitimate reproductive healthcare and illegal sex selection became socially entangled.
- **2010s:** Courts increasingly received petitions for termination beyond statutory limits, especially in rape, minor pregnancy and foetal anomaly cases. Judicial orders gradually shifted the debate from medical permission to dignity, privacy and autonomy.
- **2021 amendment:** The law expanded access to 24 weeks for specified categories and created Medical Boards for termination beyond 24 weeks in cases of substantial foetal abnormalities.
- **2022 onwards:** The Supreme Court clarified that unmarried women also have access to safe and legal abortion and that reproductive autonomy cannot be limited by marital status. This gave the law a stronger constitutional reading.



India's 2021 amendment to the Medical Termination of Pregnancy (MTP) Act is a step forward, but not the final destination. True justice lies in recognising reproductive autonomy as a fundamental right, not a conditional privilege.



1. KEY TERMS



MTP (Medical Termination of Pregnancy) – Legal termination of pregnancy using medical/surgical methods.



Gestational Limit – The maximum weeks up to which termination is legally permitted.



Medical Board – Committee that approves termination beyond 24 weeks in cases of substantial foetal anomalies.



Reproductive Autonomy – A woman's right to make informed decisions about her body, pregnancy, and reproductive life.



Medical Paternalism – When doctors or the state act as gatekeepers instead of respecting women's choices.



Foetal Anomaly – Serious abnormality in foetus, allowing termination beyond 24 weeks.

2. CORE ARGUMENTS

- **Exception, not Right** – MTP Act still treats termination as an exception, not a woman's right.
- **Vague Drafting** – "MTP" is broader than "abortion", creating confusion and legal uncertainty.
- **Vulnerable Women at Risk** – Minor rape survivors restricted to 24 weeks unless life is at risk.
- **Marital Status Bias** – 20–24 weeks access depends on marital status; excludes single women and those in live-in relationships.
- **Flawed Medical Board** – Non-gynaecologists can overrule gynaecologist; no clear decision-making framework or appeal mechanism.
- **Confidentiality Paradox** – Identification by number instead of name; hinders insurance claims and may inadvertently reveal identity.
- **Judiciary Overburdened** – Repeated court interventions show law's inadequacy and unequal access to justice.

Thesis: The law needs a shift from control to care, from exception to empowerment.

3. HISTORICAL EVOLUTION

- **Pre-Independence:** Abortion criminalised under IPC, allowed only to save woman's life.
- **1971:** MTP Act enacted – Limited grounds: risk to life, grave injury, rape, contraceptive failure, foetal abnormality.
- **1990s–2000s:** Rise of sex-selective abortion; PCPNDT Act strengthened.
- **2010:** Courts increasingly permitted termination beyond limits in cases of rape, minors, foetal anomalies.
- **2021:** Amendment – Extended limit to 24 weeks for certain categories; beyond 24 weeks for substantial foetal abnormalities via Medical Board.
- **2022 Onwards:** Supreme Court affirmed – Unmarried women also entitled to safe and legal abortion, autonomy recognised.

6. MULTIDIMENSIONAL ANALYSIS

- **Social:** patriarchy & moral judgment restrict women's choices, especially unmarried, poor & rural women.
- **Political:** political will & courage; women's health is central to gender justice & welfare.
- **Legal:** vagueness, marital status bias & Medical Board discretion may violate Articles 14, 15 & 21.
- **Ethical:** autonomy with medical safety, foetal viability & prevention of coercion.
- **International:** is moderately progressive but still doctor-centric compared to rights-based models globally.
- **Safe abortion:** reduces public health burden, improves education, employment & reduces economic distress.

7. KEY CHALLENGES



4. LEGAL & PHILOSOPHICAL BASE

- **Constitutional Foundation:** Articles 14, 15 & 21 – Equality, non-discrimination, dignity, privacy & bodily autonomy.
- **Conflict:** State Regulation vs Individual Autonomy.
- **Logic of Current Law:** Permission-based – allowed only if conditions met.
- **Rights-Based Logic:** Autonomy first; regulation only for safety & prevention of abuse.
- **Philosophical Debate:** Paternalism assumes experts know best; Dignity assumes the woman must decide.
- **Epistemic Insight:** Medical facts + lived experiences together should shape the law.

5. CURRENT LEGAL FRAMEWORK

Gestational Limits (As per 2021 Amendment)

- **0–20 Weeks:** One registered medical practitioner's opinion sufficient.
- **20–24 Weeks:** Two registered medical practitioners' opinion in specified categories.
- **Beyond 24 Weeks:** Medical Board approval in cases of substantial foetal abnormalities.

Key Concern: Law focuses on conditions, not on woman's informed choice.

8. WAY FORWARD

- **Shift to Rights-Based Framework** – Autonomy & informed consent at the core.
- **Clear Definitions** – Distinguish abortion, miscarriage management, ectopic pregnancy treatment, foetal reduction & emergency care.
- **Remove Marital Status Criterion** – Equal rights for all women.
- **Reform Medical Boards** – Time-bound, reasoned, reviewable decisions; gynaecologist's opinion should carry primary weight.
- **Support Vulnerable Women** – Special provisions for minors, rape survivors, disabled & socio-economically marginalised.
- **Confidentiality with Dignity** – Protect privacy without blocking insurance claims, documentation & follow-up care.
- **Strengthen Public Healthcare** – Trained providers, counselling, district-level referral systems.
- **Separate Healthcare from Morality** – State's role: safety, dignity, access—not control.

9. LINKAGES WITH NCERTs



- Class 9 (Democratic Politics): Rights, equality & rule of law.
- Class 10 (Gender, Religion & Caste): Patriarchy & gender inequality.
- Class 11 (Political Theory): Rights, freedom & autonomy.
- Class 12 (Indian Society): Women's issues & social institutions.
- Class 12 (Politics in India): Judiciary & rights expansion.
- Class 12 (Biology): Reproductive health & maternal care.

10. UPSC SYLLABUS LINKAGES



- **GS I:** Women, vulnerable groups, social empowerment
- **GS II:** Constitution, rights, judiciary, health, women & child welfare
- **GS III:** Public health, biotechnology ethics, healthcare systems
- **GS IV:** Ethics – autonomy, dignity, justice, medical ethics
- **Essay:** Freedom, dignity, law, morality, women's agency

11. ETHICS & CASE STUDY ANGLE



"A minor rape survivor seeks termination beyond 24 weeks. The Medical Board refuses due to absence of foetal anomaly. What should the administration do?"

Approach: Compassion, autonomy, justice, medical evidence, legal safeguards.

12. WHY THIS MATTERS?

- ✓ It's about dignity, not just healthcare.
- ✓ It's about equality, not status of marriage.
- ✓ It's about justice, not judicial charity.
- ✓ It's about law, not moral policing.





- **Logical and Philosophical Base**

- **Medical paternalism vs. patient autonomy:** The MTP Act is built on the assumption that the doctor's expertise entitles her to override a woman's personal choice. This contradicts contemporary bioethics, which centres patient autonomy, informed consent, and shared decision-making. Article 21, as interpreted by the Supreme Court in *Puttaswamy* (2017), establishes autonomy and bodily integrity as core facets of the right to life and privacy.

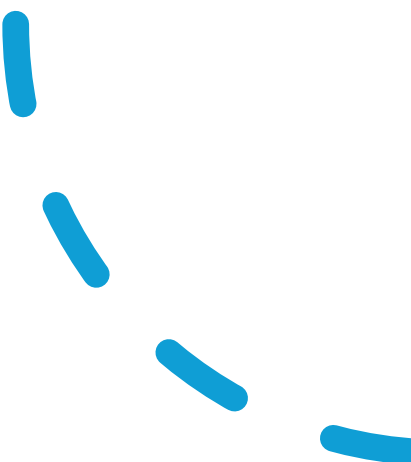
- **Exception-based legal logic:** The law treats termination as an exception to a general prohibition, rather than a normal healthcare service. This imposes a moral premise—that the foetus's potential life presumptively outweighs a woman's autonomy—without constitutional sanction. A rights-based framework would start from the premise that the woman has the right to decide, with regulations only to ensure safety and prevent coercion.

- **Definitional confusion and linguistic philosophy:** The deliberate avoidance of the word "abortion" and the adoption of "medical termination of pregnancy" reflects a political and social discomfort with the concept of reproductive choice. By defining MTP purely procedurally, the law erases intent and outcome, leading to absurd inclusions (caesarean section) and exclusions (foeticide). A law that cannot accurately name the act it regulates undermines legal certainty and conceptual clarity.

- **Bodily integrity and negative vs. positive rights:** Reproductive autonomy is a negative right—freedom from state interference in one's body. By compelling a woman to continue a pregnancy, the state violates her bodily integrity. The philosophical underpinning here is the harm principle: the state may intervene only to prevent harm to others; the foetus's moral status is not constitutionally settled, but the woman's personhood is.

- **Categorical discrimination and liberal egalitarianism:** The marital status criterion presumes that only widows and divorcees experience "changed circumstances" that justify abortion. This excludes single women and overlooks that any woman, irrespective of marital status, may suffer mental anguish equivalent to that of a married woman in a changed situation. Liberal egalitarian philosophy insists on equal treatment of all individuals, irrespective of social roles.

- **Gatekeeping and epistemological arrogance:** The Medical Board structure assumes that non-gynaecologists possess sufficient expertise to veto a gynaecologist's clinical decision. This epistemic hierarchy lacks justification and creates a decision-making vacuum, undermining expert knowledge. Legitimate regulation requires transparent criteria, not arbitrary power.





- **Multidimensional Analysis**

- **Social Dimension**

- Abortion law is not merely about healthcare; it reflects how society views women's sexuality, motherhood and agency. Unmarried women often face moral judgement. Minor survivors face family pressure, police procedure and social shame. Poor women are most affected because they cannot easily access private healthcare or courts.

- **Political Dimension**

- The issue requires political courage because abortion debates are sensitive. Governments often prefer cautious amendments rather than structural reform. However, rights-based reproductive healthcare is part of welfare governance and gender justice.

- **Legal Dimension**

- The law must be harmonised with Article 14, Article 15 and Article 21. Excluding unmarried women or creating vague Medical Board discretion may violate equality, dignity and privacy principles.

- **Ethical Dimension**

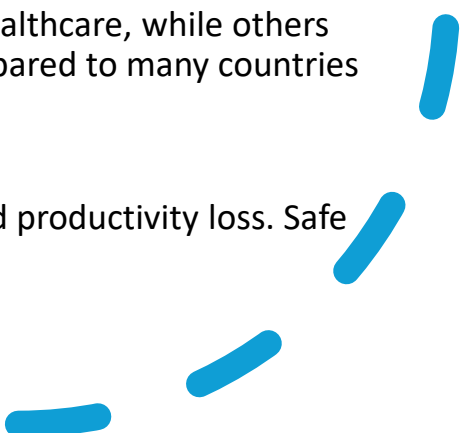
- The core ethical conflict is between autonomy and protection. A mature legal system must protect women from unsafe procedures without converting protection into control.

- **International Dimension**

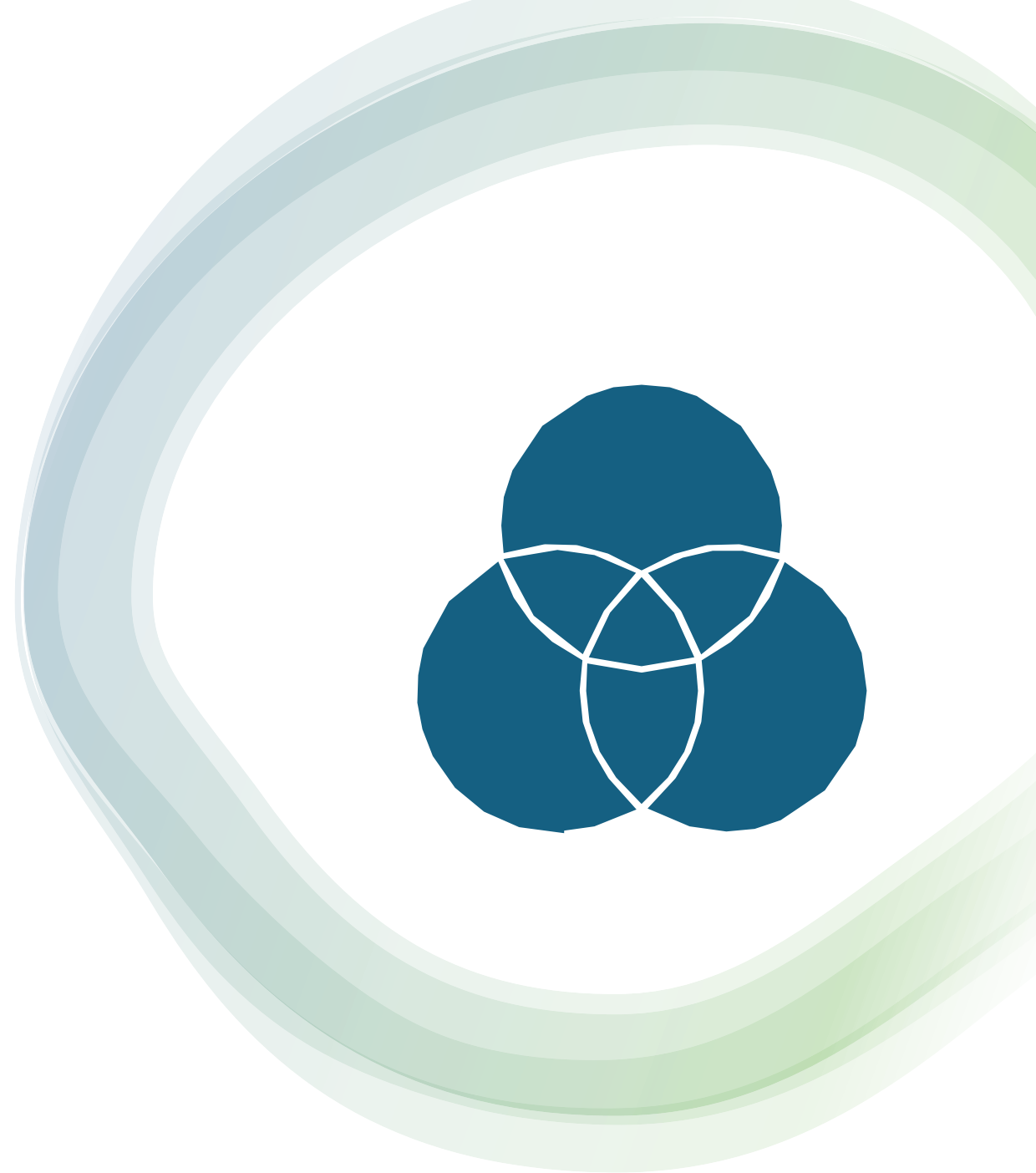
- Many jurisdictions are moving toward rights-based reproductive healthcare, while others are becoming restrictive. India's model is moderately progressive compared to many countries but remains doctor-centric.

- **Economic Dimension**

- Unsafe abortion increases healthcare costs, maternal morbidity and productivity loss. Safe access supports women's education, employment and social mobility.



- **Linkages with NCERTs**
- **Class 12 Political Science (Politics in India since Independence, Chapter 3 – Planned Development & Chapter 8 – Regional Aspirations, but also Constitution chapters):** The right to life (Article 21) and its expanding interpretation by the judiciary are covered in the chapter on “Rights” and “Judiciary.” The tension between legal provisions and fundamental rights can be linked to reproductive autonomy.
- **Class 12 Sociology (Indian Society, Chapter 5 – Patterns of Social Inequality and Exclusion; Change and Development in Industrial Society):** Issues of gender discrimination, patriarchy, and the marginalisation of single women and adolescent girls connect directly. Reproductive health and women’s agency are part of social empowerment themes.
- **Class 12 Sociology (Social Change and Development in India, Chapter 3 – The Constitution and Social Change):** The role of law in social transformation and the limitations of legal reform without societal change are captured; MTP amendment illustrates how law can lag behind constitutional ideals.
- **Class 10 Democratic Politics (Chapter 4 – Gender, Religion and Caste; Chapter 5 – Popular Struggles and Movements):** Gender injustice, women’s movements, and the right to equality form the base for understanding why women’s reproductive rights are contested. The concept of bodily autonomy ties to fundamental rights.
- **Class 11/12 Biology (Human Reproduction and Reproductive Health):** The medical aspects of pregnancy, safe abortion methods, adolescent pregnancy risks, and public health infrastructure are covered. The gap between medical knowledge and restrictive laws can be discussed.



Linkages with UPSC CSE Syllabus

General Studies Paper I

- *Women and Women's Organization:* Reproductive rights are central to women's empowerment and gender equality. The MTP Act's deficiencies disproportionately affect women from marginalised backgrounds.
- *Population and Associated Issues:* Unwanted pregnancies, maternal mortality, and unsafe abortions relate to demographic health.

General Studies Paper II

- *Health, Government Policies and Interventions:* The MTP Act is a key health legislation. Analysis of lacunae and implementation challenges is directly relevant.
- *Issues Relating to Development and Management of Social Sector/Services relating to Health:* Reproductive healthcare, role of Medical Boards, and accessibility gaps.
- *Mechanisms, Laws, Institutions and Bodies constituted for the Protection and Betterment of Vulnerable Sections:* The Act's failure to protect minor rape survivors beyond 24 weeks, and the marital status criterion, illustrate gaps in legal protection.
- *Structure, Organization and Functioning of the Judiciary:* Judicial interventions (Article 32, writ petitions) to secure abortion rights show the judiciary's role in expanding fundamental rights.
- *Indian Constitution—features, amendments, significant provisions, and basic structure:* Article 21, right to privacy, constitutional morality vs. social morality.

General Studies Paper III

- Indirect linkage to health infrastructure and the economic cost of unsafe abortions.

General Studies Paper IV (Ethics, Integrity and Aptitude)

- *Ethics in Public and Private Relationships:* Doctor-patient relationship, medical paternalism vs. patient autonomy.
- *Moral Thinkers and Philosophers:* Kantian ethics (treating persons as ends in themselves), Mill's harm principle, feminist ethics.
- *Concept of Privacy and Confidentiality:* The flawed confidentiality provision and its ethical dimensions.
- *Conscience and Ethical Dilemmas:* Doctors' conscientious objection, medical board decisions.

- **Way Forward**

- **Transition to a rights-based statute:** Amend the MTP Act to explicitly state that every woman has the right to terminate a pregnancy within a specified gestational period, with the doctor acting as a facilitator, not a gatekeeper. This shifts the burden of justification onto the state for any restriction.
- **Clarify definitions and remove ambiguity:** Replace “Medical Termination of Pregnancy” with “abortion” defined as the intentional termination of pregnancy before viability, accompanied by clear exclusions for obstetric and lifesaving procedures. Align definitions with global medical standards.
- **Remove the marital status criterion:** Implement the Supreme Court’s ruling and the Bombay High Court direction by deleting the marital status condition from the law and rules. All women, irrespective of marital status, must have equal access up to 24 weeks.
- **Reform Medical Boards:** Redesign the board to include at least two gynaecologists and mandate reasoned decisions in writing. Establish a time-bound appellate mechanism—perhaps a divisional board or a fast-track court—to hear appeals against refusal. Develop standardised clinical decision-support guidelines.
- **Rectify confidentiality and enable insurance:** Permit the use of the woman’s name with robust data protection and informed consent. Enact a clear statutory definition of “persons authorised by law” to protect practitioners. Integrate abortion services with health insurance schemes like Ayushman Bharat so women can claim reimbursement without stigma.
- **Expand provider base and ensure training:** Allow trained mid-level providers (nurses, AYUSH practitioners) to provide early medical abortion. Invest in competency-based training and strengthen public health facilities to offer safe abortion up to 24 weeks, particularly in aspirational districts.
- **Include adolescent-friendly provisions:** Mandate that for minors, the court or child welfare committee should be approached only in cases where the guardian refuses consent, and make timely access the norm. Sensitise police, protection officers, and medical staff to the urgency.
- **Public awareness and de-stigmatisation:** Launch sustained information campaigns normalising abortion as healthcare, addressing social taboos through school curricula and community dialogue. Engage men and community leaders as allies.
- **Regular legal review:** Create a statutory obligation to review the MTP Act every five years in consultation with medical, legal, and civil society experts, incorporating emerging medical technology and constitutional developments, so that law evolves without requiring repeated judicial intervention.

- **UPSC Mains**

- **2023 GS II:** Discuss the role of the National Commission for Women in protecting and promoting women's rights in India.
- **2022 GS II:** Examine the role of judicial activism in the achievement of constitutional ideals.
- **2021 GS I:** Examine the role of women's movements in India's social reform process.
- **2020 GS II:** Judicial legislation is antithetical to the doctrine of separation of powers. Comment.
- **2019 GS II:** The need for cooperation among various service sectors has been an inherent component of development discourse. Discuss in relation to health services.
- **2018 GS II:** Appropriate local community-level healthcare intervention is a prerequisite to achieve Health for All in India. Explain.
- **2017 GS I:** Discuss the positive and negative effects of globalisation on women in India.
- **2016 GS II:** Does the right to clean environment entail legal regulation of all health-related risks? Discuss with reference to governance.
- **2015 GS II:** Examine the constitutional safeguards for women and children in India.
- **2014 GS II:** Starting from inventing the basic structure doctrine, the judiciary has played a highly proactive role in ensuring that India develops into a thriving democracy. Discuss.

- **UPSC Essay Themes**

- "Freedom is meaningful only when it includes control over one's body."
 - "Law and morality are not always the same."
 - "Women's empowerment begins with bodily autonomy."
 - "Rights without access remain incomplete."
-

All eyes in Beijing from tomorrow as Xi, Trump navigate trade, tech and geopolitical whirlpools

Sitting or Peking Duck?

Too Big to Decouple



Kai Xue



Sathish Dasgupta

Saving Face vs Getting Rich

Bringing Donald Trump out tomorrow in Beijing for a bilateral summit after he is surrounded by a new regime of leaders who did not register in the fighting. Although the trade talks seem to appear over the trade talks, the real issue is the relationship between China and the US. The US has a trade deficit with China that has grown from \$100 billion to \$200 billion in the last decade.

The economic relationship between the two nations has grown into a complex one. In the past, the US has been a major supplier of goods to China. Now, the US is a major supplier of technology to China. The US has a trade deficit with China that has grown from \$100 billion to \$200 billion in the last decade.

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In the earlier trade negotiation and the US agreed to expand of Chinese trade by a size, while China will have to implement of the US trade program controls, it is an opportunity to be used by the leaders of the US to the end of October, another trade summit with Xi.

Following the negotiations, both sides have a shared objective: reducing dependence on the other, while keeping

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More than ever before, Donald Trump needs a grand slam during the time he is in office. China is responsible for the loss of jobs in the US. The US has a trade deficit with China that has grown from \$100 billion to \$200 billion in the last decade.

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possible to European allies to join efforts to break into a deadlock on the front of Europe. They have raised questions about Trump's policy of bargaining from a position of strength.

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Xi Jinping shaking hands with Donald Trump in a limousine.

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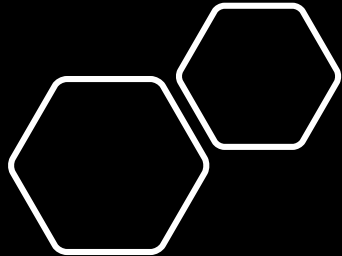
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• Key Terms and Explanations

- **Decoupling:** The process of reducing economic interdependence between two nations, often by diversifying supply chains, restricting technology transfers, and imposing trade barriers. For example, the US reducing reliance on Chinese rare earth processing or China seeking self-sufficiency in semiconductor manufacturing equipment.
- **Liberation Day Tariffs:** A hypothetical sweeping tariff announcement by the US, imposing across-the-board duties on imports from multiple countries. In trade policy, such unilateral tariff actions aim to protect domestic industry and extract concessions, but often trigger retaliatory measures.
- **Counter-tariffs:** Tit-for-tat tariff increases imposed by a targeted country in response to another's tariff actions. China's immediate levies on US goods after Liberation Day illustrate this.
- **Export Controls:** Regulatory measures restricting the export of certain goods, technologies, or services for reasons of national security or foreign policy. The US uses them to limit China's access to advanced semiconductors; China reciprocates with controls on rare earth elements and their processing technologies.
- **Foreign Direct Product Rule (FDPR):** A US regulation that extends export control jurisdiction to foreign-made items if they are the direct product of certain US-origin software, technology, or equipment. Even a chip made entirely in China using US-designed software could fall under US licensing requirements.
- **Affiliates Rule:** An extension of export controls to entities that are 50% or more owned by a firm already under restriction. It aims to close loopholes where restricted companies set up subsidiaries to bypass controls.
- **Petroyuan:** The use of the Chinese renminbi for oil trade settlements, challenging the traditional petrodollar system. Iran and Russia accepting payment in renminbi for oil exports is a step toward reducing dollar dominance in global energy markets.
- **TSMC (Taiwan Semiconductor Manufacturing Company):** The world's largest contract chipmaker, producing advanced semiconductors essential for everything from smartphones to fighter jets. Its strategic importance makes Taiwan a critical node in technology supply chains.
- **Managed Economic Competition:** A framework where rivals accept continued interdependence in some areas while fiercely competing in others, using calibrated measures that stop short of a full breakdown. Truces, pauses, and tacit understandings keep the rivalry within certain boundaries.

- **Main Arguments and Substantive Parts**
- **The Core Thesis:** The US–China economic relationship is not heading toward complete decoupling but toward a structured, managed competition where both sides seek to reduce critical dependencies while keeping the overall relationship from collapsing.
- **Two Cycles of Escalation and Truce Shape the Pattern:**
 - *First Cycle (Tariffs and Rare Earths):* The US imposes broad tariffs—“Liberation Day”—and China retaliates with targeted counter-tariffs plus export controls on rare earths. Escalation peaks but then settles into a Geneva truce, showing that both sides recognise the costs of unchecked confrontation.
 - *Second Cycle (Export Controls and Extraterritoriality):* The US extends its technological jurisdiction via the Affiliates Rule and FDPR, effectively regulating chip sales even within China. China mirrors this logic with controls on rare earth processing technologies, extending its regulatory reach abroad. A truce on the sidelines of a Xi-Trump meeting again pauses escalation.
- **Shared Objective Amid Rivalry:** Both powers aim to reduce asymmetric dependencies:
 - The US and allies want alternatives to Chinese dominance in rare earth processing.
 - China wants to close technology gaps in semiconductors, high-end AI chips, aircraft engines, and advanced lithography machines (ASML).
- **The Long-Term Outcome Could Be a “Draw”:** If China achieves technological parity in remaining gap areas by 2040, and the US succeeds in building alternative supply chains, the result may be parallel self-sufficiency rather than one-sided dominance. External pressure, when calibrated, could even accelerate Chinese innovation.
- **Geopolitical Implications of the Bilateral Meeting:**
 - Trump’s domestic political needs (midterm elections, war fatigue) push him to seek visible wins—soybean purchases, trade board agreements, easing of restrictions.
 - China’s priorities include extracting assurances on Taiwan arms sales, easing tech restrictions, and expanding renminbi’s global role.
 - Iran’s ability to strain US military resources, partly enabled by Chinese satellite and GPS support, gives Beijing significant leverage.
 - A successful US–China understanding reduces India’s bargaining power as a counterweight; a failed meeting might push the US to engage India more seriously.
- **Managed Competition Remains Fragile:** The balance between competition and stability is delicate. The arms race in technology, Taiwan’s status, and dollar dominance are fault lines that could disrupt the managed framework.

- **Historical Evolution of the Issue**

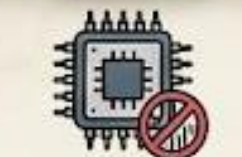
- **Pre-1990s – Limited Economic Interdependence:** China was a minor trading partner for the US. Technology transfer was minimal, and strategic rivalry was muted after China's reform and opening up.
- **1990s–2000s – Deep Integration:** China's WTO accession (2001) accelerated its integration into global supply chains. The US offshored manufacturing, and China became the "factory of the world." Interdependence deepened, with mutual economic benefits overshadowing strategic concerns.
- **2010s – Emerging Rivalry:** China's rise in high-tech sectors (Huawei, 5G, AI) and its "Made in China 2025" plan triggered US anxieties. The Obama administration's "Pivot to Asia" signalled strategic rebalancing. By 2017, the US identified China as a strategic competitor.
- **2018–2019 – Trade War 1.0:** The Trump administration imposed tariffs on Chinese goods under Section 301, citing intellectual property theft and forced technology transfer. China retaliated. Multiple rounds of escalation and partial truces (Phase One deal in January 2020) marked this period. The trade war exposed vulnerabilities—semiconductor dependence, rare earth leverage.
- **2020–2023 – Technology Decoupling Accelerates:** US tightened export controls on advanced semiconductors, blacklisted Huawei, SMIC, and other Chinese tech firms, and built alliances like the Chip 4 (US, Japan, South Korea, Taiwan). China accelerated indigenous technology development, stockpiled chips, and imposed its own export controls (rare earths, gallium, germanium).
- **2024–2025 (Hypothetical But Projected) – Escalation and Managed Truces:** The Foreign Direct Product Rule expanded dramatically; the Affiliates Rule further tightened the noose. China responded with structurally similar controls on rare earth processing technologies. Yet both sides periodically paused to avoid economic catastrophe, showing a pattern of calibrated brinkmanship.
- **Geopolitical Context – Iran Conflict:** A protracted US–Iran war strains US military resources, enhances China's leverage as an Iran partner, and boosts renminbi oil trade. This intertwines security and economic dimensions, making pure economic decoupling harder.
- **Taiwan Tension:** Continuous US arms sales to Taiwan and TSMC's strategic importance keep the Taiwan issue at the centre. Chinese pressure for US concessions on Taiwan persists, but US domestic politics and alliance commitments make it difficult.



AXIA
IAS ACADEMY

ANALYSIS: US-CHINA MANAGED ECONOMIC COMPETITION & GLOBAL IMPLICATIONS (2025-2026)

1 KEY TERMS



Foreign Direct Product Rule

AFFILIATES RULE



Parent/ Subsidiary

RARE EARTHS



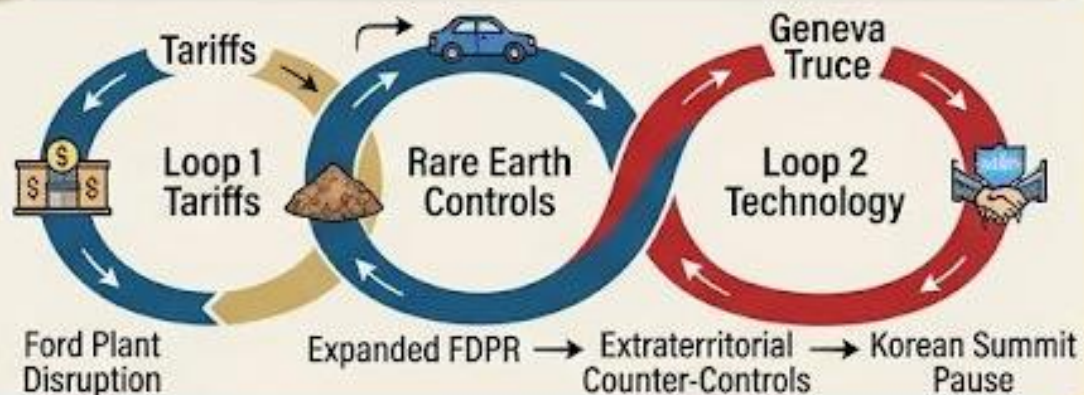
Mineral & Processing Plant

PETROYUAN



Renminbi

2 THE CYCLE OF ESCALATION & TRUCE



3 MULTIDIMENSIONAL ANALYSIS



Political

- Socitical & Legal
- Political Technology

Ethical

- Global Inflation
- Environmental differenties

Social

- Social and Family
- Economic, Actonomy and Politicar

International

- Governance
- Global ine Economics

Economic

- Global Inflation
- Bifurcated Supply Chains

4 STRATEGIC FOCUS

US Focus

- Rare Earth Diversification
- Friend-shoring

China Focus

- Semiconductor Lithography (ASML)
- Aircraft Engines
- Petroyuan Promotion

VS

Technological Parity by 2040

5 INDIAN CONTEXT & WAY FORWARD



Strategic Autonomy
Balancing both powers

India Semiconductor Mission
Building capabilities

Third-Country Vulnerability
Viet/Mex pass-throughs

Policy
Strengthen domestic innovation, multilateral rules



- **Logical and Philosophical Base**

- **Realist International Relations Theory:** The narrative is grounded in realism—states pursue relative gains, security is paramount, and economic interdependence is a double-edged sword that can be weaponised. The drive for self-sufficiency in critical technologies reflects the realist logic of reducing vulnerability in an anarchic international system.

- **Mutual Assured Economic Destruction:** Just as nuclear deterrence prevented hot war during the Cold War, the threat of mutually damaging economic escalation prevents a total rupture. Both sides recognise that full decoupling would be catastrophic, so they prefer managed competition.

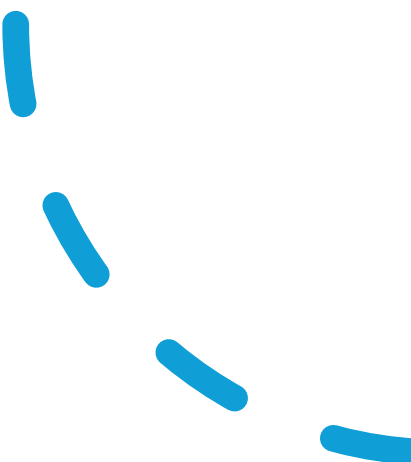
- **Mercantilist Logic:** Tariffs, export controls, and pursuit of trade surpluses echo mercantilist thinking—prioritising national wealth and industrial strength through state intervention, protectionism, and control over strategic resources.

- **Thucydides Trap Dynamics:** The structural tension between a rising power (China) and an established power (US) creates fear, honour, and interest-driven confrontation. Technology and trade are the contemporary battlegrounds.

- **Asymmetric Interdependence as Power:** Complex interdependence theory suggests that interdependence can be a source of power when it is asymmetric. China's rare earth processing dominance and US's semiconductor equipment dominance give each side leverage, creating a "balance of vulnerabilities."

- **Innovation Under Pressure:** The idea that external pressure can stimulate domestic innovation draws from evolutionary economics and historical examples—US technological leaps during the Cold War, India's space programme after technology denial regimes. The assumption is that pressure, if not overwhelming, forces adaptation and resourcefulness.

- **Face and Prestige in Diplomacy:** The "Saving Face" theme draws on sociological and cultural dimensions—leaders need visible wins for domestic political legitimacy. International parleys are as much about symbolic victories as substantive agreements.



- **Multidimensional Analysis**

- **8.1 Social Dimension**

- Technology rivalry affects ordinary people through prices, jobs, digital access, and national security.
- If supply chains are disrupted, prices of electronics, vehicles, and renewable energy equipment may rise. However, new manufacturing opportunities may also create jobs in countries such as India, Vietnam, Mexico, and Indonesia.

- **8.2 Political Dimension**

- Leaders use trade and technology negotiations for domestic legitimacy.
- Trump may seek visible gains such as agricultural purchases, aircraft deals, or manufacturing promises. Xi may seek recognition of China's strategic status and concessions on Taiwan or technology controls.
- Thus, diplomacy is not only international bargaining; it is also domestic political theatre.

- **8.3 Legal Dimension**

- The rise of export controls and sanctions raises questions of jurisdiction.
- When the US controls products made outside the US using US technology, it expands its legal reach. When China mirrors this logic through rare earth technology controls, the global legal environment becomes more complex.

- **8.4 Ethical Dimension**

- The ethical issue is whether powerful countries should use economic dependencies as weapons.
- There is also an equity issue. Smaller countries did not create this great-power rivalry, but they suffer its consequences through disrupted supply chains, higher costs, and strategic pressure.

- **8.5 International Dimension**

- The issue affects the entire world order. Europe, Japan, South Korea, Taiwan, ASEAN, India, and West Asia are all drawn into the rivalry.
- The competition also intersects with Iran, Taiwan, South China Sea, energy security, petroyuan, and dollar dominance.

- **8.6 Economic Dimension**

- The economic consequences are major. Tariffs affect trade flows. Export controls affect technology. Rare earth restrictions affect automobiles and defence. Semiconductor restrictions affect AI and digital economies.
- For India, the issue creates both opportunity and risk. India can attract investment, but only if it improves infrastructure, skills, regulatory certainty, and industrial policy execution.

- **Linkages with NCERTs**
- **9.1 Class IX Economics – The Story of Village Palampur**
 - Useful for understanding factors of production: land, labour, capital, and technology. The US-China rivalry shows how technology and capital determine productivity in modern economies.
- **9.2 Class X Economics – Globalisation and the Indian Economy**
 - This is the strongest NCERT linkage. The chapter explains multinational corporations, global supply chains, foreign trade, and the effects of globalization. The present issue shows how globalization is being reshaped by geopolitics.
- **9.3 Class XI Political Science – Political Theory**
 - Concepts of sovereignty, power, justice, liberty, and rights are relevant. Extraterritorial export controls raise questions about sovereignty and fairness.
- **9.4 Class XII Political Science – Contemporary World Politics**
 - Highly relevant chapters include the Cold War, US hegemony, alternative centres of power, globalization, and security in the contemporary world.
 - The US-China rivalry can be read as a transition from unipolarity to contested multipolarity.
- **9.5 Class XII Economics – Indian Economic Development**
 - The chapters on liberalization, privatization, globalization, infrastructure, and sustainable development help students understand how India can respond to global supply-chain shifts.
- **9.6 Class XII Geography – India: People and Economy**
 - Useful for understanding resources, industries, transport, energy, and regional development. Critical minerals and industrial corridors are directly linked.



- **Linkages with UPSC CSE Syllabus**

- **10.1 GS Paper II – International Relations**

- Strongest linkage. Topics include India and its neighbourhood, bilateral relations, effect of policies of developed countries on India, and international institutions.
- US-China rivalry directly affects India's strategic autonomy, Indo-Pacific policy, Quad, trade policy, and technology diplomacy.

- **10.2 GS Paper III – Economy**

- Relevant to industrial policy, supply chains, infrastructure, manufacturing, investment, external sector, and technology-led growth.
- India's semiconductor mission, PLI scheme, critical mineral strategy, and defence manufacturing are directly connected.

- **10.3 GS Paper III – Science and Technology**

- The issue connects with semiconductors, AI chips, quantum computing, satellite systems, dual-use technology, and strategic innovation.

- **10.4 GS Paper III – Security**

- Technology controls, cyber security, rare earths, drones, missiles, satellites, and defence manufacturing have national security implications.

- **10.5 GS Paper II – Governance and Policy**

- India's response requires coherent industrial policy, regulatory clarity, public-private partnership, and Centre-State coordination.

- **10.6 GS Paper IV – Ethics**

- Relevant themes include national interest, global justice, responsible innovation, fairness in trade, technology denial, and ethical use of economic power.

- **Way Forward**

- **12.1 Build Strategic Autonomy Without Isolation**

- India should avoid both dependence and isolation. It must trade globally while building domestic capacity in critical sectors.
- Strategic autonomy today means technological autonomy, supply-chain resilience, and diplomatic flexibility.

- **12.2 Strengthen Critical Mineral Strategy**

- India must map domestic reserves, secure overseas mineral assets, build processing capacity, and cooperate with trusted partners.
- Rare earth policy must include mining, refining, recycling, environmental safeguards, and industrial use.

- **12.3 Move from Assembly to Deep Manufacturing**

- India should not remain only an assembly hub. It must develop component manufacturing, design capabilities, testing facilities, skilled manpower, and R&D ecosystems.
- This is especially important in electronics, EVs, defence, telecom, drones, and semiconductors.

- **12.4 Semiconductor Ecosystem Approach**

- India's semiconductor strategy should include fabrication, design, packaging, testing, equipment supply, skilled engineers, and stable electricity and water supply.
- The aim should be realistic: first build mature-node capacity, packaging strength, and design ecosystem before chasing the most advanced nodes.

- **12.5 Use Diplomacy to Avoid Forced Choices**

- India should maintain relations with the US, Europe, Japan, ASEAN, Russia, and China based on issue-specific interests.
- It should cooperate with the US on technology and defence, with Japan and Europe on manufacturing and standards, and with ASEAN on supply-chain diversification.

- **12.6 Reform Domestic Governance**

- India's biggest challenge is not only external. Land, logistics, contract enforcement, taxation certainty, skill development, and regulatory predictability must improve.
- Without domestic reform, global opportunity will not automatically translate into investment.

- **12.7 Promote Ethical and Sustainable Industrialization**

- Critical mineral extraction and industrial expansion must respect environment, local communities, labour standards, and long-term sustainability.
- Strategic industries should not become ecological liabilities.

US–China relations and global order (GS-2 Mains)

- Discuss how the rise of China and the response of the US are reshaping global power structures.
- Examine the implications of US–China trade war for India’s foreign and economic policy.
- Analyse the impact of strategic rivalry between US and China on multilateralism and global institutions.

Globalisation, trade wars, protectionism (GS-3 and Essay)

- Critically evaluate the impact of rising protectionism on globalisation.
- “Globalisation is in retreat, not collapse.” Comment.
- Discuss how trade wars influence global value chains and developing economies.

Technology, data and security (GS-3, GS-2, Essay)

- Examine the strategic significance of emerging technologies such as AI and semiconductors in global power politics.
- Discuss issues related to data sovereignty and digital protectionism in international relations.

Currency, energy and geoeconomics (GS-3, GS-2)

- How do energy routes like Strait of Hormuz shape global geopolitics?
- Discuss the challenges to the dominance of the US dollar in international trade and finance.

India’s foreign policy and strategic autonomy (GS-2)

- Evaluate India’s approach of strategic autonomy in the context of US–China rivalry.
- Discuss India’s options in balancing its relations with US and China while safeguarding its national interest.

Ethics and sanctions (GS-4)

- Should economic sanctions be used as a routine instrument of foreign policy? Discuss with ethical arguments.
- “National security cannot justify every restriction on trade and technology.” Comment.

Decoding banks' return to health

TAKING STOCK. Model of debt induced consumption led growth is not sustainable for long. It is subject to income shocks



C RANGARAJAN
B SAMBAMURTHY

The banking landscape in 2025 is significantly different from what it was a decade ago. It is marked by consolidation of public sector banks and regional rural banks. New category of banks like small finance banks (SFBs) and payment banks (PBs) were licensed so as to deepen financial inclusion. Digital Public Infrastructure (DPI) added a transformative layer for distribution of financial services.

Twelve operative SFBs account for only 1.4 per cent of the commercial banks' business. PBs' business model is narrower than what is considered as narrow banking.

They are not permitted to lend and can accept deposits only up to a maximum of ₹2 lakh per customer and that too only as savings or current account. The PBs deployed nearly a million business correspondents to serve in the villages. Many experts question the relevance and viability of PBs, given the huge success of UPI.

Not surprisingly PBs aspire to become SFBs and the latter aspire to graduate to universal banks to improve profitability.

EMERGENCE OF FINTECHS, DPI

DPI democratised access to finance with private sector innovation on the top of public infra. UPI is the most visible and impactful innovation in recent times and this real time mobile payment system clocked over 220 billion transactions.

Aadhaar enabled payment system (Aeps) provided digital assisted payment system to over 95 per cent of six lakh villages through micro ATMs.

Open Credit Enabled Network (OCEN), Account Aggregators (AAs), Unified Lending Interface (ULI), fintechs, over thousand lending apps, and UPI have created a new digital ecosystem for small ticket loans. Loans are available at the push of a button in minutes and seconds. But speed at the cost of underwriting quality creates stress in loan portfolios and also over-leverage by small borrowers.

The aggregate net profit of

TABLE 1

Performance parameters

Parameter	2015	2016	2025
Capital adequacy ratio (CRAR)	12.9	13.8	15.8
Return on equity (ROE)	10.4	-6.5	13.8
Return on assets (ROA)	8.8	-2.8	1.4
Gross NPA (%)	7.5	11.2	2.2
Net NPA (%)	4.4	6.0	0.5
Provision coverage ratio (%)	61.0	48.0	75.8
Net interest margin (NIM)	2.6	2.5	3.1
Credit-deposit ratio (%)	78.0	74.0	88.8

TABLE 2

Composition of credit

	2015	2025	Absolute increase	% increase
Credit	62	190	128	206
Personal	13	62	49	379
Services	14	52	38	270
Agri	8	19	11	137
Industry	26	41	15	57
Large industry	21	27	6	28
Infrastructure	10	13	3	30

commercial banks increased 14-fold to ₹3.7 lakh crore in 2025. There is an all-round improvement in the various financial parameters such as Return on Assets, NPAs and Capital Adequacy Ratio (see Table 1)

CRITICAL ISSUES

Government's infusion of growth and regulatory capital of about ₹3 lakh crore, and resolution of NPAs helped achieve this turnaround. This turnaround notwithstanding, some critical issues need attention to sustain growth, stability and inclusion and these are discussed below.

Declining share of bank deposits: The share of bank deposits in the household financial savings has been on the decline from 41 per cent in 2016 to 35 per cent in 2025. The share of market

Housing loans which account for 50 per cent of personal segment need a reality check, though they are classified as secured

linked products like equity, mutual funds has shown significant increase from less than 1 per cent in 2016 to nearly 15.5 per cent in 2025. It is claimed that while aggregate saving may not be a function of interest rate, its distribution among different forms may be influenced by interest rate. Policymakers need to keep this in mind while deciding on the level of interest rate and fiscal incentives.

It is important to note that loans create deposits which remain in the system. But expansion of credit is constrained by capital adequacy and reserve requirements.

There is a difference between the macro conception of deposit growth and micro conception of deposit growth that is from the point of view of banks. While overall deposit growth is influenced by reserve money creation and reserve requirement, banks need to pay a close look at fixed deposit growth which is influenced by interest rate.

Alignment of credit growth rate to nominal GDP growth rate: Credit growth rate far in excess of expected nominal GDP growth rate is not sustainable and even counterproductive

leading to high level of NPAs. The unenviable experience of the decade ending 2015, bears this out. A couple of years ago, the authors in an Op-ed had argued that credit growth rate should be close to nominal GDP growth rate. RBI Governor Mahbubi in a recent interview echoed a similar view and dismissed suggestion of 2X credit growth as normal. The Governor further added that RBI does not specify any credit growth rate. But in our view, RBI may signal comfortable credit growth rate range along with projections of GDP and inflation numbers.

Allocative inefficiency: While the aggregate credit grew by only 206 per cent in the decade 2015-25, personal sector credit grew by a whopping 370 per cent. Infrastructure credit grew by 30 per cent and the large industry grew by a meagre 28 per cent. The share of personal loans had significantly gone up from 20 per cent in 2015 to over 33 per cent and that of large corporates went down from 20 per cent to 15 per cent in 2025. Even in absolute terms personal loans are very high at ₹62 lakh crore, and with NBFC exposure of ₹16 lakh crore aggregating to ₹78 lakh crore. Loans to industry at ₹41 lakh crore are far lower (Table 2).

This model of debt induced consumption led growth is not sustainable for long. These are also subject to income shocks. Loan is no substitute for incomes and wages. There are already signs of stress in this sector. Flow of credit to productive and manufacturing purpose deserves more attention.

Housing loans which account for 50 per cent of personal segment need a reality check, though they are classified as secured. An IBA report indicates that over four lakh dwelling units are stressed and there are long delays in completion of these projects with potential credit losses. Many a banking crisis including 2008 Global Financial Crisis had its origins in excessive lending to this sector. Besides it may create asset price bubbles. Lenders need to revisit the mortgage models for large complexes.

(This is the first of a two-part article)

Rangarajan is former Chairman of the Economic Advisory Council to the Prime Minister and former Governor, Reserve Bank of India. Sambamurthy is former Director and CEO, IIBF and led a commercial bank. Views are personal

• Key Terms and Explanations

- **Banking Landscape** refers to the structure, institutions, regulations and market behaviour of the banking system. India's banking landscape now includes public sector banks, private banks, small finance banks, payment banks, regional rural banks, cooperative banks, fintech platforms and digital public infrastructure.
- **Capital Adequacy Ratio / CRAR** means the capital kept by banks as a cushion against risk-weighted assets. A higher CRAR indicates stronger ability to absorb losses. For example, if a bank lends aggressively without adequate capital, even small defaults can threaten its stability.
- **Return on Assets / ROA** shows how efficiently a bank uses its assets to generate profit. A positive ROA indicates better operational efficiency. If a bank has large assets but earns little profit due to bad loans, ROA falls.
- **Return on Equity / ROE** measures profit generated on shareholders' funds. It is important for judging whether banks are creating value for investors and the government.
- **Gross NPA** means the total value of loans on which borrowers have stopped paying interest or principal for the prescribed period. **Net NPA** is Gross NPA after adjusting provisions made by banks. A fall in Net NPA suggests better recovery and provisioning.
- **Provision Coverage Ratio** indicates the percentage of bad loans for which banks have already made provisions. A higher ratio shows prudence and preparedness.
- **Net Interest Margin / NIM** is the difference between interest earned on loans and interest paid on deposits. For banks, NIM is like the operating margin of a business.
- **Credit-Deposit Ratio** shows how much of the deposit base is converted into loans. A very high ratio may indicate aggressive lending; a very low ratio may show underutilisation of funds.
- **Small Finance Banks / SFBs** are banks created to promote financial inclusion by serving small borrowers, micro enterprises, farmers and low-income groups.
- **Payment Banks / PBs** can accept small deposits and provide payment services but cannot lend. Their business model depends on transaction volume and digital payments rather than loan income.
- **Digital Public Infrastructure / DPI** refers to public digital systems such as Aadhaar, UPI, Account Aggregator framework and digital identity-payment-data architecture.
- **UPI** is a real-time payment system that allows instant transfer of money through mobile platforms. It democratised low-cost digital payments.
- **NBFCs** are Non-Banking Financial Companies. They provide loans and financial services but do not have full banking privileges such as accepting demand deposits.
- **Debt-induced Consumption Growth** means economic growth driven by loans for consumption rather than productive investment. For example, rapid growth in personal loans may boost demand in the short run but create repayment stress if incomes do not rise.



- **Main Arguments and Substantive Parts**

- The central idea is that India's banking system has returned to relative health after the stress of the previous decade, but this recovery must not lead to complacency. The improvement is visible in stronger capital adequacy, lower NPAs, better profitability and higher provisioning. Public capital infusion, regulatory cleaning of balance sheets, and resolution of bad loans helped banks regain strength.

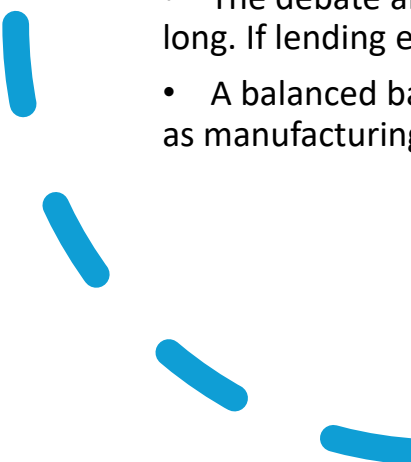
- A major change is the diversification of India's financial ecosystem. Earlier, banking was dominated mainly by commercial banks. Today, small finance banks, payment banks, fintech platforms and digital public infrastructure have expanded access. This has improved financial inclusion, especially for low-income users and small-value transactions.

- However, the deeper concern is the changing composition of credit. Personal loans have grown much faster than credit to industry and infrastructure. This creates an imbalance. Consumption loans can support short-term demand, but they do not necessarily create productive assets, jobs or long-term income.

- The credit boom also raises financial stability concerns. If income shocks occur, borrowers may default. This is especially risky in unsecured personal loans, credit cards, app-based lending and over-leveraged households. The warning is clear: loan growth must be linked to income growth, not just digital speed and easy access.

- The debate also touches upon credit growth versus GDP growth. Credit cannot sustainably grow far above nominal GDP for long. If lending expands much faster than income, debt burdens rise and defaults eventually follow.

- A balanced banking system should support financial inclusion, but not reckless lending. It should fund productive sectors such as manufacturing, infrastructure, agriculture and MSMEs, while carefully monitoring consumption credit and housing loans.



- **Historical Evolution of Banking and Credit in India**

- **Pre-Independence Phase:** Banking in colonial India began mainly as a commercial activity serving trade, colonial administration and urban elites. Presidency Banks and later the Imperial Bank of India formed the backbone of formal banking. Rural credit remained dominated by moneylenders.
 - **Early Post-Independence Phase:** After 1947, the State saw banking as an instrument of planned development. The Reserve Bank of India was nationalised in 1949. The focus shifted to credit regulation, rural lending and public development priorities.
 - **Bank Nationalisation, 1969 and 1980:** Nationalisation of major banks marked a turning point. Banking became a tool of social justice and developmental planning. Branch expansion, priority sector lending and rural credit grew substantially.
 - **Liberalisation Phase, 1991 onwards:** Economic reforms brought prudential norms, private sector banks, capital adequacy standards and market-based discipline. Banking became more competitive, technology-driven and efficiency-oriented.
 - **NPA Crisis Phase, 2008-2015:** Excessive corporate lending, infrastructure delays, weak appraisal and evergreening of loans led to rising NPAs. The Asset Quality Review exposed hidden stress in bank balance sheets.
 - **Reform and Resolution Phase:** Insolvency and Bankruptcy Code, recapitalisation of public sector banks, bank mergers, improved provisioning and stricter recognition norms helped clean balance sheets.
 - **Digital Banking Phase:** Aadhaar, Jan Dhan, mobile banking and UPI transformed banking access. India moved from branch-led inclusion to platform-led inclusion.
 - **Current Phase:** Banks are healthier, but the challenge is allocative efficiency. The concern is not merely whether banks are profitable, but whether credit is flowing to sectors that generate durable growth.
-



DECODING INDIA'S BANKING TURNAROUND (2015-2025): A UPSC STRATEGIC OVERVIEW

THE QUANTUM LEAP IN PERFORMANCE



Parameter	2015-18 (The Crisis)	2025 (The Recovery)
Gross NPA	11.2% ↑	2.2%
Net NPA	6.0% ↑	0.5%
Capital Adequacy (CRAR)	12.9% ↑	16.0%-17.4%
Provision Coverage (PCR)	61.0% ↓	75.0%

THE STRUCTURAL PILLARS OF RECOVERY



Regulatory Rigor (AQR)
Regulatory rigor preconditions, to re-understanding policies



Legal Backstop (IBC)
Legal Backstop, IBC, regulatory and rullismat recovery



Fiscal Support (Capital Infusion)
Capital Infusion, to fiscal environ tnonnect equality



Digital Infrastructure (DPI/UPI/AePS)
Digital Infrastructure (DPI/UPI/AePS)

EMERGGING STRATEGIC RISKS (THE UPSC CRITICAL ANGLE)



- The Deposit Gap**
 - The deposit gap enlance spital and mised growth
- Digital Over-leveraging**
 - Digital over-leveraging in crimotole digitation



WAY FORWARD FOR ASPIRANTS

- Align Credit with GDP**
 - Align credit urthine/ Manufacturing intervection
 - Ethical AI/risk assessment and process
- Manufacturing Focus (MSME)**
 - Mechanirunt or credit manufacturing (MSME)
 - Manufacturing focus proverse rooms
- Ethical AI/Risk Assessment**
 - Ethical AI/Risk assessment manufacturing
 - Authoroze all risk deproations



- **Logical and Philosophical Base**

- **Economic Logic of Sustainable Credit:** Credit is essentially an advance against future income. If credit growth persistently outpaces income (GDP) growth, debt servicing capacity weakens, leading to a Minsky moment where speculative borrowers cannot roll over debt. The argument that credit growth should align with nominal GDP growth is rooted in the concept of credit saturation and prudent leverage.

- **Fallacy of Debt-Fuelled Consumption as Growth Engine:** The article implicitly critiques the view that consumption driven by loans can sustainably replace wage-driven demand. Consumption is a function of permanent income; when debt substitutes for income, any shock (job loss, inflation) triggers defaults, creating a cycle of distress. This echoes the Permanent Income Hypothesis and the lessons of the US subprime crisis.

- **Philosophical Underpinnings of Financial Inclusion:** Universal access to formal credit is seen as a right in the Indian policy discourse (social justice, distributive justice). DPI is a public good that enables this right. Yet, there is an ethical tension: inclusion without adequate underwriting and borrower protection can morph into predatory inclusion, exploiting the marginalised through over-indebtedness.

- **Efficiency vs. Equity in Credit Allocation:** Allocative efficiency demands credit flows to the most productive sectors (industry, infrastructure) that augment future capacity. However, political and social compulsions often divert credit to favoured sectors (agriculture, MSMEs) or mass consumption segments, creating a conflict between Pareto efficiency and Rawlsian equity.

- **Moral Hazard and Systemic Rescue:** The infusion of public capital into PSBs, while necessary, raises moral hazard—banks may expect future bailouts, weakening internal risk management. The turnaround, therefore, must transition from externally-assisted to organically sustained profitability.

- **Assumptions Underlying DPI-Led Lending:** The new ecosystem assumes that digital footprints can proxy for creditworthiness, but data quality, privacy, and algorithmic bias are unresolved philosophical and ethical issues. Utilitarian calculations (more credit = more welfare) must be tempered by deontological concerns about consent and dignity.

- **Multidimensional Analysis**

- **Social Dimension**

- Banking inclusion has empowered citizens by expanding access to payments, savings and direct benefit transfers. Yet, the social risk is over-indebtedness. Easy digital loans may affect young consumers, gig workers and low-income households disproportionately. True inclusion should create financial capability, not merely access to borrowing.

- **Political Dimension**

- Banking reforms are deeply political because public sector banks handle public deposits and often support welfare schemes. Governments use banking networks for subsidy delivery, credit schemes and development goals. However, political interference in lending can weaken commercial discipline.

- **Legal Dimension**

- Banking operates within RBI regulation, insolvency law, consumer protection law, data protection norms and contract enforcement. The challenge is to ensure that digital lenders, NBFCs and banks follow transparent lending standards and fair recovery practices.

- **Ethical Dimension**

- The ethical question is whether finance is helping citizens build assets or pushing them into debt dependency. There is also an ethical duty to protect depositors, prevent reckless lending and avoid misleading credit products.

- **International Dimension**

- India's banking recovery matters for investor confidence, sovereign ratings and global financial stability. Internationally, many economies have faced crises due to excessive household or housing debt. India must learn from these experiences.

- **Economic Dimension**

- A healthy banking system is essential for growth. But the composition of lending matters. Credit to productive sectors expands output; credit to consumption boosts demand temporarily. Sustainable development requires the right balance between household credit and productive investment.

- **Linkages with NCERTs**
- **Class 8–10 Social Science**

- **Class 10 Economics – Money and Credit:** useful for understanding formal vs informal finance, credit creation, and why institutional lending matters.

- **Class 10 Economics – Sectors of the Indian Economy:** links with how credit supports agriculture, industry, and services differently.

- **Class 11 Economics**

- **Indian Economic Development:** chapters on economic reforms, liberalization, infrastructure, and poverty give background on post-1991 financial transformation.

- **Statistics for Economics:** useful for understanding indicators like profitability, ratios, and trends in financial data.

- **Class 12 Macroeconomics**

- **Money and Banking:** direct linkage with banking functions, credit creation, reserve regulation, and monetary policy transmission.

- **Government Budget and the Economy:** connects with recapitalization, public expenditure priorities, and fiscal implications of financial sector support.

- **Determination of Income and Employment:** helps explain why debt-led consumption and income-led growth are analytically different.

- **Political Science NCERTs**

- **Class 11 Indian Constitution at Work:** relevant for understanding the constitutional role of the state in ensuring welfare and equity in economic governance.

- **Class 12 Politics in India Since Independence:** useful for bank nationalization, state-led development, and post-reform changes.

- **Sociology and Society**

- Though indirect, NCERT sociology chapters on inequality, exclusion, and social institutions help students see why access to credit is a social justice question too.



General Studies Paper III (GS3):

- *Indian Economy and Issues relating to planning, mobilisation of resources, growth, development, and employment.* Bank deposit mobilisation vs market-linked savings, credit allocation impact on growth and employment.
- *Inclusive Growth and issues arising from it.* DPI, SFBs, PBs aimed at inclusion, but debt distress undermines inclusive growth.
- *Government Budgeting* (recapitalisation of PSBs).
- *Effects of Liberalisation on the economy, changes in industrial policy and their effects on industrial growth.* Allocative inefficiency and decline of industrial credit.
- *Infrastructure: Energy, Ports, Roads, Airports, Railways etc.* Infrastructure credit growing at only 30% is a concern.

GS2:

- *Government policies and interventions for development in various sectors; issues arising out of their design and implementation.* DPI, ULI, digital lending guidelines.
- *Welfare schemes for vulnerable sections of the population by the Centre and States and the performance of these schemes.* AePS, BC model, SFBs for weaker sections.
- *Important aspects of governance, transparency and accountability.* Data protection, AA consent framework, ethical lending.

GS4 (Ethics):

- *Ethics in public administration; corporate governance.* Banks' turnaround governance; moral hazard of bailouts.
- *Ethical concerns in public and private institutions.* Predatory lending by fintechs, privacy, algorithmic bias.
- *Probity in governance.* Accountability in digital credit.



- **Way Forward**

- Banks should maintain strong capital buffers even during profitable periods. A healthy capital base allows them to absorb shocks without reducing lending suddenly.
 - Credit growth must be aligned with income growth. RBI and banks should monitor whether personal loans, credit card dues and app-based loans are expanding faster than household repayment capacity.
 - There should be greater emphasis on productive credit. Manufacturing, MSMEs, agriculture value chains, logistics, green infrastructure and affordable housing should receive carefully appraised credit support.
 - Digital lending needs stronger consumer protection. Loan terms, interest rates, penalties, data usage and recovery methods must be transparent and fair.
 - Banks should use early warning systems to detect stress in personal loans, housing loans and NBFC-linked credit. Data analytics should support prudence, not reckless expansion.
 - Financial literacy must accompany financial inclusion. Citizens should understand interest rates, compounding, penalties, credit scores and debt traps.
 - Payment banks should be evaluated realistically. Their role in payments and inclusion is valuable, but their business model must remain viable.
 - Housing finance should be monitored carefully. Secured lending is not automatically safe if asset prices are inflated or projects are delayed.
 - Regulators should coordinate across banks, NBFCs, fintechs and digital platforms. Fragmented regulation can create loopholes.
 - The larger goal should be a banking system that is inclusive, profitable, innovation-friendly and stable — but above all, one that finances real development.
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- **UPSC CSE Mains – GS Paper III**

- **2023:** Explain the role of financial inclusion in achieving inclusive growth in India.
- **2022:** Do you agree that the Indian economy has recently experienced V-shaped recovery? Give reasons.
- **2021:** Do you agree that the Indian economy is undergoing a structural transformation? Discuss.
- **2020:** Explain the meaning of investment in an economy in terms of capital formation. Discuss the factors to be considered while designing a concession agreement between a public entity and private entity.
- **2019:** Enumerate the indirect taxes which have been subsumed in GST in India. Also comment on the revenue implications of GST.
- **2018:** How would the recent phenomena of protectionism and currency manipulations in world trade affect macroeconomic stability of India?
- **2017:** Among several factors for India's potential growth, savings rate is the most effective one. Do you agree?
- **2016:** What are the salient features of the Insolvency and Bankruptcy Code? How will it affect economic development?
- **2015:** Craze for gold in Indians has led to a surge in import of gold in recent years and put pressure on balance of payments and external value of rupee. Examine.
- **2014:** Normally countries shift from agriculture to industry and then later to services, but India shifted directly from agriculture to services. What are the reasons?
- **2013:** What is the meaning of the term tax expenditure? Taking housing sector as an example, discuss how it influences budgetary policies.

- **UPSC CSE Prelims – Economy Themes**

- Questions have repeatedly appeared on monetary policy, banking regulation, priority sector lending, inflation targeting, Basel norms, NBFCs, financial inclusion, digital payments, payment banks, small finance banks, capital adequacy, NPAs and RBI functions.





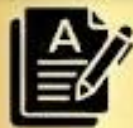
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