



**NAMAN SHARMA**  
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# Daily

# **CURRENT AFFAIRS**

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# 1. Survey predicts upbeat India, troubled world

## Why in the News?

The Economic Survey 2025–26, tabled in Parliament by Union Finance Minister Nirmala Sitharaman and authored under Chief Economic Adviser V. Anantha Nageswaran,

### projects:

- India's medium-term growth potential is rising to ~7%
- FY27 growth estimated at 6.8%–7.2%
- FY26 growth momentum stronger than earlier projections
- A grim and fragile global economic outlook
- A 10–20% probability of a global crisis in 2026, worse than the 2008 financial crisis

The Survey highlights India's relative resilience but warns of external risks from capital flows, geopolitics, and AI-linked financial bubbles.



## Background

The Economic Survey is an annual flagship document released by the Government of India before the Union Budget. It:

- Reviews the state of the economy
- Analyses macroeconomic trends
- Provides growth forecasts
- Suggests reform priorities

In its 2022–23 edition, the Survey had estimated India's medium-term growth at 6.5%, stating that it could rise to 7–8% only with sustained structural reforms. The 2025–26 Survey now upgrades this estimate to 7%, citing reform momentum and macroeconomic strengthening.

### Globally, the Survey notes rising uncertainty due to:

- Financial fragility
- Geopolitical tensions
- Trade disruptions
- High-risk investments in emerging technologies like AI

## Features

### Stronger Domestic Growth Outlook

- Medium-term growth upgraded from 6.5% → 7%
- FY25–26 government growth estimate: 7.4%
- Q3 FY26 nowcast: ~7%
- FY26–27 growth projection: 6.8%–7.2%

### **Drivers identified:**

- Capital formation growth
- Higher labour participation
- Improved productivity and efficiency
- Better factor deployment

### **Reform Momentum Supporting Growth**

The Survey credits recent reforms for raising growth potential:

- Production Linked Incentive (PLI) schemes
- Manufacturing push
- FDI liberalisation
- Logistics and supply chain reforms
- Public investment in physical & digital infrastructure
- Tax simplification
- MSME credit support measures
- Improved tax administration
- Corporate and banking sector balance sheet repair
- Rising employment formalisation

### **Three Global Risk Scenarios for 2026**

The Survey uses probabilistic scenario building:

**Worst-Case Scenario (10–20% probability)**

- Crisis worse than the 2008 Global Financial Crisis

### **Combined shocks:**

- Financial stress
- Tech sector corrections (especially AI-linked leveraged investments)
- Geopolitical escalation

### **Possible outcomes:**

- Global liquidity contraction
- Capital market crash
- Risk aversion spike
- Trade and investment disruptions

### **Best-Case Scenario (40–45% probability)**

- 2025-like conditions continue
- But system becomes:
  - More fragile
  - Less secure
  - Vulnerable to shocks

### **Disorderly Multipolar Breakdown (40–45% probability)**

- Intensified strategic rivalry
- Prolonged Russia–Ukraine conflict
- Weakening global institutions

- Fragmented security and trade frameworks

## **AI Investment Bubble Risk**

The Survey flags highly leveraged AI investments as an emerging risk:

- Over-optimistic execution timelines
- Narrow customer concentration
- Long-duration capital commitments
- Potential tech-sector correction could:
  - Tighten financial conditions
  - Trigger broader capital market stress
  - Reduce global investment flows

## **Risks to India Identified**

India remains relatively better placed but not insulated.

Common risk across all scenarios:

- Disruption of capital flows
- Pressure on the rupee
- Imported inflation risk
- External financing stress

## **Survey stresses the need to:**

- Boost export earnings
- Attract foreign investment
- Maintain forex buffers
- Support currency stability

## **Challenges**

External Sector Vulnerability

- Dependence on capital inflows
- Exposure to global liquidity shocks
- Currency volatility risks

## **Rising Import Bill with Growth**

- Higher incomes → higher imports
- Energy, technology, and capital goods dependence

## **Global Financial Fragility**

- Leveraged tech investments
- Asset bubbles
- Cross-market contagion risk

## **Geopolitical Fragmentation**

- Trade disruptions
- Sanctions regimes
- Supply chain realignments

## Reform Sustainability

- **Growth upgrade depends on:**
  - Continued reforms
  - State-level implementation
  - Manufacturing competitiveness

## Way Forward

### Strengthen Domestic Growth Engines

- Sustain infrastructure investment
- Expand manufacturing base
- Deepen PLI-linked ecosystem
- Improve logistics competitiveness

### External Sector Resilience

- Diversify export basket
- Promote high-value manufacturing exports
- Strengthen services exports
- Increase forex reserves

### Financial Stability Measures

- Monitor tech-sector leverage
- Strengthen regulatory oversight
- Build macroprudential buffers

### Labour & Productivity Reforms

- Raise labour force participation
- Skill development aligned with industry
- Formalisation incentives

### MSME & Credit Ecosystem Support

- Lower credit constraints
- Expand digital credit rails
- Improve risk assessment tools

### Strategic Global Positioning

- Trade diversification
- Bilateral currency arrangements
- Supply chain partnerships

## Conclusion

The Economic Survey 2025–26 presents a two-speed world outlook: a confident and reform-strengthened Indian economy alongside a fragile and risk-prone global system. India's upgraded medium-term growth potential of 7% reflects reform momentum, infrastructure push, and financial sector repair.

## 2. SC keeps in abeyance 2026 UGC campus equity rules, terms move ‘too sweeping’

### Why in the News?

The Supreme Court of India has kept in abeyance the University Grants Commission (Promotion of Equity in Higher Education Institutions) Regulations, 2026, citing that certain provisions are “too sweeping” and may create social division on campuses.

A Bench headed by Chief Justice Surya Kant observed that the rules need closer judicial examination. Until further orders, the earlier 2012 UGC Equity Regulations will continue to operate.

### Background

The University Grants Commission framed the 2026 Regulations to:

- Promote equity in higher education institutions
- Address caste-based discrimination on campuses
- Create complaint and redressal mechanisms
- Strengthen anti-discrimination safeguards

However, petitions challenged Regulation 3(c), which defined caste-based discrimination as discrimination only against Scheduled Castes (SCs), Scheduled Tribes (STs), and Other Backwards Classes (OBCs), excluding general category students from its scope. Petitioners argued that this created an imbalanced and exclusionary protection framework.

### Features

#### Definition of Caste-Based Discrimination

- Recognised discrimination only against SC/ST/OBC students
- Did not extend similar coverage to general category students

#### Institutional Mechanisms

- Mandatory equity cells in institutions
- Complaint redressal structures
- Reporting and monitoring requirements

#### Campus Safeguard Framework

- Anti-discrimination procedures
- Administrative accountability norms
- Escalation to legal authorities in serious cases

### Supreme Court’s Key Observations

- Regulations may have “sweeping consequences”
- Could lead to social division within campuses
- Need for closer constitutional scrutiny
- Suggested that discrimination rules should be inclusive rather than exclusive

**Justice Joymalya Bagchi observed that:**

- Equity regulations should address all forms of discrimination, not focus exclusively on caste categories.
- The Court warned against policies that could indirectly create segregated institutional cultures.

## Arguments Presented Before the Court

### Petitioners' Concerns

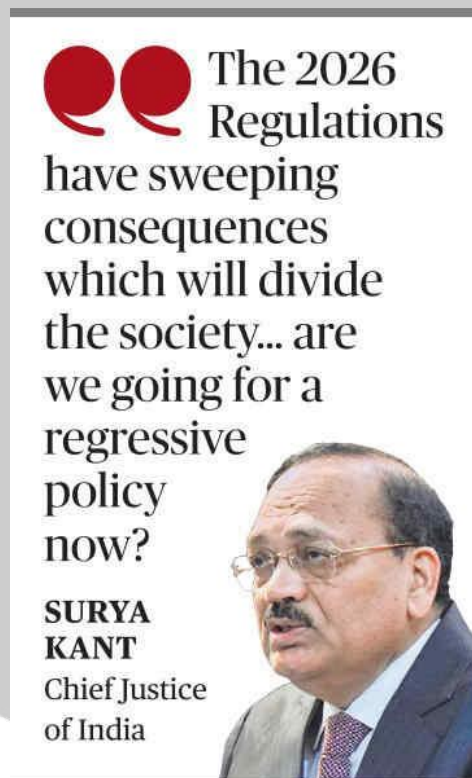
- One-sided protection framework
- Possible misuse in ragging or interpersonal disputes

### Example cited:

- If a general category fresher resists ragging by a reserved-category senior, complaint asymmetry could arise

### Risk of:

- Criminalisation
- Police cases
- Academic future damage



## Intervenors' Counter-Arguments

Senior advocate Indira Jaising argued:

- Regulations address real and continuing caste discrimination
- Staying them weakens hard-earned social justice protections
- India should not adopt a regressive approach

Other intervenors argued that discrimination is multi-dimensional, not only caste-driven.

## Challenges

## Definitional Challenge

Whether anti-discrimination rules should be:

- Targeted (historical injustice-based)
- Universal (category-neutral)

## Equality vs Equity Debate

- Equity = targeted protection for historically disadvantaged groups
- Formal equality = same rule for all
- Legal tension between the two approaches

## Risk of Misuse vs Need for Protection

- Fear of false or strategic complaints
- But also documented a history of caste discrimination on campuses

## Constitutional Questions

- Article 14 — Equality before the law
- Article 15 — Non-discrimination & special provisions
- Article 17 — Abolition of untouchability
- Scope of affirmative protections

## Campus Social Cohesion

- Risk of identity-based polarization
- Need to balance justice with unity

## Way Forward

Adopt an Inclusive Anti-Discrimination Framework

Cover all forms of discrimination:

- Caste
- Gender
- Religion
- Disability
- Region
- Socio-economic status

## Layered Protection Model

- Universal anti-discrimination rule
- Additional safeguards for historically marginalised groups

## Clear Definitions & Safeguards

- Precise legal drafting
- False complaint deterrence provisions

- Due process guarantees

### **Institutional Strengthening**

- Independent campus equity ombudsman
- Anonymous reporting systems
- Time-bound inquiry processes

### **Preventive Measures**

- Sensitisation programmes
- Anti-ragging + anti-discrimination integration
- Diversity and inclusion training

## **Conclusion**

The Supreme Court's stay on the 2026 UGC Equity Regulations has reopened a critical constitutional and policy debate on how to design anti-discrimination rules that are both just and inclusive. While targeted protections for historically oppressed communities remain essential, regulatory frameworks must also ensure procedural fairness and universal access to remedies.

## **3. Leaders welcome SC's stay of UGC equity rules**

### **Why in the News?**

A day after the Supreme Court of India kept the UGC Equity Regulations 2026 in abeyance, several political leaders welcomed the decision, calling it necessary to reduce social tensions. However, multiple student organisations and some political leaders opposed the stay, calling the regulations essential for protecting marginalised communities. The stay relates to the University Grants Commission regulations defining caste-based discrimination only in relation to SC/ST/OBC students.

### **Background**

The controversy centres on the UGC (Promotion of Equity in Higher Education Institutions) Regulations, 2026, which:

- Defined caste-based discrimination only against SC/ST/OBC students
- Was challenged for excluding general category students from protection
- Was stayed by the Supreme Court pending detailed examination
- Result: 2012 UGC Equity Regulations currently remain in force

The decision triggered political reactions and campus protests across parts of North India.

### **Features**

#### **Leaders Who Welcomed the Stay**

Several leaders across parties termed the stay appropriate and necessary.

Giriraj Singh (Union Minister):

- Called the order a "relief" for students and teachers

- Thanked Narendra Modi and Amit Shah
- The said decision supports institutional balance



### Mayawati (BSP chief):

- Called the decision appropriate
- The said rules had created avoidable social tensions
- Criticised the lack of upper-caste representation in drafting

### Akhilesh Yadav:

- Said true justice must not create injustice for anyone

### Other leaders welcoming the stay:

- Kalyan Banerjee
- Priyanka Chaturvedi
- Pramod Tiwari

Supporters argue that the rules were too narrow and exclusionary in definition.

### Leaders & Groups Opposing the Stay

Several political figures and student bodies criticised the court's interim order.

#### Political Leaders Opposing

- Prakash Ambedkar
- John Brittas
- Manoj Kumar Jha

### Key arguments:

- Regulations were meant to address real caste discrimination
- The government could have broadened the scope instead of suspending
- Controversy is politically amplified

### Student Bodies Opposing the Stay

- All India OBC Students' Association
- Jawaharlal Nehru University Students' Union

### **Their stand:**

- The 2026 rules are vital safeguards for marginalised students
- Stay weakens constitutional protections on campuses
- Fear rollback of social justice mechanisms

## **Core Issue Behind the Divide**

### **The reactions reflect a deeper policy and constitutional debate:**

#### **Supporters of Stay Say**

- The definition of discrimination was too narrow
- Excluding general category students is unfair
- Could create a complaint asymmetry
- Risk of misuse and campus polarisation

#### **Opponents of Stay Say**

- Targeted protection is necessary
- Historical discrimination is unequal in nature
- Universal framing may dilute safeguards
- Campus caste discrimination is still real

## **Challenges**

### **Equity vs Universal Protection**

- Should rules protect:
- Only historically oppressed groups?
- Or all students equally?

### **Campus Social Harmony**

- Risk of identity-based polarisation
- Protest vs counter-protest dynamics

### **Regulatory Drafting Quality**

- Need for precise, inclusive definitions
- Avoid legal ambiguity

### **Political Polarisation**

- Education policy is becoming politically contested
- Student welfare vs ideological framing

## **Way Forward**

- Draft inclusive anti-discrimination regulations
- Provide universal complaint access with layered safeguards
- Retain enhanced protection for historically marginalised groups

#### **Ensure:**

- Due process
- Safeguards against misuse
- Independent campus grievance bodies

#### **Wider stakeholder consultation:**

- Student groups
- Social justice experts
- Universities
- State governments

### **Conclusion**

The Supreme Court's stay on the UGC Equity Regulations 2026 has triggered a sharp political and social divide. While many leaders see the order as necessary to prevent institutional imbalance and social friction, student bodies and social justice advocates fear dilution of caste-protection mechanisms.

## **4. Survey raises concerns over unconditional cash transfers**

### **Why in the News?**

The Economic Survey 2025–26, presented by Chief Economic Adviser V. Anantha Nageswaran, has expressed strong concerns over the rapid expansion of Unconditional Cash Transfer (UCT) schemes by States - especially cash support programmes for women. The Survey warns that while such schemes yield short-term welfare gains, their growing scale raises questions about:

- Fiscal sustainability
- Capital expenditure crowding out
- Medium-term growth prospects
- Human capital formation

This observation is significant as several major States go into Assembly elections.

### **Background**

Unconditional Cash Transfers (UCTs) are schemes where governments provide direct money support to beneficiaries without mandatory conditions such as:

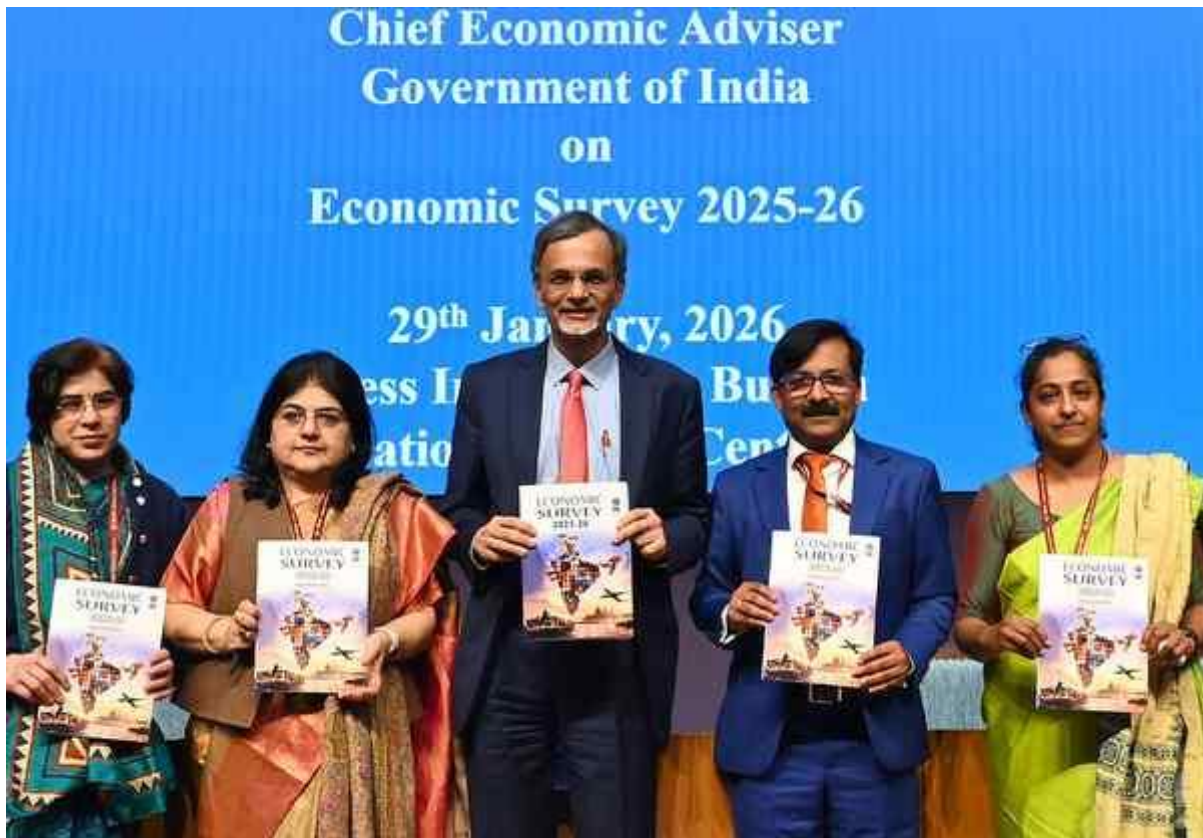
- School attendance
- Skill training
- Employment participation
- Health check compliance

#### **In recent years, many State governments have launched:**

- Women's income support schemes
- Household cash assistance schemes

- Monthly livelihood grants

Last year's Survey had noted that targeted cash transfers helped poorer households improve consumption and repay debts. However, the 2025–26 Survey takes a more cautious and critical stance on their scale and persistence.



## Key Findings

### Rapid Rise in UCT Spending

- Estimated UCT spending by States (FY26): ₹1.7 lakh crore
- Number of States implementing such schemes:
  - Increased more than fivefold between 2022–23 and 2025–26
- About half of these States are revenue-deficit States

### Significant Fiscal Share

According to Survey-cited estimates:

- UCT spending equals:
  - 0.19%–1.25% of State GDP
  - 0.68%–8.26% of total State budgets

This shows UCTs are no longer marginal — they are becoming a major fiscal component.

### Revenue Expenditure Dominance

- Revenue expenditure share in State budgets:
  - 84% in 2023–24
  - (Down slightly from 86% in 2018–19)

But within revenue spending, composition has shifted toward:

- Cash transfers
- Committed welfare outlays
- Subsidy-like recurring payments

## **Fiscal Trade-Off Highlighted**

- The Survey stresses a core fiscal dilemma:
- More spending on unconditional transfers = Less fiscal space for capital expenditure

### **Because:**

- Revenues are limited
- Deficits are already elevated
- Borrowing space is constrained

### **Result:**

- Infrastructure spending suffers
- Social sector asset creation slows
- Long-term growth multipliers weaken

## **Survey's Main Concerns**

### **Fiscal Sustainability Risk**

- Persistent cash transfers create recurring liabilities
- Hard to withdraw once politically embedded
- Weakens long-term budget flexibility

### **Growth Quality Concerns**

#### **Short-term:**

- Boosts consumption
- Supports household liquidity

#### **Medium-term:**

- Does not automatically build productivity
- Does not guarantee:
- Employment generation
- Skill creation
- Human capital formation

### **Capital Expenditure Crowding Out**

#### **Capital expenditure has:**

- Higher multiplier effect
- Durable growth impact
- Productivity benefits

But becomes the first casualty when fiscal stress rises.

### **Scheme Design Problems**

#### **Survey flags structural weaknesses:**

- No sunset clauses
- No periodic review mandates
- No outcome-linked continuation criteria
- Political difficulty in the rollback

This creates expenditure rigidity.

### **Arguments in Favour of Cash Transfers (Acknowledged by Survey)**

#### **The Survey notes supporters argue:**

- Immediate income support to women
- Helps meet:

- Health needs
- Personal expenses
- Consumption gaps
- Recognises the unpaid care work contribution
- Reduces distress borrowing

Thus, the Survey does not deny short-term welfare gains - it questions long-term macro impact when transfers are not paired with capacity-building investments.

## Challenges

### Welfare vs Growth Balance

- Consumption support vs productive investment

### Political Economy Pressures

- Election-driven welfare expansion
- Competitive populism among States

### Revenue Constraints

- Limited tax buoyancy
- Rising committed expenditure

### Withdrawal Difficulty

- Once started, schemes are hard to stop
- Creates a structural fiscal burden

## Way Forward

### Link Transfers with Capability Building

#### Combine cash support with:

- Skill development
- Employment programmes
- Health & nutrition outcomes
- Education participation

### Add Design Safeguards

- Sunset clauses
- Periodic evaluation
- Outcome audits
- Target refinement

### Protect Capital Expenditure

- Ring-fence infrastructure budgets
- Maintain capex growth floors

### Improve Targeting

- Use data-driven beneficiary identification

- Avoid universalisation where not needed

## **Fiscal Responsibility Framework**

- Align welfare expansion with:
- FRBM targets
- Medium-term fiscal plans

## **Conclusion**

The Economic Survey 2025–26 does not reject welfare transfers outright but delivers a clear macro-fiscal warning: large-scale unconditional cash transfers cannot substitute long-term investments in jobs, skills, and human capital. Without careful design and fiscal discipline, such schemes risk crowding out growth-enhancing expenditure and weakening State finances.

## **5. Survey calls for relaxing FRBM for Centre, but says States' finances worsening**

### **Why in the News?**

The Economic Survey 2025–26 has recommended greater fiscal flexibility for the Union government instead of strict adherence to old fiscal deficit targets under the FRBM framework, citing global geopolitical and geoeconomic uncertainty. At the same time, the Survey has warned that State government finances are deteriorating, due to:

- Falling revenues
- Rising committed expenditure
- Expansion of cash transfer schemes

The Survey was prepared under Chief Economic Adviser V. Anantha Nageswaran and tabled by Finance Minister Nirmala Sitharaman.

### **Background - What is FRBM?**

The Fiscal Responsibility and Budget Management Act (FRBM Act), enacted in 2003, aims to ensure:

- Fiscal discipline
- Deficit control
- Debt sustainability
- Transparency in fiscal operations

### **Original targets included:**

- Fiscal deficit: 3% of GDP
- Elimination of revenue deficit
- Medium-term fiscal consolidation path

**However, these targets have been repeatedly deferred, especially after:**

- Global financial crisis
- Pandemic shock

- Growth-support spending needs

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## Balancing act

The Economic Survey (2025-26) says the government must have flexibility to fine-tune fiscal policy in response to emerging needs

■ After spiking to **9.2% of GDP** during the pandemic year of 2020-21, the Centre's fiscal deficit is on target to be **4.4%** at the end of the current financial year, the Survey says, adding that it is noteworthy that the government has succeeded in bringing down the fiscal deficit ratio



■ However, the Survey also says that it is important to retain the trust among financial markets and credit-rating agencies by working towards the **3% target** as envisaged in the Fiscal Responsibility and Budget Management (FRBM) Act, 2003

### Findings

Case for Relaxing Strict FRBM Targets for the Centre

- The Survey argues that rigid fiscal rules may be counterproductive in current conditions.

### Reasons given:

- Highly uncertain global environment
- Geopolitical conflicts
- Goeconomic fragmentation
- Capital flow volatility
- Need for policy agility

It recommends:

Commit to realistic, deliverable fiscal targets rather than rigid statutory numbers.

### Centre's Fiscal Consolidation Praised

- The Survey notes that the Union government has shown fiscal discipline post-pandemic.

### Fiscal deficit trend:

- 2020–21 (pandemic spike): 9.2% of GDP
- FY26 target: ~4.4% of GDP

This aligns with the government's stated goal of halving the pandemic deficit in five years.

### Survey highlights:

- Deficit reduction achieved without legal compulsion
- Capital expenditure quality improved

- Infrastructure spending protected

## **FRBM Target Credibility Issue**

### **The Survey makes a candid observation:**

- Since the FRBM enactment (2003), 3% fiscal deficit target achieved only once
- Repeated postponements hurt fiscal credibility

### **It notes that:**

- It took five years of post-pandemic fiscal prudence
- To rebuild market and credit rating agency confidence

### **Hence, credibility now depends on:**

- Realistic targets
- Consistent delivery - not rigid promises

## **Warning on State Government Finances**

- In contrast to the Centre, the Survey flags deterioration in State finances.

### **Key trends:**

- States in revenue surplus:
- 2018–19: 19 States
- 2024–25: 11 States

### **Combined State revenue deficit:**

- Rose from 0.1% → 0.7% of GDP

### **Reasons for State Fiscal Stress**

- Revenue Side Pressures
- Slower revenue growth
- GST compensation end effects
- Limited tax buoyancy

### **Expenditure Side Pressures**

- Rising revenue expenditure
- Expansion of unconditional cash transfers
- Committed welfare outlays
- Salary, pension, subsidy burdens

### **Survey warns:**

- Rising committed expenditure is shrinking fiscal space for capital investment.

## **Challenges**

### **For the Centre**

- Balancing fiscal prudence with growth support
- Maintaining market credibility
- Responding to global shocks

### **For States**

- Revenue deficit expansion
- Welfare-populism pressure

- Capital expenditure crowding out
- Structural expenditure rigidity

### **For Fiscal Framework**

- Old rigid targets vs dynamic macro reality
- Credibility vs flexibility trade-off

### **Way Forward**

#### **Flexible Fiscal Rule Framework**

- Move from rigid deficit number → fiscal range bands
- Cyclically adjusted targets
- Escape clauses for shocks

#### **Protect Capital Expenditure**

- Ring-fence infrastructure spending
- Maintain a capex-led growth strategy

#### **Strengthen State Fiscal Responsibility Laws**

- Update State-level FRBM Acts
- Add expenditure quality indicators
- Mandate periodic scheme reviews

#### **Improve Revenue Capacity**

- Broaden tax base
- Strengthen compliance
- Improve GST efficiency
- Non-tax revenue mobilisation

#### **Outcome-Based Spending**

- Link welfare outlays to measurable outcomes
- Add sunset clauses to schemes
- Reduce permanently committed liabilities

### **Conclusion**

The Economic Survey 2025–26 proposes a calibrated shift from rigid fiscal rule-following to credible fiscal management. It supports flexibility for the Union government amid global uncertainty, while sounding a cautionary note on weakening State finances driven by rising revenue expenditure and welfare commitments.

## 6. Economic Survey Flags Uneven Distribution of Secondary Schools

### Why in the News?

The Economic Survey 2025–26 has highlighted that the uneven distribution of secondary schools is a major barrier to achieving the schooling targets set under the National Education Policy (NEP 2020).

#### It notes that:

- Only 17% of rural schools offer secondary education
- Only 38% of urban schools offer secondary education
  
- Secondary-age children (14–18 years) form the largest share of the out-of-school population.

#### Main dropout reasons remain:

- Need to supplement household income
- Domestic and care responsibilities

### Background

#### NEP 2020 envisions:

- Raising Expected Years of Schooling (EYS) from 13 → 15 years
- New 5+3+3+4 schooling structure (ages 3–18)
- Universal access up to the secondary level
- Stronger vocational integration
- Higher Gross Enrolment Ratio (GER)

However, access gaps at the secondary level are emerging as the key bottleneck. The Survey's education chapter connects school access gaps with:

- Dropout trends
- Skill deficits
- Weak human capital conversion

#### Key Findings

- Uneven Secondary School Availability
- Secondary education access is structurally limited:

#### Rural areas :

- Only ~17% schools provide secondary grades

#### Urban areas:

- Only ~38% schools provide secondary grades
- Implication: Students must travel farther after Grade VIII → higher dropout risk.

#### Secondary-Level Enrolment Gap

- Secondary Age-Specific Net Enrolment Ratio (NER): ~52.2%
- Indicates that nearly half of eligible adolescents are not enrolled at the correct level.

## Survey stresses:

- Retaining students beyond Grade VIII is the critical challenge.

## Out-of-School Adolescents - Scale

Using Periodic Labour Force Survey (PLFS) 2023–24 data:

- Nearly 2 crore adolescents (14–18 years) are out of school
- This is the largest out-of-school-age segment



## Main Reasons for Dropouts

Economic Reasons (Dominant)

- 44% dropouts: Need to supplement household income

### Among boys:

- ~67% cite income support as the main reason
- Care & Domestic Burden (Gendered Impact)

### Among girls:

- ~55% cite domestic and care responsibilities

### This shows:

- Strong link between poverty and dropout
- Gendered household labour burden

## Skill & Vocational Gap

### Survey calls vocational integration urgent:

- Only 0.97% adolescents (14–18) received institutional skilling

- ~92% received no formal skilling

### **Indicates:**

- Weak school-to-skill pipeline
- Missed demographic dividend opportunity

### **Higher Education**

Need to Internationalise Higher Education

#### **Survey calls for:**

- Greater global engagement
- Foreign collaboration
- International campuses
- Academic mobility

#### **India has expanded elite institutions:**

- 23 IITs
- 21 IIMs
- 20 AIIMS
- International IIT campuses in:
  - Zanzibar
  - Abu Dhabi

### **State Capacity in Higher Education**

#### **Survey notes:**

- ~81% of higher education enrolment is in State institutions
- Therefore, reform must focus on:
  - State-level governance capacity
  - Funding quality
  - Regulatory clarity
  - Academia–industry collaboration

### **Regulatory Reform Push**

#### **Survey mentions the Viksit Bharat Shiksha Adhishthan Bill, 2025, aimed at:**

- Replacing fragmented regulation
- Creating streamlined higher education governance
- Reducing overlap

Education Minister Dharmendra Pradhan highlighted Survey findings as evidence of reform momentum.

### **Challenges**

#### **Access Barrier at Secondary Level**

- School distance
- Infrastructure gaps
- Rural–urban divide

#### **Poverty-Driven Dropouts**

- Child labour pressure
- Income supplementation needs

## **Gender Burden**

- Care work on girls
- Early withdrawal from schooling

## **Weak Vocational Integration**

- Minimal formal skilling exposure
- Academic-only pipeline

## **State Higher Education Weakness**

- Capacity constraints
- Quality variation
- Funding stress

## **Way Forward**

### **Expand Secondary School Network**

- Upgrade upper-primary schools to secondary
- Cluster secondary school models
- Transport & hostel support

### **Conditional Support for Adolescents**

- Secondary-level scholarships
- Attendance-linked cash support
- Direct benefit support to poor families

### **Integrate Vocational Education**

- School-based skilling from Grade VI onward
- Local industry tie-ups
- Dual-track education models

### **Gender-Sensitive Interventions**

- Care support services
- Safe transport for girls
- Flexible schooling options

### **Strengthen State Higher Education**

- Capacity-building grants
- Governance reforms
- Industry partnerships
- Global collaboration frameworks

## **Conclusion**

The Economic Survey 2025–26 makes it clear that India's schooling challenge is no longer just enrolment - it is secondary-level retention and access. With only a fraction of schools offering secondary education and dropout driven mainly by economic pressures, achieving NEP 2020's 15-year schooling goal requires structural expansion, vocational integration, and targeted adolescent support.

## 7. Is India prepared for the end of globalisation?

### Why in the News?

Recently, Donald Trump linking tariffs with India's geopolitical and trade behaviour - including comments on Russian oil imports - signals a shift from rules-based multilateral trade toward hard-bargaining bilateralism and economic nationalism. Analysts increasingly argue that the post-Cold War model of liberal globalisation is weakening and a mercantilist order is emerging. This raises a critical policy question: Is India prepared for a world where globalisation no longer guarantees open markets and cooperative institutions?

### Background: What Was Globalisation?

Globalisation was not merely about free trade, it was a political-economic order built on:

- Multilateral institutions such as the World Trade Organisation
- Norms of open markets and contract enforcement
- Free flow of capital (though not labour)
- Global supply chains
- Rules-based dispute resolution
- Legitimacy rooted in liberal democracy and cooperation

### Historical Phases

- Colonial globalisation -coercive, extractive, unequal
- Post-World War II order - institutional, rules-based
- Post-Cold War globalisation - liberalised trade + financial integration

This system helped reduce poverty and expand markets - but also created deep structural imbalances.

### Features

#### Shift from Multilateralism to Mercantilism

- Trade is increasingly seen as a tool of state power
- Surpluses = strength; deficits = vulnerability
- Bilateral deals replace multilateral rules
- Sanctions and tariffs as negotiation tools

#### Strategic Trade and Industrial Policy

- Countries promoting domestic manufacturing
- Supply chain reshoring / friend-shoring
- Technology controls and export restrictions

#### Sovereignty Over Liberal Norms

- Migration restrictions
- Strategic capital controls
- Security-first trade policies

## **Unintended Consequences of Globalisation Inequality and Wage Stagnation**

- Returns to capital outpaced wage growth
- Manufacturing shifted geographically
- Regional job losses in advanced economies
- Rise of populist politics

## **Rise of China as a System Challenger**

- China integrated into global markets without fully liberalising politically.
- Maintained state control over capital and information
- Built massive trade surpluses and industrial capacity
- Created an alternative development model
- Constrained industrialisation space for countries like India

## **India's Position in a Post-Globalisation World**

### **India faces a paradox:**

- Too large to ignore, too underdeveloped to dominate

### **Structural Constraints**

- Incomplete demographic dividend conversion
- Low manufacturing share in GDP
- Skewed income distribution
- Weak human capital base
- Uneven state capacity
- Informal labour dominance

### **Missed Opportunities (Last 15 Years)**

- Limited public investment in health and education
- Manufacturing push not broad-based
- Labour-intensive sectors underdeveloped
- Social sector spending remains inadequate relative to need

## **Features**

### **Digital Public Infrastructure (DPI)**

- Aadhaar, UPI, DigiLocker stack
- Low-cost, scalable governance platforms
- Exportable governance model

### **Services Sector Strength**

- IT and knowledge services
- Remote work economy
- Global capability centres

### **Renewable Energy Potential**

- Solar and green hydrogen push

- Large domestic market
- Policy momentum

### **Democratic Decentralisation**

- Panchayati Raj and local governance
- Potential for bottom-up development if strengthened
- Challenges for India in the End of Globalisation Scenario

### **Economic Challenges**

- Export-led growth becomes harder
- Supply chain fragmentation
- Tariff barriers and geo-economic blocs
- Technology restrictions

### **Institutional Challenges**

- Low administrative capacity
- Regulatory unpredictability
- Contract enforcement delays
- Weak local government capacity

### **Social Challenges**

- Youth unemployment
- Skills mismatch
- Inequality-driven instability
- Weak social safety nets

### **Geopolitical Challenges**

- Reduced multilateral negotiation platforms
- Climate finance uncertainty
- Conditional development aid
- Hard-power trade diplomacy

## **Way Forward: How India Should Prepare**

### **Build State Capacity**

- Civil service and regulatory reform
- Faster judicial and contract enforcement
- Data-driven governance
- Professionalised economic administration

### **Invest in Human Capital**

- Universal quality school education
- Public health expansion
- Skill-linked vocational training
- Nutrition and early childhood investment

### **Strategic Industrial Policy**



- Focus on 4–5 priority sectors:
- Electronics
- Clean energy
- Defence manufacturing
- Semiconductors (selectively)
- Agro-processing
- Link PLI-type incentives to productivity and exports.

### **Domestic Demand Strengthening**

- Raise mass purchasing power
- Rural income growth
- Urban employment programs
- MSME competitiveness

### **Trade Strategy Reset**

- More bilateral trade agreements
- Regional value chain integration
- South–South partnerships
- Targeted export clusters

### **Social Cohesion and Social Contract**

- Reduce inequality
- Expand social protection
- Cooperative federalism
- Trust-based governance

### **Conclusion**

The liberal, rules-based era of globalisation is under strain, replaced by a more transactional and mercantilist order. For India, this is both a risk and an opportunity. Without stronger state capacity, human capital investment, and inclusive growth, India risks long-term marginalisation.

## **8. Has Health Spending by the Centre Increased?**

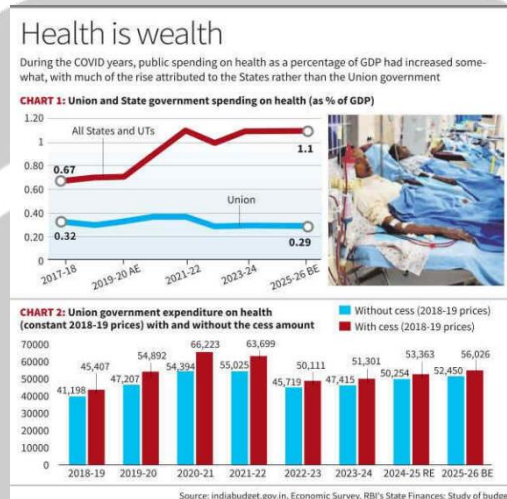
### **Why in the News?**

Recent analysis based on data from the Reserve Bank of India shows that while health and family welfare spending by States and Union Territories as a share of GDP has steadily increased since 2017–18, the Union government's health spending has declined as a percentage of GDP after the COVID-19 pandemic. This raises questions about whether the Centre has actually increased its commitment to public health financing in line with policy targets.

### **Background**

- India's public health financing has historically been low compared to global and regional peers.

- The National Health Policy (NHP 2017) set a clear target:
- Increase total government health expenditure from about 1.15% of GDP to 2.5% of GDP by 2025.
- It also envisioned that the Union government should contribute about 40% of total public health spending.
- This implied that Central spending should rise to ~1% of GDP, nearly three times its earlier level.
- However, the latest budget trends show that this target remains far from being achieved.



## Features

### Divergence Between Centre and States

#### As per RBI data:

- States & UTs' health spending rose from 0.67% of GDP (2017–18) to about 1.1% of GDP (2025–26 BE).
- Share of health in State budgets increased from 5% to about 5.6%.

#### In contrast:

- Union government health spending fell from 0.37% of GDP (2020–21 Actuals) to about 0.29% of GDP (2025–26 BE).
- Share in the Union Budget declined from 2.26% to about 2.05%.

Inference: Post-pandemic expansion was temporary; Centre's allocations have not kept pace with inflation and GDP growth.

### Real-Term Decline After Pandemic

- Though nominal allocations appear higher, real (inflation-adjusted) spending has fallen.
- The 2025–26 health allocation is estimated to be lower in real terms than the 2020–21 actual expenditure.
- This implies reduced real service capacity despite larger headline numbers.

### Health and Education Cess (HEC) Issue

- Introduced in 2018–19 at 4% of income tax liability.
- Intended to expand health and education spending.

### **However:**

- Only about one-fourth of HEC collections are directed toward health.
- Much of it is absorbed into general revenues.
- Excluding cess proceeds, Union health allocations show a sharp real decline (over 20%) in recent years.

### **Reduced Transfers to States for Health Schemes**

- Earlier, about 76% of Union health spending (2014–15) was routed to States through Centrally Sponsored Schemes.
- This has declined to about 43% (2024–25 BE).
- Indicates fiscal centralisation, even though health is largely a State subject operationally.

### **National Health Mission (NHM):**

- Core programme for strengthening rural & urban public health systems.
- Spending growth has stagnated; real-term decline in recent years.

### **Pradhan Mantri Swasthya Suraksha Yojana:**

- Aims to expand tertiary care and medical education (AIIMS-like institutions).
- Budget compression reported.
- Nutrition, disease control, and health research programmes have also faced constraints.

### **Insurance-Focused vs System-Focused Spending**

- Expansion of insurance-based approaches like Ayushman Bharat PM-JAY has been prioritised.
- However, primary care systems, public hospitals, the workforce, and preventive health investments have not grown proportionately.
- Risk: Skew toward hospitalisation coverage rather than comprehensive public health capacity.

## **Challenges**

### **Failure to Meet NHP Targets**

- 2.5% of GDP target for public health spending remains unmet.
- Centre's share is far below the envisioned 40%.

### **Post-Pandemic Retrenchment**

- Temporary COVID-driven increases are not institutionalised.

### **Real-Term Budget Cuts**

- Inflation-adjusted allocations declining → service delivery stress.

### **Weak Primary Healthcare Financing**

- Underfunded frontline services and preventive care.

### **Cess Credibility Gap**

- Health cess not transparently translating into higher health budgets.

### **Over-Centralisation with Lower Transfers**

- States bear the delivery burden but face tighter central support.

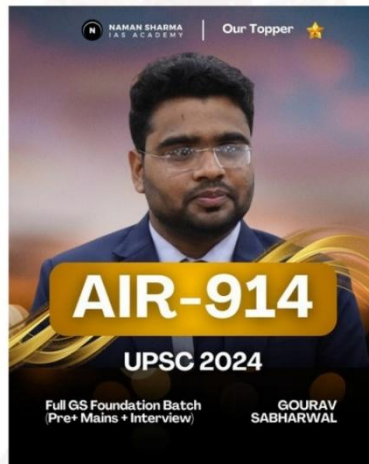
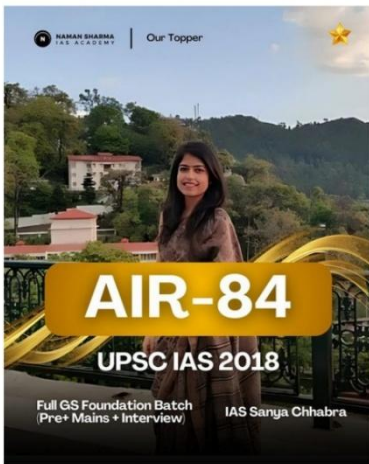
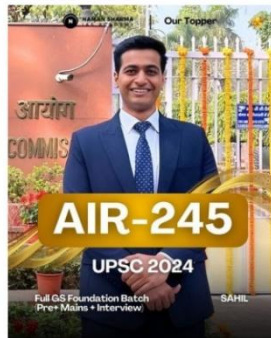
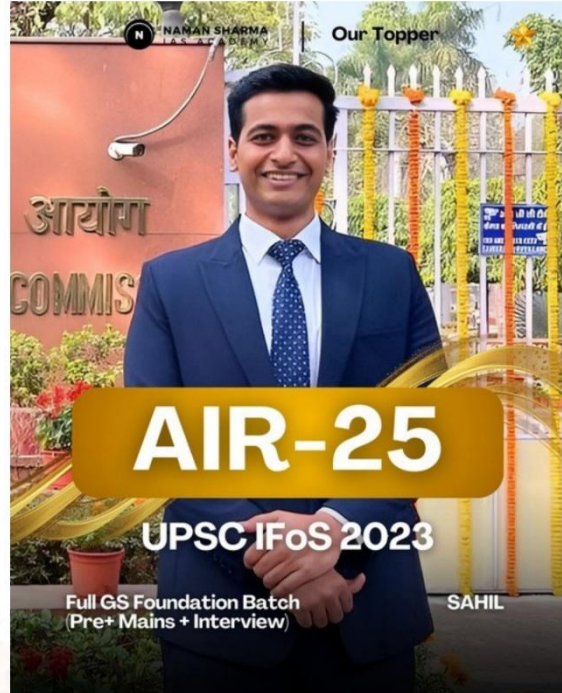
### **Way Forward**

- Raise Central Health Spending to at least 1% of GDP in a phased manner.
- Legally anchor NHP spending targets with medium-term expenditure frameworks.
- Strengthen Primary Health Care through expanded NHM and Health & Wellness Centres.
- Ring-fence Health Cess Proceeds exclusively for health sector spending.
- Increase United Transfers to States for flexible local health priorities.
- Balance Insurance with System Strengthening - hospitals, workforce, diagnostics, public health labs.
- Outcome-Based Budgeting - link allocations to measurable health indicators.

### **Conclusion**

Health spending by the Centre has not increased in a sustained or structural way. While States have stepped up their allocations since 2017–18, the Union government's health expenditure, after a brief pandemic rise, has declined as a share of GDP and in real terms. This puts India off-track from its National Health Policy goals. For a country aspiring to universal health coverage and demographic resilience, a decisive and durable increase in Central public health investment is essential, not episodic, but systemic.

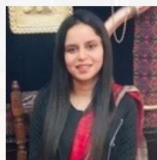
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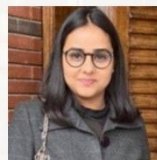
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