



# DAILY NEWS PAPER ANALYSIS

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**CIVILS WITH AKASH  
SECTOR 25 CHANDIGARH**

# Not seeking mediation on border: Nepal FM

Claim to the Kalapani-Lipulekh-Limpiyadhura trijunction is Kathmandu's focus, says Khanel

New 'political reality' in Nepal seeks to avoid 'old baggage' in ties with India, says Foreign Minister

To solve disputes through diplomacy; in contact with U.K. over documents not mediation: Khanel

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NEW DELHI

Kathmandu is focused on establishing Nepal's claim on the Kalapani-Lipulekh-Limpiyadhura trijunction and is not "asking for mediation" by third parties, Nepal's Foreign Minister Shisir Khanal said here on Sunday.

At a press conference at the Embassy of Nepal, Mr. Khanal said he represented a "completely new political reality in Nepal" that was determined to deliver "uncompromising good governance". The new government of Prime Minister Balendra Shah was not in favour of tying Nepal-India relations down to "old baggage", he added.

"We want to solve our disputes through diplomatic processes. We just want to see if we can access some of the docu-

ments that might be in libraries or museums in the U.K. Our position was not that we were asking for mediation," Mr. Khanal said, elaborating on Mr. Shah's remarks that Nepal was in contact with China and the U.K. on the Kalapani-Lipulekh-Limpiyadhura dispute with India.

## Shah's statement

"The problems that existed when British India left the region still persist, so we believe Britain also has a role to play in this matter," Mr. Shah had said in Nepal's Parliament, stirring debates.

India's Ministry of External Affairs had issued a rebuttal, reiterating that India and Nepal had established a bilateral mechanism for discussing the dispute, and there was no scope for third-party intervention.

As the new generation



Field trip: Nepal's Foreign Minister Shisir Khanal visits the Embassy of Nepal in New Delhi on Sunday.

of rulers, the Rastriya Swatantra Party (RSP) refuses to "look at India through the distorted, hypersensitive lens of 20th century geopolitics", Mr. Khanal said. "Instead, the RSP wants to shift the entire vocabulary of Nepal-India relations away from geopolitical friction and square it firmly on development diplomacy," he added.

After a gap of a few years, the border issue between the two sides began simmering again when India on April 30 announced the Kailash-Mansarovar Yatra for 2026, scheduled to be conducted in 20 batches of 50 pilgrims each.

The Ministry of External Affairs announced that the pilgrimage would be conducted "in coordination with the Government of

the People's Republic of China" through the Lipulekh pass that is claimed by Nepal, and the Nathu La pass in Sikkim.

This announcement attracted a protest from Nepal, which communicated its objection to both India and China.

"We have expressed our position through an official diplomatic note to both India and China. We have clearly said to both countries that the land (Kalapani-Lipulekh-Limpiyadhura) belongs to us. That's been our historical claim," Mr. Khanal said in response to questions.

## 'More visits soon'

Mr. Khanal said in response to questions. He said his visit to India had restarted the track of high-level interaction from the two sides, and more such visits would take place from Nepal's side soon with Finance Minister Swarnim Wagle expected

to visit Delhi "very soon".

Mr. Khanal had held a formal meeting with External Affairs Minister S. Jaishankar on Saturday, when the two sides officially announced the operationalisation of peer-to-peer (P2P) cross-border payment transactions under a memorandum of understanding between Nepal Clearing House Ltd. and the National Payments Corporation of India, he said, which would enable digital and financial connectivity between the two sides.

The Nepal Prime Minister was focused on the "domestic front" as he was keen to show "early results" because of the "strong mandate" that the RSP had received in the May election, Mr. Khanal said, refusing to provide a "timeline" for Mr. Shah's visit to India.

The RSP led by Mr. Shah came to power after de-

feating the well-established, formerly dominant political players, including the Nepali Congress and the Maoist parties (Communist Party of Nepal-United Marxist Leninist, or CPN-UML, and CPN-Maoist Centre).

Mr. Shah's rise to prime ministership took place against the backdrop of the "Gen Z uprising" in Nepal that overthrew the government of K.P. Sharma Oli after Mr. Oli launched a crackdown on Nepal's digital ecosystem in the first week of September 2025.

To a question on the face of the report of the Eminent Persons Group set up over a decade ago to provide guidelines to India-Nepal bilateral ties, Mr. Khanal said, "The EPG was commissioned by an agreement of the two Prime Ministers, and the report can only be submitted to two Prime Ministers."

• The exact source of the river remains the core issue.

## Lipulekh Pass

- Himalayan mountain pass.
- Connects:
  - Uttarakhand (India)
  - Tibet (China)
- Important route for:
  - Kailash-Mansarovar Yatra
  - Border trade with Tibet

## Limpiyadhura

- Nepal argues that the Kali River originates here.
- Acceptance of this interpretation would strengthen Nepal's territorial claim.

## KEY HIGHLIGHTS:

### Why in News?

- Nepal's Foreign Minister Shisir Khanal clarified that Nepal is not seeking third-party mediation in the Kalapani-Lipulekh-Limpiyadhura boundary dispute with India.
- Nepal reiterated its claim over the disputed territory and emphasized resolution through diplomatic engagement.
- The issue regained attention after India announced the resumption of the Kailash-Mansarovar Yatra via the Lipulekh Pass.

### Context of the News

- The Kalapani-Lipulekh-Limpiyadhura region is located at the India-Nepal-China (Tibet) trijunction.
- Nepal claims the territory based on the Treaty of Sugauli (1816).
- In 2020, Nepal amended its official map to include Kalapani, Lipulekh and Limpiyadhura.
- India maintains that the area belongs to India based on its interpretation of the origin of the Kali River.
- India and Nepal have an established bilateral mechanism to discuss the boundary dispute.
- Nepal recently objected to India's use of the Lipulekh route for the Kailash-Mansarovar pilgrimage.

### Key Facts

#### Kalapani Dispute

- Located in the Pithoragarh district region of Uttarakhand.
- Strategic area near the India-China border.
- Dispute arises from differing interpretations of the source of the Kali (Mahakali/Sharda) River.

#### Treaty of Sugauli (1816)

- Signed between:
  - Kingdom of Nepal
  - British East India Company
- Defined the Kali River as the western boundary of Nepal.

### Static Concepts

#### India-Nepal Relations

- Open border of approximately 1,751 km.
- Treaty of Peace and Friendship (1950).
- Strong cultural, civilizational and economic ties.
- Nepal is a key partner under India's Neighbourhood First Policy.

#### Boundary Disputes and International Law

- Boundaries defined through treaties.
- River-origin interpretation often influences territorial sovereignty.
- Bilateral negotiations are the preferred mechanism for peaceful settlement.

### Himalayan Passes

- Lipulekh - Uttarakhand-Tibet (Kailash Mansarovar Route)
- Nathu La - Sikkim-Tibet (Trade Route)
- Shipki La - Himachal Pradesh-Tibet (Trade Route)
- Jelep La - Sikkim-Bhutan-Tibet region (Historical Trade Route)

### Mains Examination Perspective

#### Significance for India

- Strategic location near the India-China frontier.
- Security implications in the Himalayan region.
- Important pilgrimage and trade route.
- Impacts India's neighbourhood diplomacy.

#### Significance for Nepal

- Issue linked to sovereignty and territorial integrity.
- Strong domestic political sensitivity.
- National identity and constitutional mapping concerns.

#### Challenges in Resolution

- Different interpretations of historical maps and treaties.
- Nationalistic sentiments in both countries.
- Strategic importance of the area.
- China factor due to trijunction location.
- Lack of mutually accepted cartographic evidence.

### Way Forward

- Strengthen bilateral boundary dialogue mechanisms.
- Joint technical and cartographic surveys.
- Historical document verification through archival research.
- Separate boundary disputes from broader cooperation areas.
- Enhance economic, connectivity and people-to-people ties.

# A targeting in the name of demography

India is on the cusp of a demographic upturn. Fertility rates across the country have been falling for decades and are now on or below replacement levels. We will soon have to shift from the challenges of finding jobs for the youth bulge to preparing to care for an ageing population.

You would not think so looking at the Terms of Reference (ToRs) of the High-Level Committee on Demographic Change that the government constituted at the end of May. The ToRs are peppered with the need to address "illegal immigration" and border management. Home Minister Amit Shah said on the social media site X while announcing the formation of the committee that "illegal infiltration and other reasons leading to Unnatural Demographic Change is a very big challenge for the present and future of any nation." It is no wonder that the committee does not have a single demographer to guide its work. Its chairperson is a retired Supreme Court of India judge; it has a retired IAS officer and a retired IPS officer, the Census Commissioner and an economist.

**The infiltration narrative expands**  
Using strong words about "infiltration", the Prime Minister had announced the need for such a committee from the ramparts of Red Fort on August 15, 2025. Indeed, this was the culmination of years of building a mythology that undocumented (Muslim) migrants from Bangladesh are swamping the districts on the border, spreading across the country and influencing electoral outcomes. It was way back in 2018 that Anis Shah, then Bharatiya Janta Party (BJP) President, said that Bangladeshi migrants were termite. The mythology about hordes of immigrants has seeped into the citizen's consciousness and has served well the electoral purposes of the BJP. It has worked very well in Assam during a couple of election cycles, and it was stunningly effective in West Bengal during the recent elections where the need to deal with "infiltration" was a central feature of the BJP campaign. It is perhaps time now to make it a nation-wide campaign aided by the recommendations of the Demographic Change Committee.

Given how the issue has been highlighted and framed, we can have a fair idea of what the recommendations of this committee will be. It is still important to understand why this has little to do with demographic challenges and is all about moving to the next stage of the "Othering" of India's minorities, especially Muslims. To begin with, what is the evidence of large-scale undocumented immigration from Bangladesh? It is revealing that the only kind of official evidence we have so far of "demographic change" (i.e., immigration from Bangladesh



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affecting population size and composition) are observed. Fertility rates across the country increases in the population of a few of the border districts. Highlighting such increases without reference to domestic migration or differential fertility behaviour among communities is not proof of undocumented immigration. It is instructive that studies that had been done by official agencies showing evidence of demographic change in the border districts were removed without explanation, according to a report in this daily ("Government proposal in 2024 for a panel on 'demographic challenges' never took off", August 16, 2025). We can only presume that they were deleted because they did not stand scrutiny.

**This is not about undocumented migration**  
For decades there has indeed been cross-border migration between India and Bangladesh across what is an integrated riverine ecology. But given the economic transformation that has taken place in Bangladesh in recent decades, it would be hard to argue for economic distress driving large-scale migration from Bangladesh to India. India's neighbour is no "basket case" as it was derisively described decades ago.

According to World Bank data, Bangladesh's per capita income (in nominal dollar terms) grew faster than India during 2005-21 (10.4% versus 7.7% compound annual growth rate); it now has roughly the same income as India's in purchasing power parity terms. India's growth is slightly higher. Both countries presently have roughly the same per capita income however measured, and both now have the same levels of human development, according to the UNDP's Human Development Index. But the change in Bangladesh has been much faster. Why then would there be migration to India of a scale that there should be talk of being swamped? There would certainly remain pockets of distress forcing the poor to consider migrating to India and the more skilled to West Asia. But we cannot find economic evidence to deal waves of Bangladeshis being pushed by distress to migrate to India, ending up affecting jobs and electoral outcomes here.

Of course, all this is not about undocumented migration. All this is really a code for the place of Muslims in India and an acceleration of the social, economic and political discrimination of this community of Indian citizens that has taken place over the past 12 years. And here the government has given a more dangerous tilt to the committee. Item (iv) reads "to analyse structural population changes at the level of religious or social communities, particularly where they deviate from broader trends". This in particular is institutionalising the targeting of the targeting of minorities. For a century now, the Hindutva campaign has

whipped up fears of Muslims overtaking Hindus in population. This is now firmly impregnated in the minds of Hindus of all ages, classes, castes and regions. It is to be found in their everyday social conversations, on social media of course, and it is expressed in less than thinly veiled terms during electoral campaigns.

**When facts are ignored**  
It is tedious to repeat the facts, but one has to, even when confronted by a wall of disinformation and prejudice. Yes, the share of Muslims in India's population has risen from 10% in 1950 to 14% in 2011, at the time of the last Census. Yes, in the past, the Muslim community on a whole has shown a higher fertility than the Hindus and other religious denominations. This has been on account of its poorer economic status, lower education of women and perhaps even religious beliefs. However, fertility among Muslim women has begun falling rapidly, with the result that the gap between Muslims and Hindus has narrowed and will soon disappear. On the desired number of children that women want to have, there is now almost no difference between Hindus and Muslims. So much for Muslims now having more children than Hindus. And to repeat what is well-known, the best example of why religion is not the determinant of fertility behaviour: Muslim women in Tamil Nadu, Kerala and Jammu and Kashmir exhibit lower fertility than the Hindu women of Bihar and Uttar Pradesh. Poverty and education matter more. This is the deviation that needs to be addressed, not fertility behaviour according to religion.

To speak then about Muslim fertility "deviating from broad trends", as one of the ToRs of the committee indicates, is to ignore the facts on the ground and fall back on familiar tropes about the behaviour of this minority, giving official validation of age-old misinformation.

We cannot escape from the realisation that this committee is being asked to recommend steps to target minorities under the cover of checking undocumented migration. After all, we have already become an inhumane society where, according to reliable reports, government agencies have flown Rohingya refugees from Delhi to the Andamans and then pushed them into the sea with life jackets. So when the Demographic Change Committee is asked "to recommend a streamlined and permanent operational mechanism for the legal, fair, and time-bound identification, detention, and deportation of illegal immigrants already residing in the country", there is a chilling similarity between the language of this "permanent operational mechanism" and the "Final Solution" practised in 1940s Europe. We should not say we have not been forewarned.

- Long-term care services.
- Social security coverage.

## Migration and Border Governance

- India shares a 4,096 km border with Bangladesh, the longest land border with any neighbour.
- Migration raises issues of:
  - National security.
  - Border management.
  - Citizenship determination.
  - Humanitarian obligations.

## Community-wise Fertility Trends

- NFHS data shows fertility decline across all religious communities.
- Fertility differentials have narrowed over time.
- Major determinants of fertility:
  - Female literacy.
  - Urbanisation.
  - Income levels.
  - Healthcare access.
  - Women's empowerment.

## KEY HIGHLIGHTS:

### Context of the News

- The Union Government constituted a High-Level Committee on Demographic Change in 2026.
- The Committee has been tasked with examining:
  - Demographic changes across regions and communities.
  - Impact of illegal immigration on population patterns.
  - Border management and internal security implications.
  - Long-term demographic challenges facing India.
- The development has generated discussion on:
  - Declining fertility rates.
  - Population ageing.
  - Migration and citizenship issues.
  - Regional demographic imbalances.

### Key Points

#### India's Fertility Transition

- According to NFHS-5 (2019-21):
  - India's Total Fertility Rate (TFR) = 2.0.
- Replacement-level fertility = 2.1 children per woman.
- India has entered the later stage of demographic transition.
- Most southern and several northern States are already below replacement fertility.

#### Population Ageing

- India's elderly population (60+) is projected to rise significantly by 2050.
- Challenges include:
  - Healthcare infrastructure.
  - Pension burden.

### Static Linkages

- Demographic Transition Model:
  - High birth-high death stage.
  - Declining death stage.
  - Declining birth stage.
  - Low birth-low death stage.
- Population Momentum:
  - Population may continue growing despite replacement fertility.
- Dependency Ratio:
  - Ratio of dependent population to working-age population.
- Census Act, 1948.
- Citizenship Act, 1955.
- Articles 14, 21 and 25.
- Directive Principles relating to public health and welfare.
- Sustainable Development Goals (SDGs):
  - SDG 3 (Health)
  - SDG 5 (Gender Equality)
  - SDG 10 (Reduced Inequalities)

### Critical Analysis

#### Opportunities

- Helps identify emerging demographic challenges.
- Facilitates long-term population planning.
- Strengthens migration management mechanisms.
- Supports evidence-based policy formulation.
- Enhances border governance and national security.

## Challenges

- Absence of updated Census data since 2011.
- Regional demographic imbalances.
- Rising elderly dependency ratio.
- Need to balance security concerns with constitutional safeguards.
- Risk of politicisation of demographic issues.
- Limited social security preparedness for ageing population.

## Constitutional Dimensions

- Equality before law (Article 14).
- Protection of life and liberty (Article 21).
- Religious freedom (Article 25).
- Due process in citizenship and migration matters.

## Way Forward

- Conduct Census at the earliest for updated demographic data.
- Strengthen Sample Registration System (SRS) and demographic databases.
- Prioritise ageing-related policies and elderly care infrastructure.
- Expand pension and social security coverage.
- Improve female education and labour force participation.
- Adopt technology-driven border management.
- Ensure evidence-based and data-driven policy decisions.
- Promote balanced regional development to reduce migration pressures.
- Strengthen coordination between Centre and States on demographic planning.

Within days of one another, official platforms of the Ministry of Mines cast several northeastern States in a similar frame – as repositories of strategic minerals and untapped potential. Manipur was described as a “quiet mineral frontier”, Arunachal Pradesh as a “resource-rich frontier”, while Meghalaya and Mizoram were portrayed through comparable narratives that emphasised the hidden wealth beneath their hills. Governments routinely publicise natural resources and development opportunities, and such descriptions would ordinarily attract little attention.

Taken together, however, they point to a broader shift in the language through which the northeast is increasingly being framed in the national conversation and strategic picture. The timing is significant because critical minerals have moved from geological discussions into strategic ones. Lithium, cobalt, graphite, nickel and rare earth elements increasingly shape industrial competition, technological manufacturing and energy transitions. Batteries, semiconductors, renewable technologies and defence systems depend upon them, and countries have begun repositioning themselves around access to these resources. India itself continues to depend on imports for several critical minerals and has consequently expanded exploration efforts. According to a Ministry of Mines reply in Parliament, the Geological Survey of India undertook 43 critical mineral exploration projects across northeastern States during the 2022-23, 2023-24 and 2024-25 field seasons, covering minerals such as graphite, vanadium, lithium, rare earth elements, nickel and cobalt. Exploration activity has expanded across Arunachal Pradesh, Meghalaya, Assam, Nagaland and Manipur. In Manipur, projects involving nickel, cobalt and chromium exploration have recently been initiated. Geological surveys have pointed toward mineral potential across the region for years.



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What appears to be changing is the language through which that significance is increasingly being understood. The northeast has long held strategic significance that extends beyond geology, but the framework through which that significance is understood now appears to be widening.

**Shift in language**  
For decades, the northeast has figured in national strategy largely through the language of borders and security. Discussions have centred on insurgencies, territorial management, connectivity initiatives and geopolitics considerations involving neighbouring countries, while infrastructure and development were often justified as instruments of strategic access and territorial security.

The language of resources is increasingly entering a strategic space once dominated by concerns over borders and security. Critical minerals are now discussed alongside trade corridors and geopolitical access, with territorial and resource security converging. Places once viewed mainly as sensitive border regions are increasingly seen as strategic assets.

The repeated use of the word frontier is revealing, because frontiers rarely function as neutral descriptions. They do not merely describe geography; they often reflect how States imagine it. Historically, frontiers have been viewed as spaces awaiting integration, development or extraction because they appear as landscapes of future possibility.

The difficulty is that frontiers are rarely empty spaces waiting to be discovered. The hills and valleys of the northeast already contain dense social and political worlds structured around customary land systems, local institutions and long-standing relationships with territory. Questions of land often extend beyond economics, as they are also tied to authority, identity and memory. Resource extraction thus enters landscapes that already possess institutions and histories of their own.

These questions become particularly significant in regions where political uncertainties continue to shape everyday life. In Manipur, years of violence and displacement have intensified debates over land and territorial arrangements. Similar concerns about ownership, ecological vulnerability and local participation have surfaced across the northeast at different times. Projects involving land often acquire meanings that extend beyond development, as communities interpret them through the lens of trust, representation and political inclusion.

**Resources and inclusion**  
India's search for critical resources is understandable within a global environment increasingly shaped by supply chain uncertainty and strategic competition. The northeast itself also requires infrastructure, employment and economic opportunities that have remained uneven for decades. Questions surrounding resource development rarely fit neatly into positions of support or opposition.

How quickly these transitions unfold and who shapes them may matter as much as the resources themselves. For a very long time, national priorities and local realities in the northeast often moved at different speeds. Connectivity projects sometimes arrived without corresponding economic ecosystems, while strategic considerations frequently overshadowed questions surrounding participation and representation. Resource development risks reproducing similar tensions if extraction begins moving faster than institutions capable of managing its social consequences.

What is being debated extends beyond the minerals beneath the hills. The northeast has spent years being viewed first as a border to be secured and then as a corridor to be connected. If it now begins entering national imagination as a landscape of strategic resources, the question is whether this new frontier will finally include the people who already inhabit it, or merely assign another purpose to the land beneath their feet.

## KEY HIGHLIGHTS:

### Context

- The Ministry of Mines has recently highlighted the mineral potential of Northeastern States such as Manipur, Arunachal Pradesh, Meghalaya and Mizoram.
- The development is linked to India's efforts to secure Critical Minerals essential for clean energy transition, strategic industries and national security.
- As per the Ministry of Mines, 43 critical mineral exploration projects were undertaken by the Geological Survey of India (GSI) in Northeastern States during 2022-23 to 2024-25.
- Minerals under exploration include:
  - Lithium
  - Cobalt
  - Nickel
  - Graphite
  - Rare Earth Elements (REEs)
  - Vanadium

### Why Critical Minerals Matter?

- Essential for:
  - Electric Vehicles (EVs)
  - Renewable Energy Systems
  - Battery Storage
  - Semiconductors
  - Defence Equipment
  - Aerospace Technologies
- India is heavily dependent on imports of several critical minerals.
- Ensuring access to these minerals is increasingly viewed as a matter of economic security and strategic autonomy.

### Key Facts

#### Critical Minerals Identified by India

- Ministry of Mines (2023) identified 30 Critical Minerals for India.

### Important Institutions

- Geological Survey of India (GSI) – Mineral exploration.
- Ministry of Mines – Nodal ministry.
- Khanij Bidesh India Limited (KABIL) – Overseas acquisition of critical mineral assets.

### Northeastern States Under Exploration

- Arunachal Pradesh
- Assam
- Meghalaya
- Nagaland
- Manipur

### Important Minerals Found/Explored and Major Use

- Lithium - EV batteries
- Cobalt - Battery cathodes
- Nickel - Energy storage
- Graphite - Battery anodes
- Rare Earth Elements - Electronics, Defence, Magnets
- Vanadium - Energy storage systems

### Static Linkages

#### Constitutional Provisions

- Article 371A – Protection of Naga customary laws and ownership of land/resources.
- Article 371G – Similar protection for Mizoram.
- Sixth Schedule – Autonomous District Councils in tribal areas.
- Fifth Schedule – Protection of tribal interests in Scheduled Areas.

#### Important Laws

- Forest Rights Act (FRA), 2006
- Environment Protection Act, 1986
- Mines and Minerals (Development and Regulation) Act, 1957
- National Mineral Policy, 2019

#### Important Concepts

- Sustainable Development
- Inter-generational Equity
- Environmental Impact Assessment (EIA)
- Resource Governance
- Inclusive Development

### Mains Enrichment

#### Opportunities

- Reduces import dependence.
- Supports Atmanirbhar Bharat.
- Strengthens EV and renewable energy sectors.
- Enhances strategic autonomy.
- Generates employment and infrastructure development.
- Boosts regional economic growth.

#### Challenges

- Ecologically fragile Himalayan and biodiversity-rich region.
- Threat to forests and water resources.
- Tribal land ownership concerns.
- Displacement and rehabilitation issues.
- Existing ethnic and territorial tensions.
- Weak local participation in decision-making.

#### Way Forward

- Ensure community participation and consent.
- Strengthen implementation of FRA, 2006.
- Conduct scientific Environmental Impact Assessments.
- Promote sustainable and responsible mining.
- Ensure benefit-sharing with local communities.

## Testing times

GDP data reveal some strengths, but they will come under strain

The GDP growth data released on Friday simultaneously portray recent economic strength and reveal some reasons for worry. The provisional estimates of GDP growth for 2025-26 have been pegged at 7.7%, which is marginally higher than the 7.6% predicted by the government in February. This suggests that March, the first full month since the West Asia crisis erupted, did not see enough of an impact to affect the full year's growth. That resilience will be dented in the months ahead. The data also showed that several key sectors of the economy, such as manufacturing and several services sectors, grew by double digits over and above a relatively high base. These are all good signs for an economy heading into severe supply-related headwinds due to the war in Iran. Notably, both Private Final Consumption Expenditure and Gross Fixed Capital Formation – metrics of household consumption and government and private sector investment activity, respectively – grew faster in 2025-26 than they did in the previous year. The consumption growth is especially welcome given that it had been at a tepid 5.8% for the previous two years. It remains to be seen how much of the investment growth was driven by the private sector. Even if this growth was driven by government spending, it has positive knock-on effects on the rest of the economy.

The weakness in the agriculture sector, however, is something to worry about. The sector's growth slowed to 3% in 2025-26 from 4.2% in 2024-25, despite the 2025 monsoon having concluded at 108% of its long period average (LPA). This is dire news, given that the India Meteorological Department has predicted that this year's monsoon will only be 90% of the LPA. That is not counting the fertilizer supply constraints that will really be felt in the months ahead. The data also show the rising dominance of services in the economy, with their share rising to 54.3% of total gross value added (GVA) in 2025-26, up from 51.9% in 2022-23. The agriculture sector, which continues to employ the largest share of the population by far, saw its share in GVA fall to below 20% from 22.1% in 2022-23. The manufacturing sector's share has remained largely unchanged, another cause for concern. This suggests that India is not growing its value-added manufacturing sector fast enough. The Reserve Bank of India (RBI), government, and independent economists are in agreement that 2026-27 will see growth slowing significantly. The RBI predicted growth will dip to 6.6%, and the Chief Economic Adviser said that he saw no need to second-guess this estimate. Last year's tariff-related disruptions were a test of India's export resilience. This year's energy supply disruptions will test the entire economy as well as the government's policy agility.

## KEY HIGHLIGHTS:

### Context

- India's GDP growth for 2025-26 has been estimated at 7.7% (Provisional Estimates), marginally higher than the earlier estimate of 7.6%.
- The economy displayed resilience despite emerging global uncertainties arising from the West Asia conflict, energy supply disruptions, and geopolitical instability.
- Growth was supported by stronger consumption demand and investment activity.
- However, concerns remain regarding:
  - Slowing agricultural growth.
  - Stagnant manufacturing share in the economy.
  - Rising dependence on the services sector.
  - Expected moderation in growth during 2026-27.

### Key Facts

#### Growth Indicators

- GDP Growth (2025-26): 7.7%
- RBI Growth Projection (2026-27): 6.6%

#### Demand Side Indicators

- Private Final Consumption Expenditure (PFCE) registered higher growth than the previous year.

- Gross Fixed Capital Formation (GFCF) improved, indicating stronger investment activity.

#### Sectoral Trends

- Services sector share in GVA:
  - 54.3% (2025-26)
  - 51.9% (2022-23)
- Agriculture share in GVA:
  - Below 20% (2025-26)
  - 22.1% (2022-23)
- Manufacturing share in GVA:
  - Largely stagnant.

#### Agriculture

- Agricultural growth:
  - 3% (2025-26)
  - 4.2% (2024-25)
- Monsoon in 2025:
  - 108% of Long Period Average (LPA)
- IMD forecast for upcoming monsoon:
  - 90% of LPA

#### Static Linkages

- GDP measures total value of final goods and services produced within a country during a given period.
- $GVA = Output - Intermediate\ Consumption$ .
- PFCE is the largest component of aggregate demand in India.
- GFCF is a key indicator of capital formation and future productive capacity.
- Structural transformation refers to the shift of economic activity from agriculture to industry and services.
- Manufacturing expansion is essential for employment-intensive growth.
- Capital expenditure has a higher multiplier effect than revenue expenditure.
- Monsoon remains a critical determinant of agricultural output, rural demand, and food inflation.

#### Why is this Important for UPSC?

##### Positive Indicators

- Strong GDP growth despite global geopolitical disruptions.
- Recovery in household consumption signals improving domestic demand.
- Higher investment indicates economic confidence.
- Services sector remains the principal growth driver.

##### Structural Concerns

- Agriculture growth slowdown despite a favourable monsoon.

- Declining share of agriculture in GVA while employing a large workforce indicates low productivity.
- Manufacturing sector has not expanded sufficiently to absorb surplus labour.
- Excessive dependence on services may constrain employment generation.
- Energy supply disruptions can affect inflation, fiscal stability, and external balances.

#### Challenges

- Weak agricultural productivity growth.
- Climate and monsoon uncertainties.
- Fertilizer supply vulnerabilities.
- Slow manufacturing expansion.
- Global geopolitical risks affecting energy security.
- Need for sustained private investment.

#### Way Forward

- Promote manufacturing through PLI and ease of doing business reforms.
- Increase public and private investment in infrastructure.
- Strengthen climate-resilient agriculture.
- Expand irrigation and micro-irrigation coverage.
- Improve agricultural value chains and agri-processing.
- Diversify energy sources and enhance renewable energy capacity.
- Encourage private capital formation.
- Improve productivity and competitiveness of MSMEs.
- Focus on employment-intensive sectors for inclusive growth.

## Missed call

### India must brace itself for a deficient southwest monsoon

The southwest monsoon reached Kerala on June 4, three days past its normal date and four days behind the India Meteorological Department's own forecast. This is the first time since 2015 that the agency has misjudged the onset beyond its margin of error. A late arrival, in itself, is no calamity. The date on which the rains touch the Kerala coast has little statistical bearing on how much falls over the four months that follow. Many times in the past, the monsoon has begun early and failed, and also begun late and recovered. It is what the monsoon has in store over the next four months that is unsettling. The India Meteorological Department has pegged seasonal rainfall at 90% of the long-period average, with a 60% probability of an outright deficient year – its most pessimistic pre-season call in a decade. Only the northeast is expected to see normal rain; the northwest, central India, the peninsula and the monsoon core zone that waters most of the country's rain-fed farmland are all forecast to fall short. As monsoon watchers have often cautioned, it is the distribution – the sudden long dry spells, sown crops that then face the danger of being unwatered – that matters. Every monsoon is consequential for India. This one is exceptionally so, because it arrives atop an input crisis. The West Asia conflict and the disruption at the Strait of Hormuz earlier this year throttled energy supply and fertilizer production.

History offers little comfort. Around 60% of El Niño years since 1951 have brought deficient or below-normal rains; 2002, 2009 were the severest droughts of the century with significant shortfalls in 2014 and 2015. With El Niño now near-certain through the heart of the season, the government must not count on a late, redeeming swing of the Indian Ocean Dipole. That means activating the Agriculture Ministry, Jal Shakti and Consumer Affairs Ministries on a war footing along with the disaster management authorities, with advisories steering farmers toward short-duration pulses, oilseeds and millets over thirsty paddy. Disciplined groundwater and reservoir management are necessary and crop insurance and relief provisioning must be readied. India will also have to brave more days of severe heat, which a parched landscape will only sharpen. The government as recently as last week claimed to deliver a record *kharif* production. While hoping for the best, it must prepare for the worst. A weak monsoon would fall on a farm economy whose nutrients and fuel are both already scarce and dear.

## KEY HIGHLIGHTS:

### Context of the News

- The Southwest Monsoon reached Kerala on 4 June 2026, later than the normal onset date.
- The India Meteorological Department (IMD) has forecast seasonal rainfall at 90% of the Long Period Average (LPA).
- There is a high probability of a deficient monsoon in 2026.
- The forecast is linked to the likely persistence of El Niño conditions during the monsoon season.
- Most regions of India, including the Monsoon Core Zone, are expected to receive below-normal rainfall.
- Concerns are heightened due to rising fertilizer and energy costs arising from global geopolitical disruptions.

### Key Points

#### IMD Forecast

- Seasonal rainfall: 90% of LPA.
- Increased probability of deficient rainfall.
- Northeast India expected to receive relatively better rainfall than other regions.

#### Importance of Monsoon for India

- Contributes nearly 75% of annual rainfall.
- Supports about 50% of India's net sown area, which remains rain-fed.

- Influences:
  - Agricultural production
  - Food security
  - Rural incomes
  - Inflation
  - Water availability

#### Major Concern

- Distribution of rainfall is more important than total seasonal rainfall.
- Long dry spells can damage crops despite normal aggregate rainfall.
- Increased frequency of extreme rainfall events reduces effective agricultural benefits.

### Static Linkages

#### Monsoon Mechanism

- Differential heating of land and sea.
- Seasonal reversal of winds.
- Role of:
  - ITCZ (Inter-Tropical Convergence Zone)
  - Tibetan Plateau
  - Jet Streams
  - ENSO

#### El Niño

- Periodic warming of sea surface temperatures in the equatorial Pacific Ocean.
- Weakens Walker Circulation.
- Generally associated with below-normal monsoon rainfall in India.

#### Indian Ocean Dipole (IOD)

- Difference in sea surface temperatures between western and eastern Indian Ocean.

#### Positive IOD

- Supports stronger monsoon rainfall.
- Can partly offset El Niño effects.

#### Negative IOD

- Suppresses monsoon activity.

### Critical Analysis

#### Opportunities

- Early warning allows advance planning.
- Scope for crop diversification.
- Better reservoir and groundwater management.
- Strengthens climate adaptation planning.

#### Challenges

#### Agricultural Challenges

- Lower Kharif production.
- Reduced farm incomes.
- Increased crop failure risks.
- Higher vulnerability of small and marginal farmers.

#### Economic Challenges

- Food inflation.

- Reduced rural demand.
- Impact on overall economic growth.

#### Water Challenges

- Reduced reservoir levels.
- Groundwater depletion.
- Drinking water shortages.

#### Climate Challenges

- More heatwave days.
- Greater frequency of extreme weather events.
- Increased climate vulnerability.

#### Way Forward

- Promote drought-resilient crops such as millets, pulses and oilseeds.
- Expand micro-irrigation coverage.
- Strengthen district-level contingency crop plans.
- Improve weather forecasting and last-mile advisories.
- Enhance groundwater recharge and watershed development.
- Ensure timely availability of seeds and fertilizers.
- Strengthen crop insurance coverage.
- Adopt climate-smart agricultural practices.
- Improve inter-ministerial coordination for drought preparedness.
- Encourage efficient reservoir management.

# Amid global shocks, activate growth drivers within domestic control

**T**HE GROWTH-inflation mix is set to worsen for India this year, largely due to the West Asia conflict and expectations of a sub-par monsoon — factors not in our control. The longer the conflict persists, the greater the risk to growth and upside to inflation.

To be sure, GDP growth was unanchored in 2025-2026, according to the latest estimates of the National Statistical Office (NSO), despite the tariff turbulence of 2025 and the conflict, which began towards the end of February this year.

The NSO now sees GDP growth for the year at 7.7 per cent, slightly higher than the second advance estimate of 7.6 per cent released in February. The print is above the potential growth rate of 7 per cent noted in the recent Economic Survey and much stronger than projected by policymakers and analysts at the beginning of the year.

The revision is not unusual, considering the February estimate was based on incomplete information for the fourth quarter. High-frequency indicators such as autosales and retail credit growth indicate domestic demand held up during the quarter. But what really makes the performance stand out is a combination of sustained high growth — measured through rebased GDP — and benign inflation, at a lower than-expected 2.1 per cent.

Several factors helped sustain growth despite adverse external conditions. The impact of high tariffs imposed by the US was lower than initially feared as exporters unloaded shipments. Services exporters remained robust, while exemptions for fast-growing sectors such as electronics helped limit the damage. Low crude oil prices and a normal monsoon — the “good luck” factor for India — supported growth and kept inflation under control.

Policy interventions contributed, too. Rate cuts by the Monetary Policy Committee supported financial conditions and demand. Fiscal measures, including rationalisation of GST rates, income tax relief and an increase in direct benefit transfers at the state level, provided additional support. These measures helped strengthen household purchasing power and business sentiment. Private consumption and investments emerged as the primary drivers last year, growing at 7.7 per cent and 8.2 per cent respectively.

Cut to this fiscal year, the ride is becoming more laboured. Growth expectations are being lowered as the slowdown in the economy begins to materialise.

Critics expect GDP growth to slow to 6.6 per cent from 7.7 per cent last year. The RBI, in its June monetary policy, also pared its growth outlook to 6.6 per cent, while keeping rates and stance unchanged. A slew of measures announced by authorities was aimed at encouraging foreign capital inflows, which, along with a depreciating rupee, have been a wrinkle in an otherwise healthy macroeconomic story.

Though the government is likely to maintain its investment momentum, a pick-up in private corporate investment will be delayed due to a highly uncertain environment.

Inflation, on the other hand, will move up to 5.1 per cent, with risks tilted to the upside. Despite the slowdown in real GDP, the nominal GDP growth is set to be higher due to higher inflation based on both the Wholesale Price Index (WPI) and Consumer Price Index (CPI).

The main reason for the worsening growth-inflation mix is the West Asia conflict that has brought



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a major energy shock and a wider trade disruption. It has led to a sharp rise in freight and insurance costs, intensified uncertainty and, coming on top of the unresolved tariff shock 2025, rendered the external environment more challenging.

The expected slowdown in major export destinations, including the US, Europe and West Asia, will likely reduce opportunities for India's goods exports. Also, the two favourable “good luck” factors that supported growth and kept inflation benign last year have turned adverse.

Crude oil is expected to average \$90-95 per barrel this fiscal, compared with \$70 last fiscal. India's high dependence on imported energy increases its vulnerability to both price increases and supply disruptions. Higher costs reduce availability of energy at affordable prices and weigh on growth, particularly in manufacturing, construction and services such as travel, transport and restaurants.

The forecast of El Niño reducing rainfall to 90 per cent of the long-period average could become another headwind to both growth and inflation. Although the development of the Indian Ocean Dipole can provide some offset, it is a bit early to predict how this will play out. The risks from monsoons remain tilted to the downside.

Crisil's Financial Conditions Index shows the conflict significantly tightened India's financial conditions in March and April through capital outflows, sharp depreciation of the rupee and rising bond yields. Tighter financial conditions can affect borrowing costs, investment decisions and overall confidence.

The upside risks to inflation have started materialising, with the pressure currently more visible in wholesale inflation than retail in-

flation. WPI inflation, which is directly affected by global commodity shocks, came in at 8.3 per cent in April, while CPI inflation remained benign at 3.5 per cent.

We expect CPI inflation to rise to 5.1 per cent as manufacturers pass on higher input costs to consumers. The government has also begun passing through higher crude prices to petrol and diesel, which will have both direct and indirect effects on inflation. A weaker rupee further raises the risk of imported inflation.

Food inflation may also come under pressure due to disrupted agricultural production from heatwaves and expected below-normal rainfall. The household survey of inflation expectations released alongside the June monetary policy report suggests rising inflationary expectations.

On the positive side, Crisil Ratings rates that strong balance sheets, with the median debt-to-equity ratio currently at a low of 0.45, provide a cushion to a majority of medium and large corporates.

However, the policy space to support growth through easy monetary policy has evaporated because of rising inflation risks. Fiscal policy will need to balance several priorities: Supporting MSMEs, managing a higher fertiliser subsidy bill and accelerating efforts to improve energy security and affordability.

With the rising frequency of global shocks and geopolitical reset towards protectionism, this is the moment to activate medium-term growth drivers that are within domestic control. Removing the bottlenecks in the economy, fast-tracking ease of doing business and pushing ahead with remaining reforms will be crucial to revive private capex and realise the export potential of recently signed foreign trade agreements.

The writer is chief economist, Crisil

**The expected slowdown in major export destinations, could reduce opportunities for goods exports. Also, the two good luck factors that supported growth and kept inflation benign last year have turned adverse**

## KEY HIGHLIGHTS:

### Context of the News

- The National Statistical Office (NSO) has estimated India's GDP growth at 7.7% in 2025-26, reflecting strong economic performance despite global uncertainties.
- However, growth prospects for 2026-27 are expected to moderate due to the ongoing West Asia conflict, rising crude oil prices, and concerns over a below-normal monsoon linked to El Niño conditions.
- At the same time, inflationary pressures are rising, creating a challenging growth-inflation trade-off for policymakers.

### Key Points

- GDP growth in 2025-26 stood at 7.7%, supported by strong private consumption and investment.
- Lower crude oil prices and a normal monsoon helped keep inflation under control during the previous year.
- The West Asia conflict has increased:
  - Global energy prices.
  - Freight and insurance costs.
  - Uncertainty in global trade.
- India imports around 85% of its crude oil requirements, making it vulnerable to external energy shocks.
- El Niño conditions may lead to below-normal rainfall, affecting agricultural production and food prices.
- Rising crude oil prices and a weaker rupee can contribute to imported inflation.
- RBI's policy challenge is to balance growth support with inflation management.

### Static Linkages

- Inflation Targeting Framework: 4% ± 2%
- Monetary Policy Committee (MPC) under the RBI Act, 1934.

- Current Account Deficit (CAD) and Balance of Payments.
- Cost-push inflation and imported inflation.
- El Niño–Southern Oscillation (ENSO).
- Indian Ocean Dipole (IOD).
- Energy Security and Strategic Petroleum Reserves (SPR).

### Critical Analysis

#### Positives

- Strong domestic demand continues to support economic growth.
- Public investment remains a key growth driver.
- Healthy corporate balance sheets may support future investments.
- Services exports provide resilience against external shocks.

#### Challenges

- Rising crude oil prices may increase inflation and widen CAD.
- Weak monsoon could affect agricultural output and rural incomes.
- Geopolitical tensions may disrupt trade and investment flows.
- Limited monetary policy space due to inflationary pressures.
- Delay in private sector investment because of global uncertainty.

### Way Forward

- Diversify energy import sources and strengthen energy security.
- Accelerate renewable energy adoption.
- Promote climate-resilient agriculture and efficient irrigation systems.
- Maintain public capital expenditure while ensuring fiscal prudence.
- Improve ease of doing business to boost private investment.
- Leverage FTAs and export diversification to reduce external vulnerabilities.

# Let's resist easy indictments of Indian Knowledge Systems



SWATI RAMANATHAN AND RAMESH RAMANATHAN

**Y**OGENDRA YADAV is among modern India's serious public intellectuals. He brings depth and domain knowledge to most subjects he writes about. But Indian Knowledge Systems (IKS), to our understanding, is not one of them. This is only reasonable, given the scale and complexity of the topic.

Yadav begins a recent article ('State push for Indian knowledge systems is a farce. But dismissing them is a mistake', *IE*, May 19) with a disparaging critique of state patronage for IKS as "a state-sponsored farce". But can it happen without state leadership? Globally, every major intellectual and cultural shift has required not just social energy but political leadership as well. Many of us disagree with the BJP on many counts. But its centrality in creating the context for this recent flowering of IKS activity is hard to dispute. The larger issue, though, is not political. It is intellectual.

Yadav makes several critiques of the current IKS effort — that it is backward-looking, overly text-based, dismissive of oral traditions, excessively Brahmanical (read Sanskrit), and seeks validation through Western categories. Essentially, IKS is little more than a selective glorification of ancient Sanskrit texts, dismissive of, in his words, "farming and artisanal communities that we call uneducated and backward".

Yadav's indictment of Sanskrit reflects an old intellectual habit in India. Part of this is Dravidian politics. But part of it comes from the long shadow of the Macaulay project

But who is making this argument? There is no prescribed pedagogy for IKS. No scholar or practitioner suggests Indian knowledge systems begin and end with Sanskrit. We ourselves support an open-source IKS initiative focussed precisely on the oral and folk traditions Yadav describes as ignored. That work is independent of the state, but exists because of the opening the state created.

Yadav's indictment of Sanskrit reflects an old intellectual habit. Part of this is Dravidian politics. But part of it comes from the long shadow of the Macaulay project. Even while critiquing the "pathetic political project" of seeking validation from the West, Yadav wants IKS to be "future-oriented" and "connected to modern science" — categories emerging from a Western framework.

Can we really imagine a serious, vibrant IKS without the richness, diversity and depth of Sanskrit material? Tamil, Bhakti, Buddhist, Jain and countless vernacular traditions all carried deep philosophical and spiritual insight. But Sanskrit functioned as a connective layer — a space where India debated consciousness, selfhood, ethics, reality and liberation in a systematic way.

Acharya Tripathi's book, which Yadav praises, is about India as a knowledge culture in which Sanskrit is connective tissue across regional streams of meaning-making; his larger concern is the rupture colonial education inflicted on that inheritance. Similarly, Allama Prabhu and Basavanna, in the 12th century, were not seeking to dismantle Sanskrit civilisation. Their Kannada *vachana* movement was a spiritually grounded social reform emerging from Indic traditions.

This is not to deny the historical exclusions of Sanskrit and Brahmanical learning. But Vivekananda, Sri Aurobindo and scholars like Kapil Kapoor pointed to a balanced approach. Vivekananda's answer was not to reject Sanskrit but to take knowledge beyond enclosures and make it available to all. Aurobindo warned that "it will not be a good day for India when the ancient tongue ceases entirely to be written or spoken".

The contrast with the West is striking. Through the Renaissance, Enlightenment, Romanticism, modernity and postmodernism, it kept engaging its classical inheritance. Greek and Latin were critiqued and reinterpreted, but never treated as foreign to the civilisation that grew from them. India, unusually, developed a habit of separating Sanskrit from the living traditions around it.

The IKS movement marks the beginning of something important — not a triumphalist declaration of past glory, but a serious effort to rediscover, study, debate, and revive India's own knowledge traditions. The process will be messy. There will be exaggerations, oversimplifications and political appropriations. But the answer cannot be to retreat into strawman arguments.

The writers are co-founders of JANA Group. Views are personal.

- Traditional knowledge vs scientific validation.
- Role of the State in cultural revival.

## Static Linkages

- Article 29 – Protection of cultural rights.
- Article 51A(f) – Duty to preserve India's composite culture.
- Education in Concurrent List.
- Macaulay's Minute (1835) and colonial education policies.
- Ancient centres of learning:
  - Nalanda
  - Takshashila
  - Vikramashila
- Contributions of:
  - Aryabhata
  - Charaka
  - Sushruta
  - Panini

## Critical Analysis

### Significance

- Promotes cultural self-confidence.
- Preserves indigenous knowledge traditions.
- Supports educational decolonisation.
- Encourages research on traditional practices.

### Concerns

- Risk of selective interpretation of history.
- Possible neglect of tribal, folk and oral traditions.
- Need for scientific scrutiny of traditional claims.
- Risk of politicisation of knowledge systems.

## Way Forward

- Adopt evidence-based approach towards IKS.
- Include tribal, regional and oral traditions.
- Encourage interdisciplinary research.
- Promote critical inquiry rather than blind acceptance.
- Integrate useful traditional knowledge with modern science.
- Strengthen implementation of NEP 2020.

## KEY HIGHLIGHTS:

### Context

- A debate has emerged regarding the government's promotion of Indian Knowledge Systems (IKS).
- Critics argue that the present approach is overly focused on Sanskrit traditions and may overlook regional, folk and oral knowledge systems.
- Supporters contend that IKS revival is necessary for decolonising education and recovering India's intellectual heritage.
- The discussion is relevant in the context of the implementation of the National Education Policy (NEP) 2020.

### Key Points

- IKS includes traditional Indian knowledge related to:
  - Philosophy
  - Mathematics
  - Astronomy
  - Medicine
  - Agriculture
  - Architecture
  - Governance and ethics
- Government initiatives:
  - NEP 2020 promotes integration of Indian knowledge traditions.
  - IKS Division established under AICTE.
  - Promotion of Indian languages and classical texts.
- Core debate:
  - Revival vs glorification of the past.
  - Sanskrit-centric vs inclusive approach.

## Facing stress, economy will need a leg up

THE INDIAN economy grew at a healthy pace in the fourth quarter (January-March) of the last financial year (2025-26), despite the conflict in West Asia that had begun to cause widespread disruptions to global energy markets and trade towards the end of the quarter. GDP growth has been pegged at 7.8 per cent for the quarter by the National Statistics Office, driven by a buoyant services sector. This takes growth for the full year to 7.7 per cent — the highest in the last three years. However, at 8.9 per cent, nominal growth was the lowest. It was also significantly lower than the 10.1 per cent assumed in the Union budget.

The disaggregated data shows that the services sector grew at almost 10 per cent in the fourth quarter, with both segments — trade, hotels, transport, and communication and financial, real estate, IT and professional services — growing at a fairly healthy clip. Agriculture continued to hold up, while manufacturing growth slowed down. On the other hand, both private consumption and investment stayed steady. Growth over the full year — a period marked by tremendous uncertainty on the external front owing to Donald Trump's tariff policies — is likely to have been supported by both fiscal and monetary policy. Measures such as the rationalisation of GST rates and low interest rates would have provided support to economic activities.

The outlook for the ongoing financial year (2026-27) is, however, less buoyant. In the June Monetary Policy Committee meeting, the RBI has projected the economy to slow down to 6.6 per cent this year, down from its earlier assessment of 6.9 per cent. This implies that growth this year is likely to be around 1.1 percentage points lower than last year. Some estimates are more pessimistic. Higher energy and commodity prices and continued supply chain disruptions, along with the possibility of a weak monsoon season, are heavily weighing down expectations. Economic momentum is expected to be particularly hit during the first half of the year. Growth is expected to slow down, while inflation is likely to edge upwards. Much will depend on how long the conflict in West Asia drags on. Then there is the stress on the balance of payments and the currency to contend with. On their part, the Union government and the RBI have taken several steps to shield the economy during this period of stress. Last week, measures were announced to attract foreign capital and ease the pressure on the rupee. But, considering the severity of the situation, more steps may be needed.

### KEY HIGHLIGHTS:

#### Context

- NSO estimated India's GDP growth at 7.7% in FY 2025-26, the highest in the last three years.
- Q4 GDP growth stood at 7.8%, driven mainly by the services sector.
- Growth remained resilient despite:
  - West Asia conflict.
  - Global supply-chain disruptions.
  - Trade uncertainties.
- RBI has projected growth to moderate to 6.6% in FY 2026-27.

#### Key Points

- FY 2025-26 GDP Growth: 7.7%
- Q4 GDP Growth: 7.8%
- Nominal GDP Growth: 8.9% (lower than Budget assumption of 10.1%)
- Services sector grew nearly 10% in Q4.
- Agriculture remained resilient.
- Manufacturing growth slowed.
- Private consumption and investment remained stable.
- Growth supported by:
  - Accommodative monetary policy.
  - GST rationalisation.
  - Government expenditure.
- Major risks:
  - Rising crude oil prices.
  - Weak monsoon.
  - Supply-chain disruptions.
  - Inflationary pressures.
  - CAD and rupee depreciation risks.

#### Static Linkages

- GDP = Monetary value of all final goods and services produced within a country.
- Real GDP measures growth at constant prices; Nominal GDP at current prices.
- GDP Deflator reflects economy-wide inflation.
- Current Account Deficit (CAD) widens when imports exceed exports.
- High crude oil prices adversely affect:
  - Inflation.
  - CAD.
  - Exchange rate stability.
- RBI follows a Flexible Inflation Targeting Framework:
  - Target:  $4\% \pm 2\%$
- Monsoon remains critical for:
  - Agricultural output.
  - Rural demand.
  - Food inflation.

#### Critical Analysis

##### Positives

- India remains one of the fastest-growing major economies.
- Strong services sector performance.
- Stable domestic demand.
- Policy support from Government and RBI.

##### Concerns

- Growth remains dependent on services rather than manufacturing.
- Lower nominal GDP growth may affect tax revenue collection.
- Rising oil prices can worsen inflation and CAD.
- Weak monsoon may affect agricultural growth and food prices.
- Geopolitical tensions increase external vulnerabilities.

##### UPSC Mains Angle

Can India sustain high economic growth amid global uncertainties?

- Strong domestic demand provides resilience.
- However, energy dependence, external shocks, and climate risks remain major challenges.
- Long-term growth requires manufacturing expansion, export competitiveness, and productivity enhancement.

#### Way Forward

- Strengthen manufacturing through PLI and industrial reforms.
- Diversify energy sources and promote renewables.
- Improve export competitiveness.
- Enhance agricultural resilience through irrigation and climate-smart farming.
- Maintain fiscal prudence while supporting growth.
- Attract stable foreign investment.
- Strengthen supply-chain resilience.

# Rain & fertiliser shortfall can be an opportunity

INDIA'S FARM sector grew by 4.2 per cent in 2024-25 and 3.2 per cent in 2025-26 on the back of two good monsoon years. Rainfall for the country as a whole was 104 per cent of its long period average (LPA) in 2024 and 110 per cent in 2025, with the southwest monsoon season (June-September) alone registering nearly 8 per cent surplus precipitation in both years. This year, the prognosis isn't great due to an El Niño, expected to return after a strong event from around June 2023 to April 2024. Global models indicate a weak-to-moderate El Niño developing in the current monsoon season. The India Meteorological Department has already forecast a below-normal monsoon, with overall rainfall at 90 per cent of LPA for the four-month season.

But the hit to agriculture may not come in the kharif crop season, whose plantings have just about commenced and will pick up as the monsoon advances. The real impact might be during the rabi (winter-spring) season, with strong-to-very strong El Niño conditions projected to emerge through November-January. El Niño is known to not only suppress the monsoon rainfall but also lead to warmer and shorter winters in India. If its intensity is relatively mild during the monsoon months and peaks after November, the rabi crops are the ones that will bear the brunt. The same goes for fertilisers, where the stocks seem reasonably comfortable to meet the requirements of the kharif season. The effects of the supply shock from the ongoing West Asia conflict and blockade of the Strait of Hormuz may be felt only in rabi. This applies even to food inflation, which has not spiralled so far (unlike energy, metals or industrial raw materials), thanks to record 2025-26 crop production levels both in India and globally.

India should turn the potential double whammy of rain and fertiliser shortfalls into an opportunity. The country imported an all-time-high 16.9 million tonnes (mt) of vegetable oils in 2025-26 and 7.3 mt of pulses the previous fiscal. The Narendra Modi government must work towards making 2026 India's year of millets, pulses and oilseeds, which also consume less water and fertilisers — especially urea (nitrogen) — than rice, wheat or sugarcane. Indian farmers respond well to price signals. They will grow these crops once assured of minimum support prices (MSP), either through direct government procurement or payment of difference over open market rates. Such MSP assurance should, however, be conditional upon cost/market-driven pricing of water and fertilisers, which will promote efficient use of these scarce resources.

## KEY HIGHLIGHTS:

### Context

- IMD has forecast a below-normal monsoon (90% of LPA) for 2026 due to the likely emergence of El Niño conditions.
- While kharif crops may face limited impact initially, a stronger El Niño during winter could adversely affect Rabi crops through warmer temperatures and moisture stress.
- Simultaneously, global fertiliser supplies may face disruptions due to geopolitical tensions in West Asia.
- The situation highlights the need for promoting millets, pulses and oilseeds to strengthen agricultural resilience and reduce import dependence.

### Key Points

#### El Niño and Indian Agriculture

- El Niño is the abnormal warming of sea surface temperatures in the equatorial Pacific Ocean.
- Generally associated with:
  - Weakening of southwest monsoon.
  - Higher temperatures in India.
  - Reduced soil moisture and water availability.
  - Adverse impact on crop yields.

#### Impact on Rabi Crops

- Rabi crops depend on:
  - Residual soil moisture.
  - Winter rainfall (Western Disturbances).
  - Cool temperatures.

- Warmer winters can reduce productivity of:
  - Wheat
  - Mustard
  - Gram
  - Barley

#### Fertiliser Concerns

- West Asia is a major supplier of:
  - Urea
  - Phosphatic fertilisers
  - Potash
- Supply disruptions may increase fertiliser costs and affect agricultural production.

#### Crop Diversification

- Millets, pulses and oilseeds:
  - Require less water.
  - Need lower fertiliser inputs.
  - Are more climate-resilient.
  - Improve nutritional security.
- Supports sustainable agriculture and resource conservation.

#### Static Linkages

- ENSO (El Niño Southern Oscillation) is a major climatic phenomenon affecting global weather patterns.
- Monsoon contributes nearly 75% of India's annual rainfall.
- Pulses improve soil fertility through nitrogen fixation.
- MSP is recommended by the Commission for Agricultural Costs and Prices (CACP).
- Millets were promoted under the International Year of Millets (2023).
- Groundwater depletion is highest in rice-wheat growing regions of north-western India.

#### Critical Analysis

##### Significance

- Enhances climate resilience of agriculture.
- Reduces import dependence on edible oils and pulses.
- Promotes sustainable use of water and fertilisers.
- Improves nutritional outcomes.

##### Challenges

- Assured procurement remains concentrated in rice and wheat.
- Limited market infrastructure for pulses and oilseeds.
- Farmer reluctance due to income uncertainty.
- Climate variability increasing production risks.

#### Way Forward

- Expand MSP-backed procurement for pulses and oilseeds.
- Promote millets under nutrition and food security programmes.
- Strengthen PMKSY and micro-irrigation.
- Encourage balanced fertiliser use and nutrient management.
- Invest in climate-resilient seed varieties.
- Improve storage, processing and market linkages.
- Enhance weather forecasting and crop advisories.