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OCTOBER 7, 2026



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DAILY CURRENT AFFAIRS

1. Proposed Five-Pronged Reforms in the GST Architecture

Key Highlights & Summary

- The Central Government has proposed a comprehensive five-pronged plan aiming to automate processes and eliminate administrative bottlenecks within the Goods and Services Tax (GST) framework.
- Focus areas cover process reforms, structural reforms, ease of living and doing business, exports of services, and e-commerce.
- Key measures include automatic invoice matching between buyers and sellers, paperless workflows, and streamlined Input Tax Credit (ITC) processes.
- Small taxpayers supplying exclusively to consumers (B2C) are proposed to file returns annually instead of monthly, alongside removing multi-state registration barriers for national sales.
- Service exports definition will be widened to include services provided to foreign clients through overseas branches, boosting cross-border services trade.
- Rate adjustments, including GST on Merchant Discount Rate (MDR) for UPI transactions, remain excluded from this specific agenda.

Essential Definitions

- **Goods and Services Tax (GST):** A destination-based, comprehensive indirect consumption tax levied on the supply of goods and services across India.
- **Input Tax Credit (ITC):** A mechanism allowing businesses to deduct tax paid on purchases (inputs) from the tax payable on final sales (outputs), preventing tax cascading.
- **Merchant Discount Rate (MDR):** A fee paid by merchants to acquiring banks for processing electronic payment transactions.

Legal and Constitutional Framework

- **Article 246A:** Grants Parliament and State Legislatures concurrent powers to make laws regarding GST levied by the Union or States.

- **Article 279A:** Mandates the establishment of the GST Council, a joint forum of the Centre and States responsible for making recommendations on rates, exemptions, and administrative regulations.
- **Article 269A:** Vests power in the Government of India to levy and collect Goods and Services Tax on supplies taking place in the course of inter-State trade or commerce.
- **Central Goods and Services Tax (CGST) Act, 2017:** Governs administration, registration, assessment, and ITC verification mechanisms at the federal level.

Reform proposal

The five-pronged plan aims at automating and easing administrative bottlenecks in the GST system

FOCUS ON:

- Process reforms
- Structural reforms
- Ease of living and doing business
- Export of services
- E-commerce

- Key beneficiaries will be small businesses, inter-State businesses, and service exporters



- The proposals will be discussed at the GST Council meeting and, if approved, will be implemented in a staggered manner

Conclusion

The proposed five-pronged GST reform package reflects a vital transition towards a tech-driven, seamless administrative regime. By easing compliance overheads for MSMEs and clarifying service export norms, these initiatives promote trade facilitation while sustaining fiscal stabilization across the federal economy.

UPSC Relevance

- **GS Paper II:** Indian Constitution, Federal Governance, and Statutory Bodies (Structure, duties, and functioning of the GST Council under Article 279A).
- **GS Paper III:** Indian Economy and Issues Relating to Planning, Mobilization of Resources, Growth, Development, and Indirect Tax Reforms.

2. Launch of INS Surya: India's First Indigenous Fleet Support Ship

Key Highlights & Summary

- Defence Minister Rajnath Singh launched the Indian Navy's first indigenous Fleet Support Ship (FSS-1), named *Surya*, and laid the keel for the fifth vessel (FSS-5) at Hindustan Shipyard Limited (HSL), Visakhapatnam.
- The mega-project is backed by a ₹19,000-crore contract between the Ministry of Defence and HSL to construct five indigenous auxiliary vessels.
- Boasting 82% indigenous content, *Surya* serves as a floating supply powerhouse designed to sustain high-intensity, long-range naval operations far from home ports.
- The vessel features an internal storage capacity of up to 20,000 tonnes of high-speed diesel, 2,500 tonnes of aviation turbine fuel, fresh water, and dry cargo containers for ammunition and spares.
- *Surya* can simultaneously replenish fuel, stores, and personnel across multiple warships at sea, ensuring uninterrupted high-seas deployment capabilities.

- The project facilitated a massive infrastructure upgrade at HSL, including a modernized slipway and a 300-tonne Goliath crane, expanding covered building dock capacity to 80,000 DWT.

Essential Definitions

- **Fleet Support Ship (FSS):** An auxiliary naval vessel designed to replenish warships at sea with fuel, ammunition, provisions, and spare parts, thereby extending operational range and endurance.
- **Underway Replenishment (UNREP):** A method of transferring fuel, munitions, and stores from one ship to another while both are under way at sea.
- **Keel Laying:** The formal recognition of the start of a ship's construction, marking the joining of the structural components.
- **Deadweight Tonnage (DWT):** A measure of how much weight a ship can safely carry, excluding the weight of the vessel itself.



Legal and Constitutional Framework

- **Article 246 (Seventh Schedule - List I, Entry 1 & Entry 2):** Grants Parliament exclusive power to enact laws regarding Naval, Military, and Air Forces, as well as the Defence of India.
- **Defence Procurement Procedure (DPP) / Defence Acquisition Procedure (DAP):** Governs defense capital acquisitions, emphasizing the "Make in India" initiative and promoting higher indigenous content in defense manufacturing.
- **Maritime Zone of India Act, 1976:** Provides the statutory basis for safeguarding India's territorial waters, Exclusive Economic Zone (EEZ), and maritime interests supported by naval power projection.

Conclusion

The launch of *Surya* marks a major milestone in India's transition from defense self-reliance (Aatmanirbhar Bharat) toward global competitiveness in naval engineering. By bolstering blue-water operational endurance and strengthening domestic shipbuilding infrastructure, India reinforces its status as a net security provider in the Indian Ocean Region.

UPSC Relevance

- **GS Paper III:** Security Challenges and their Management; Indigenization of Technology and Developing New Technology in the Defence Sector; Aatmanirbhar Bharat in Defence.
- **GS Paper II:** India and its Neighborhood Relations; Strategic Autonomy and Maritime Security in the Indian Ocean Region (IOR).

3. Anti-Dam Protests in Arunachal Pradesh over Proposed Siang Hydropower Project

Key Highlights & Summary

- A tribal youth body, the All Adi Youth Association, has demanded the immediate withdrawal of Central Armed Police Forces and State Police from the Siang belt in Arunachal Pradesh.
- Protests erupted in Siang and Upper Siang districts against pre-feasibility reports and surveys for the proposed Siang Upper Multipurpose Project.
- Executed by National Hydroelectric Power Corporation (NHPC) Limited, the mega-hydropower project is estimated to generate at least 11,000 MW of electricity.
- Protesters contend that the dam will submerge tribal lands, destroy extensive forest habitats, disrupt biodiversity, and displace local indigenous communities across 27 affected villages.
- The youth body urged resolving developmental disputes through the traditional Kejang customary dispute-resolution mechanism rather than through security force deployment.
- The Centre and State project this dam as a strategic countermeasure to China's 60,000 MW Medog super-dam on the upstream Yarlung Tsangpo river.



Essential Definitions

- **Siang River:** The main stem of the Brahmaputra River in Arunachal Pradesh, originating as the Yarlung Tsangpo in Tibet before merging with the Dibang and Lohit rivers downstream in Assam.
- **Kejang:** A traditional village council institution among the Adi tribe of Arunachal Pradesh that resolves local socio-legal disputes through customary law and community consensus.
- **Run-of-the-River Project:** A type of hydroelectric power generation that utilizes the natural flow and elevation drop of a river with minimal or no water storage reservoir.

Legal and Constitutional Framework

- **Article 244(1) and Fifth/Sixth Schedule Principles:** Constitutional provisions safeguarding tribal autonomy, culture, land rights, and customary governance structures in scheduled and tribal areas.
- **Gram Sabha Consent under PESA / Forest Rights Act (FRA), 2006:** Mandates Free, Prior, and Informed Consent (FPIC) from indigenous traditional assemblies before diverting forest land or initiating major infrastructure projects.
- **Environment Protection Act, 1986 & EIA Notification, 2006:** Statutory requirement for Environmental Impact Assessment (EIA) and mandatory public consultations before granting environmental clearances for large hydroelectric plants.

Conclusion

The ongoing resistance in the Siang belt highlights the delicate balance between national strategic priorities, energy security, and ecological protection. Addressing indigenous socio-environmental concerns through consultative customary mechanisms like the Kejang remains essential for sustainable development in ecological fragile borderlands.

UPSC Relevance

- **GS Paper II:** Federal Structure and Centre-State Relations; Governance and Tribal Rights; Functioning of Customary Dispute Resolution Systems.
- **GS Paper III:** Infrastructure (Energy & Hydropower); Environmental Impact Assessment (EIA); Conservation and Biodiversity Loss; Transboundary Water Dynamics and Geopolitics (India-China Relations).

4. G7 Release of Emergency Oil Reserves to Curb Global Diesel Prices

Key Highlights & Summary

- The Group of Seven (G7) nations agreed to coordinate with the International Energy Agency (IEA) to release 100 million barrels of crude oil and petroleum products from emergency reserves over four months.
- The decision includes a front-loaded release of substantial diesel volumes in the first 20 days to mitigate immediate global supply tightness and surging fuel prices.
- Price spikes stem from supply disruptions along critical maritime trade routes like the Strait of Hormuz and ongoing attacks on oil infrastructure amid geopolitical conflicts.
- Global fuel market pressures prompted the US administration to rule out a proposed diesel export ban, recognizing that regional supply disparities and international price integration would make export limits counterproductive.
- For India, lower international diesel prices help ease imported inflation and reduce under-recoveries for State-owned Oil Marketing Companies (OMCs) that absorb retail price shocks.
- However, lower global prices may compress the refining margins of Indian export-oriented, private-sector refiners that profit from high international product cracks.

Essential Definitions

- **Under-Recovery:** The operational loss incurred by public sector Oil Marketing Companies when selling petroleum products domestically at regulated prices below the international cost-reflective market price.
- **Strategic Petroleum Reserves (SPR):** Emergency stockpiles of crude oil and refined petroleum products maintained by nations to cushion the economic impact of sudden energy supply disruptions.
- **Refining Margin (Crack Spread):** The price differential between a barrel of crude oil and the wholesale value of the refined petroleum products produced from it.

Legal and Constitutional Framework

- **International Energy Program (IEP) Agreement:** The statutory international framework governing collective stock-draw responses by member countries of the International Energy Agency during supply emergencies.



- **Petroleum and Minerals Pipelines Act, 1962 & Essential Commodities Act, 1955:** Statutory enactments empowering the Government of India to regulate the supply, distribution, pricing, and infrastructure transport of essential petroleum products.
- **Article 297:** Constitutional declaration vesting ownership of petroleum and natural gas resources within India's territorial waters, continental shelf, and Exclusive Economic Zone (EEZ) in the Union of India.

Conclusion

While the coordinated G7 emergency stock draw offers immediate, short-term relief to global diesel markets, it does not resolve the structural geopolitical vulnerabilities affecting global fuel supply chains. Long-term energy security requires strengthening domestic strategic reserves and accelerating the transition toward alternative fuels.

UPSC Relevance

- **GS Paper III:** Indian Economy (Inflationary Pressures, Energy Security, and Pricing Dynamics); Infrastructure and Energy Sector Reform.
- **GS Paper II:** Bilateral, Regional, and Global Groupings and Agreements involving India (G7, IEA); Geopolitics of West Asia and its Impact on Indian National Interests.

5. Probe into 2006 KSTP Bribery Allegations Concerning the Chief Election Commissioner

Key Highlights & Summary

- The Kerala government directed its Vigilance and Anti-Corruption Bureau to reopen a 2006 bribery investigation involving Chief Election Commissioner (CEC) Gyanesh Kumar.
- The allegations relate to his tenure as Secretary of Kerala's Public Works Department (PWD) during the implementation of the World Bank-aided Kerala State Transport Project (KSTP).
- The case stems from the 2006 suicide of Malaysian engineer Lee See Been, chief project manager for joint venture contractor PATI-BEL, who left a note alleging PWD officials demanded bribes to clear bills.
- Project execution suffered severe cost overruns and delays, partly because land acquisition was initiated two years after handing over the contract without prior acquisition.
- The contractor requested a 30% contract cost increase due to rising construction expenses, leading to contract cancellation, subsequent re-tendering attempts, and eventual renewal with additional state funding.
- The reopening of the probe has triggered political demands for the resignation of the Chief Election Commissioner amidst ongoing opposition criticism regarding election administration processes.

Essential Definitions

- **Vigilance and Anti-Corruption Bureau (VACB):** The specialized agency of a state government responsible for investigating corruption, bribery, and official misconduct among public servants.

- **Chief Election Commissioner (CEC):** The administrative head of the Election Commission of India, a constitutional body tasked with conducting free and fair elections across the nation.
- **Cost Overrun:** The unexpected excess expenditure incurred beyond the originally budgeted amount due to delays, scope changes, or administrative bottlenecks during project execution.

Legal and Constitutional Framework

- **Article 324:** Grants the Election Commission of India plenary powers for the superintendence, direction, and control of elections to Parliament and state legislatures.
- **Article 324(5):** Secures the tenure of the Chief Election Commissioner, specifying that the CEC can only be removed from office in like manner and on like grounds as a Judge of the Supreme Court.
- **Prevention of Corruption Act, 1988:** Provides the legal mechanism to investigate and prosecute public servants involved in bribery, criminal misconduct, and pecuniary irregularities.
- **Chief Election Commissioner and Other Election Commissioners Act, 2023:** Regulates the appointment, conditions of service, and term of office of the Chief Election Commissioner and other Election Commissioners.

Conclusion

The revival of two-decade-old corruption allegations highlights the imperative of maintaining absolute administrative transparency in large-scale public infrastructure contracts. Furthermore, it underscores the need to preserve the credibility and constitutional integrity of vital oversight institutions against partisan controversies.

UPSC Relevance

- **GS Paper II:** Constitutional Bodies (Powers, Functions, and Independence of the Election Commission of India); Structure and Functioning of the Judiciary and Executive; Governance and Anti-Corruption Mechanisms.
- **GS Paper III:** Infrastructure Development (Roadways and Public Works Management); Issues in Public-Private Partnerships (PPP) and External Funding; Project Implementation Delays and Fiscal Overruns.

6. Nobel Prize in Physics: IceCube Observatory and Ghost Particles

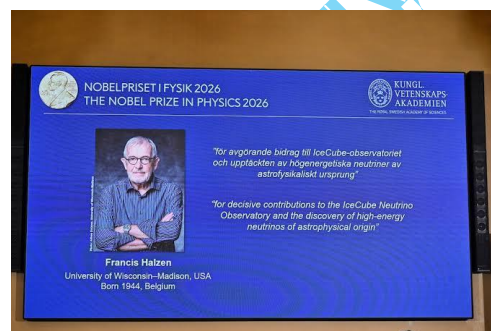
Key Highlights & Summary

- Belgian-American scientist Francis Halzen was awarded the 2026 Nobel Prize in Physics for designing the IceCube Neutrino Observatory in Antarctica.
- The award recognizes decisive contributions to detecting high-energy neutrinos of extra-galactic and astrophysical origin.
- Neutrinos are electrically neutral sub-atomic particles produced in nuclear reactions, second only to photons in cosmic abundance.

- Dubbed "ghost particles," nearly 65 billion neutrinos pass through a human fingernail every second without interacting with matter.
- Built deep under South Pole glacial ice, IceCube uses over 5,000 optical sensors across one cubic kilometer to capture faint Cherenkov radiation light flashes generated when neutrinos collide with ice nuclei.
- High-energy extra-galactic neutrino detection advances multi-messenger astronomy, allowing scientists to study cosmic events through combined signal channels including light, cosmic rays, gravitational waves, and neutrinos.

Essential Definitions

- **Neutrino:** A fundamental, electrically neutral sub-atomic particle with near-zero mass that interacts extremely weakly via the weak nuclear force and gravity.
- **Cherenkov Radiation:** Electromagnetic radiation emitted when a charged particle travels through a dielectric medium (like ice or water) at a speed greater than the phase velocity of light in that medium.
- **Multi-Messenger Astronomy:** An observational technique that coordinates independent cosmic signals—such as electromagnetic radiation, gravitational waves, cosmic rays, and neutrinos—to analyze astrophysical phenomena.



Legal and Constitutional Framework

- **Article 51A(h):** Constitutional duty directing every Indian citizen to develop a scientific temper, humanism, and the spirit of inquiry and reform.
- **Science, Technology, and Innovation Policy (STIP):** National policy framework promoting fundamental research, megascience projects, and international collaborative research infrastructure.
- **Atomic Energy Act, 1962:** Statutory enactment regulating atomic energy development and nuclear research infrastructure within India.

Conclusion

Francis Halzen's pioneering work at the IceCube Observatory opens a novel observational window into deep space, transforming basic particle physics into a tool for cosmic exploration. Advancing domestic projects like the proposed India-based Neutrino Observatory (INO) remains crucial for strengthening national scientific capacity in frontier megascience research.

UPSC Relevance

- **GS Paper III:** Science and Technology—Developments and Applications; Awareness in the fields of Space, Computers, Robotics, and Particle Physics; Indigenization of Technology and Basic Scientific Research.
- **GS Paper I:** General Science and Universe Concepts; Scientific Discoveries and Nobel Laureates.

7. Historical Legacy of the Russian and Chinese October Revolutions

Key Highlights & Summary

- The month of October marks two pivotal twentieth-century revolutions: the Bolshevik seizure of power in Russia (October 1917) and Mao Zedong's proclamation of the People's Republic of China (October 1, 1949).
- The 1917 Russian Revolution established the world's first socialist state founded on Marxist principles, overthrowing the Tsarist autocracy amid World War I disruptions.
- The Chinese Communist Revolution adapted Marxist ideology to a predominantly agrarian Asian society, placing the peasantry—rather than the industrial proletariat—at the core of revolutionary mobilization.
- Both revolutions challenged Western European imperialist hegemony, inspiring national liberation and anti-colonial movements across Asia and Africa.
- Indian national leaders and intellectuals were profoundly influenced by these movements; M.N. Roy debated colonial strategies with Vladimir Lenin, while Jawaharlal Nehru drew inspiration for centralized economic planning.
- Despite driving major social transformations in literacy, land distribution, and public health, both regimes entailed significant historical tragedies including forced collectivization, political repressions, and institutionalized single-party rule.



Essential Definitions

- **Bolsheviks:** A faction of the Marxist Russian Social Democratic Labour Party led by Vladimir Lenin that seized power during the Russian Revolution of 1917.
- **Soviets:** Worker, soldier, and peasant councils in Russia that functioned as alternative centers of political authority prior to and after the 1917 October Revolution.
- **Agrarian Marxism (Maoism):** A theoretical adaptation of Marxism-Leninism developed by Mao Zedong that identifies the rural peasantry as the primary revolutionary force in pre-industrial, agrarian societies.

Legal and Constitutional Framework

- **Article 39(b) & (c):** Directive Principles of State Policy in the Constitution of India inspired by socialist economic ideals, directing the State to ensure fair distribution of material resources and prevent wealth concentration.
- **Preamble to the Constitution of India:** Incorporates the ideals of "Socialist" statehood alongside "Social, Economic, and Political Justice," influenced by twentieth-century egalitarian movements.
- **Fifth and Sixth Schedules:** Constitutional mechanisms ensuring tribal governance, land rights protection, and communal resource stewardship, reflecting historic anti-feudal and anti-colonial jurisprudence.

Conclusion

The October Revolutions fundamentally altered global political architecture by presenting alternatives to colonial imperialism and unfettered capitalism. While their institutional manifestations evolved differently, the underlying debates regarding land reform, social welfare, economic planning, and state-led development continue to shape contemporary political economy.

UPSC Relevance

- **GS Paper I:** World History (Redraw of National Boundaries, Decolonization, Rise of Communism, and 20th-Century Revolutions); Modern Indian History (Impact of Socialist Ideology on the Indian National Movement).
- **GS Paper II:** Political Philosophies and Ideologies (Socialism, Communism, Capitalism) and their effect on governance structures.

8. Union Cabinet Approves SME Growth Fund and Integrated Transport Authority

Key Highlights & Summary

- The Union Cabinet approved the Small and Medium Enterprise (SME) Growth Fund (SGF) with an initial outlay of Rs 10,000 crore.
- The SGF acts as a patient equity fund under the Alternative Investment Fund (AIF) structure to bridge long-term growth-capital shortages for high-potential manufacturing SMEs.
- Investments will specifically target manufacturing enterprises in Tier-II and Tier-III industrial clusters to promote balanced regional growth and supply chain integration.
- The fund aims to reduce over-reliance on debt financing among MSMEs, aiding capacity expansion, technology adoption, and international competitiveness.
- The Union Cabinet also approved setting up the Integrated Transport & Logistics Authority (ITLA) under the Ministry of Commerce & Industry.
- ITLA will serve as an apex body to drive multi-modal synergy across railways, highways, aviation, and waterways, aligning infrastructure planning with national logistics needs.

Essential Definitions

- **Alternative Investment Fund (AIF):** A privately pooled investment vehicle established in India that collects funds from investors for investing in accordance with a defined investment policy for the benefit of its investors.
- **Patient Capital:** Long-term capital where the investor is willing to make a financial investment without expecting immediate short-term returns, prioritizing sustained operational growth.
- **Multi-Modal Logistics:** The transportation of goods under a single contract, but performed with at least two different means of transport (e.g., rail, road, sea, air).

Legal and Constitutional Framework

- **Micro, Small and Medium Enterprises Development (MSMED) Act, 2006:** Provides the primary legal framework for the classification, promotion, development, and competitiveness enhancement of MSMEs in India.
- **Article 301:** Guarantees freedom of trade, commerce, and intercourse throughout the territory of India, supporting inter-state logistics and seamless movement of goods.
- **PM Gati Shakti National Master Plan:** Policy framework providing institutional backing for integrated planning and synchronized execution of industrial infrastructure and multi-modal connectivity projects.

Conclusion

The dual approval of the SME Growth Fund and the Integrated Transport Authority marks a structural push toward scaling up domestic manufacturing and streamlining supply chain execution. By providing patient growth equity alongside integrated logistics infrastructure, these initiatives reinforce India's global trade competitiveness and long-term economic resilience.



UPSC Relevance

- **GS Paper III:** Indian Economy (Growth, Mobilization of Resources, Investment Models, and MSME Sector); Infrastructure (Transport, Ports, Roads, Railways, and Logistics Efficiency).
- **GS Paper II:** Government Policies and Interventions for Development in Various Sectors and Issues Arising Out of Their Design and Implementation.

9. Macroeconomic Factors Driving RBI's Monetary Tightening Cycle

Key Highlights & Summary

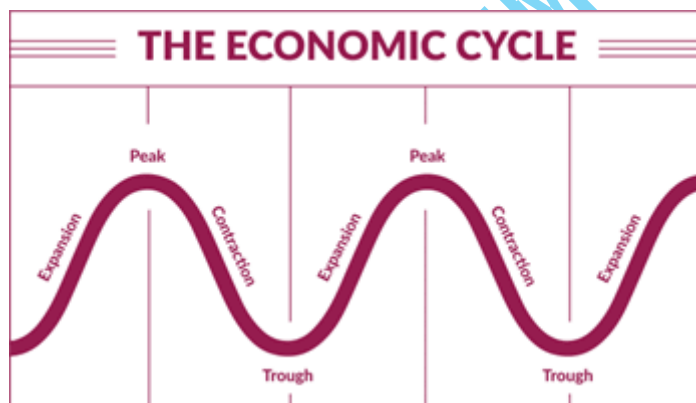
- The Reserve Bank of India's (RBI) Monetary Policy Committee (MPC) is expected to initiate a rate-hiking cycle to counter rising inflation and global financial spillover effects.
- Retail inflation in India surged to 4.8% in August, breaching the RBI's primary mid-point target of 4% due to broad-based price pressures across food and energy commodities.
- Rising global crude oil prices exceeding \$100 per barrel, driven by conflicts in West Asia, alongside El Niño-induced monsoon deficits, have escalated supply-side risks.
- Monetary policy tightening by major advanced central banks, such as the US Federal Reserve's rate hikes, has widened rate differentials, pressuring the RBI to protect domestic capital flows and stabilize the Rupee.
- Robust domestic economic momentum—demonstrated by a 7.8% GDP growth rate in Q1 FY27—provides the central bank sufficient policy space to raise rates without stalling growth.
- Market analysts anticipate a cumulative repo rate hike of 25 to 75 basis points across upcoming policy meetings to keep inflation expectations firmly anchored.

Essential Definitions

- **Repo Rate:** The key policy rate at which the Reserve Bank of India lends short-term money to commercial banks against government securities to manage liquidity and economic inflation.
- **Flexible Inflation Targeting (FIT):** The statutory monetary policy framework that mandates the RBI to maintain Consumer Price Index (CPI) inflation at 4% with an allowance bandwidth of 2% above or below ($4\% \pm 2\%$).
- **Capital Outflow:** The movement of financial assets out of a nation, often triggered by higher relative interest rates offered in advanced economies.

Legal and Constitutional Framework

- **Reserve Bank of India (RBI) Act, 1934 (Section 45ZB):** Statutory provision mandating the constitution of a six-member Monetary Policy Committee (MPC) to determine the policy interest rate required to achieve the inflation target.
- **Monetary Policy Framework Agreement (2015):** The bilateral agreement between the Government of India and the RBI that formalized inflation targeting as the primary goal of monetary policy.
- **Article 246 (Seventh Schedule - List I, Entry 38):** Vests exclusive legislative power in Parliament over Reserve Bank of India matters, banking regulation, and national monetary architecture.



Conclusion

The RBI's prospective transition toward monetary tightening highlights the delicate balance between sustaining post-pandemic growth momentum and controlling imported inflationary pressures. Proactive policy rate adjustments are necessary to maintain macroeconomic stability, prevent domestic currency depreciation, and preserve international investor confidence.

UPSC Relevance

- **GS Paper III:** Indian Economy and Issues Relating to Planning, Mobilization of Resources, Growth, Development, and Employment; Monetary Policy Framework and RBI Governance; Inflation Dynamics and External Sector Management.
- **GS Paper II:** Statutory Bodies and Regulatory Governance (Powers, Functions, and Operational Autonomy of the Reserve Bank of India).

10. India's Services Sector Growth Hits Three-Month High in September

Key Highlights & Summary

- The seasonally adjusted HSBC India Services Purchasing Managers' Index (PMI), compiled by S&P Global, rose to 55.2 in September from 54.1 in August, signaling a three-month high in sectoral expansion.

- Growth was primarily propelled by robust domestic demand, increased business inflows, and heightened activity in digital solutions, food services, insurance, finance, and transportation.
- Input-cost inflation for service providers fell to a 10-month low, easing overall cost pressures and reducing the immediate necessity to raise selling prices.
- While international demand from markets like Germany, the UAE, the UK, and the US continued to expand, new export business growth recorded its slowest pace in nearly three years.
- Employment in the services sector sustained positive momentum, though the pace of job creation slowed relative to August, particularly across real estate and business services.
- Under 16% of surveyed service companies expect output to increase over the next 12 months, reflecting a cautious long-term outlook despite near-term domestic resilience.

Essential Definitions

- **Purchasing Managers' Index (PMI):** An economic indicator derived from monthly surveys of private sector companies; a reading above 50 signifies expansion, below 50 indicates contraction, and 50 represents no change.
- **Input Price Inflation:** The rate of increase in the cost of raw materials, labor, and overheads incurred by businesses during the production of goods or delivery of services.
- **Export Business Index:** A specialized sub-index within the PMI measuring the volume of new orders received by domestic firms from international clients.

Legal and Constitutional Framework

- **Article 246A:** Grants constitutional authority to Parliament and State Legislatures to levy Goods and Services Tax (GST) on service supplies across domestic and inter-state trade.
- **Foreign Trade Policy (FTP) 2023:** Statutory administrative framework providing export incentives, regulatory simplification, and market access support for service exporters through schemes like Service Exports from India.
- **Code on Social Security, 2020:** Legal enactment aimed at extending social security benefits and formal employment protections to workers across service and gig economy sectors.

Conclusion

The rebound in India's services PMI highlights the structural resilience of domestic consumption in driving macroeconomic growth amid external trade headwinds. Sustaining this momentum will depend on controlling input inflation, enhancing service export competitiveness, and fostering high-value job creation across emerging service domains.

UPSC Relevance

- **GS Paper III:** Indian Economy and Issues Relating to Planning, Mobilization of Resources, Growth, Development, and Employment; Services Sector Trends and PMI Indicators; Inflation Dynamics and External Trade.
- **GS Paper II:** Government Policies and Interventions for Sectoral Development; Trade Governance and Regulatory Frameworks.

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