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Current Affairs - 02 October 2025

RBI'S REFORMS - TOWARDS INTERNATIONALISING THE RUPEE AND DEEPENING FINANCIAL MARKETS

- **Monetary policy decisions:** The RBI kept the **repo rate unchanged** at 5.5% and monetary policy stance '**neutral**'.
- **Expanding role of banks in corporate consolidation:**
 - **Takeover financing:** Banks allowed to finance corporate acquisitions, previously restricted due to risk concerns.
 - **Impact:** Opens a structured, low-cost financing channel for mergers and acquisitions, enhancing competitiveness and capital expenditure.
 - **Safeguards:** Risk-control measures to ensure funds are used productively.
 - **Relevance:** Aligns with Insolvency and Bankruptcy Code (**IBC**) framework and helps corporates consolidate faster.
- **Rupee internationalisation measures:**
 - **Cross-border lending in rupees:** Indian banks and their overseas arms are allowed to lend in rupees to residents or institutions in neighbouring countries (Nepal, Bhutan, Sri Lanka).
 - **Objective:** Reduce dollar dependence, strengthen regional financial influence, and build confidence in rupee stability.
 - **Geopolitical context:** Comes amid **US threats against BRICS currency initiatives** and global debates on dollar dominance.
- **Boosting market depth and liquidity:**
 - **IPO financing:** The RBI proposed **increasing the lending limit** for IPO financing to Rs 25 lakh from Rs 10 lakh.
 - **Loan against shares:** It also raised the limit on loan against shares to Rs 1 crore from Rs 20 lakh (last revised in 1998).
 - **Loan against listed debt:** Ceiling removed to promote bond market activity.

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Expanding forex benchmarking:

- **Expanding the list of currencies:** Benchmarked by the Financial Benchmarks India Limited (FBIL), adding more currencies beyond USD, Euro, Pound, Yen.
- **Significance:** Reduces inefficiencies of dollar routing, deepens rupee market, strengthens rupee as a trading and settlement currency.
- **Relaxation of large borrower lending framework:**
 - **2016 restrictions scrapped:** Banks can lend more freely to large corporates with exposures above ₹10,000 crore.
 - **Risk management:** Individual bank risks addressed under the Large Exposure Framework; system-wide risks to be managed with macro-prudential tools.

Broader Implications of the Latest RBI's Reforms:

- **Corporate sector:** Access to structured takeover financing strengthens India Inc.'s competitiveness.
- **Banking sector:** Greater role in corporate growth stories, diversification of loan books, and higher returns.
- **Financial markets:** Deeper IPO financing, bond market growth, and improved liquidity.
- **Regional economy:** Moves to **internationalise the rupee** enhance India's financial influence in South Asia.
- **Geopolitics:** Strategic push for rupee amid US dollar dominance debates and BRICS alternative currency discourse.

Way Forward:

- **Strengthen risk management:** Ensure safeguards against reckless corporate borrowing and asset bubbles.
 - **Promote regional adoption of rupee:** Expand bilateral and multilateral trade settlements in rupee.
 - **Boost investor confidence:** Deepen corporate bond markets and ensure transparency in forex benchmarks.
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MONUMENT CONSERVATION IN INDIA - POLICY SHIFT

- India, with its vast cultural and historical legacy, is home to over 3,700 protected monuments. Until now, the **Archaeological Survey of India (ASI)**, under the Ministry of Culture, had the exclusive mandate to conserve and restore these monuments.
- However, the government has recently announced a landmark shift in heritage policy by opening monument conservation to private players under a public-private partnership model.
- This decision seeks to enhance conservation capacity, bring in corporate participation, and accelerate preservation efforts across the country.

Monument Conservation in India

- Monument conservation in India has historically been the responsibility of the ASI, established in **1861** during British rule and restructured post-independence to safeguard India's civilizational heritage.
- The ASI has undertaken conservation of forts, temples, stepwells, palaces, mosques, and other historical structures. Some of the ASI's notable works include:
 - Restoration of the Sun Temple at Konark (Odisha).
 - Structural conservation of the Humayun's Tomb complex (Delhi).
 - Preservation of Ajanta and Ellora caves (Maharashtra).
 - Development of heritage museums at Purana Qila and Red Fort (Delhi).
- While ASI's contributions are invaluable, the agency has faced challenges of understaffing, resource constraints, and delays in completing projects.
- Critics have often pointed out that relying solely on ASI has slowed the pace of conservation at many sites.

Role of the National Culture Fund

- The NCF, set up in 1996, will play a central role in this new framework. Since its inception, the NCF has received Rs. 140 crore in corporate and PSU donations, funding nearly 100 projects.



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- Of these, 70 have been completed, including conservation of Bhuleshwar Temple (Pune), Hyderabad's British Residency, and Mandu monuments (Madhya Pradesh).
- Previously, corporates contributed only financially, while ASI handled the work. Under the revised policy, donors will have greater control, being able to directly hire implementing agencies under ASI's oversight.

Checks, Safeguards, and Criticism

- **ASI's Supervisory Role:** The ASI must approve DPRs and ensure compliance with conservation standards.
- **Eligibility Criteria:** Executing agencies must have prior experience in heritage conservation of structures over 100 years old.
- **Credit to Donors:** Corporations and donors will be credited at the monument site, incentivising CSR contributions.
- Critics argue that opening up conservation to private players risks the commercialisation of heritage sites.
- Concerns remain about balancing historical integrity with corporate branding.
- However, proponents believe it will help overcome ASI's limited capacity and bring much-needed efficiency.

Broader Implications

- This policy shift has several implications:
 - **Capacity Building:** With more players, conservation efforts will speed up, especially for lesser-known sites.
 - **Sustainability:** Private funding will reduce the financial burden on the government.
 - **Public Engagement:** Corporate branding and involvement may lead to increased public awareness of heritage conservation.
 - **Global Standards:** Involving reputed conservation architects can help India align with global practices in heritage management.
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INDIA NEEDS DOUBLE GROWTH TO ESCAPE JOBS TRAP

Morgan Stanley (a global financial services firm) warns that **India must nearly double its growth rate** to meet rising employment needs and tackle underemployment.

India's Youth Unemployment Challenge

- Despite being the **fastest-growing major economy**, India struggles with high youth unemployment, a concern flagged by Morgan Stanley in its latest note.
- According to the Periodic Labour Force Survey (PLFS), the all-India unemployment rate fell to 5.1% in August, but **youth unemployment (ages 15–29) stood much higher at 14.6%**.
- In urban areas, the **female youth unemployment rate** surged to 25.7%, over 10 percentage points higher than that of young urban males, which fell to 15.6% from 17.1%.
- This pushed overall urban youth unemployment down slightly to 18% from 19%.
- In rural India, female youth unemployment rose to 14.3%, while male youth unemployment declined to 12.6%. Both figures were at 13% in July.
- **Demographic Pressure**
 - India's **median age is 28.4 years**, making it one of the youngest countries globally.
 - However, its youth unemployment rate is the **highest in the region**, creating a mismatch between demographic advantage and job creation.
- **Weak Employment Creation**
 - Over the last two years, employment creation has been subdued, with only modest improvements recently.
 - Morgan Stanley cautions that GDP growth averaging 6.5% over the next decade—though among the fastest globally—will still fall short of creating sufficient jobs.
- **The Workforce Surge Ahead**

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- Even without rising participation rates, India's workforce is expected to grow by at least 8.4 crore in the next decade.
- Without stronger job creation, this surge will deepen the unemployment and underemployment crisis.

Unemployment and Underemployment Crisis

- India faces a dual challenge of **high unemployment and widespread underemployment**.
- India's **broad definition of employment** — counting even one hour of work a week, including unpaid family labour — further **masks the true scale of labour underutilisation**.
- **Poverty Adds to the Challenge**
 - With about **603 million Indians living below the \$3.65 per day income threshold**, the urgency of job creation and economic transformation is amplified.
 - Solving unemployment and underemployment is not just an economic priority but also a **social imperative** to prevent rising tensions and ensure inclusive growth.

Way Forward for India

- The report warns that if joblessness worsens, governments may need to adopt **redistributive measures** to maintain social stability.
 - For India, while reforms have been undertaken to promote growth, a **bigger push** is needed in the **industrial and export sectors**.
 - The report highlights that every **manufacturing export job creates two additional jobs** in related fields like transport and logistics.
 - Yet, **India's share in global exports is just 1.8%**, far below its weight in GDP and working-age population — showing significant untapped potential for job creation.
 - The report stresses urgent reforms in **industrial and export growth, infrastructure expansion, and workforce skill upgrades**.
 - Without stronger investment in **advanced manufacturing and technology**, India risks falling behind in providing meaningful work for its young population.
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US SHUTDOWN LOOMS: THE NEW CHALLENGES AHEAD

- A US government shutdown occurs when Congress fails to pass annual appropriations bills—about a dozen in total—that allocate funds for federal agencies, and the President does not give assent before the October 1 deadline.
- These bills are often bundled into an “omnibus” package to hasten approval.
- If funding lapses, government operations are forced to either fully or partially shut down, depending on which agencies remain unfunded.

Reasons Behind the US Government Shut Down

- The current US government shutdown stems from a deadlock between Republicans and Democrats over federal funding.
- Democrats demanded an extension of expiring healthcare subsidies and the reversal of Medicaid cuts introduced under Trump’s “**Big, Beautiful Bill**” — a sweeping tax and spending package passed earlier this year.
- The law boosted defence spending and tax breaks for the wealthy by cutting federal programs, including Medicaid, while funding departments like Defence and Homeland Security, which continue to operate despite the shutdown.
- Republicans pushed for a “clean” continuing resolution to extend funding at current levels until November 21, but Democrats countered with a proposal that tied funding to healthcare provisions and limits on Trump’s fiscal powers.
- The standoff over these conditions caused Congress to miss the October 1 deadline, triggering the shutdown.

Impact of the US Government Shutdown

- A shutdown **halts all non-essential federal government functions** under the Antideficiency Act, while essential services for safety and property protection continue. This affects employees, citizens, and the broader economy.



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- For **federal employees**, around 750,000 are expected to be furloughed, losing \$400 million per day in back pay, similar to the 2018–19 shutdown that sent 800,000 home.
- Essential workers, including military personnel, law enforcement, and constitutional officers, will continue working.
- For the public, core benefits like Medicare, Medicaid, and Social Security remain operational since they are permanently funded.
- However, new enrolments may face delays, travel and transport disruptions could occur if airport staff protest unpaid salaries, and public landmarks may shut down.
- For the economy, the extent of damage depends on the shutdown’s duration. The 2018–19 shutdown cost \$11 billion in lost output, with \$3 billion never recovered.
- The current closure could delay critical data releases such as the September jobs report, complicating Federal Reserve decisions on interest rates and forcing reliance on regional data instead.

INDIA’S STAND ON TRUMP’S GAZA PEACE PLAN

- PM Modi welcomed Trump’s 20-point Gaza peace plan, calling it a “**viable pathway**” to long-term peace, security, and development for Palestinians, Israelis, and the wider West Asian region.
- India views **West Asia as part of its extended neighbourhood**, with deep ties to Israel, Iran, and Saudi Arabia.
- PM Modi’s endorsement, despite ongoing India-US frictions, is seen as a positive diplomatic gesture, acknowledging Trump’s role as peacemaker and aligning India with efforts to stabilise the region for its strategic and economic interests.

What the Gaza Peace Plan Means for India?

- Trump’s Gaza peace proposal carries direct implications for India’s **diaspora, economy, energy security, and strategic standing in the Middle East**.
- While peace could open opportunities, some geopolitical concerns remain.



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- **Impact on Indian Diaspora**
 - Nearly 90 lakh Indians live in the wider Middle East, including 18,000 in Israel and up to 10,000 in Iran.
 - Stability in the region is critical for their safety and well-being.
 - **Energy Security and Trade**
 - India sources 80% of its crude oil from the Middle East. Any reduction in regional tensions can stabilise energy prices, directly benefiting India's economy.
 - Moreover, peace may encourage greater Arab investment in India and accelerate initiatives such as the **India-Middle East-Europe Economic Corridor**, which New Delhi sees as a game-changing connectivity project.
 - **Strategic Concerns: Pakistan's Role**
 - A worrying element for New Delhi is the visible involvement of Pakistan in the peace process.
 - Trump publicly thanked leaders from Jordan, UAE, Saudi Arabia, and Pakistan, noting Pakistan's Prime Minister and field marshal were engaged from the beginning.
 - This revived US-Pakistan engagement could complicate India's regional strategy and tilt diplomatic equations in ways unfavourable to New Delhi.
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