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Table of Content

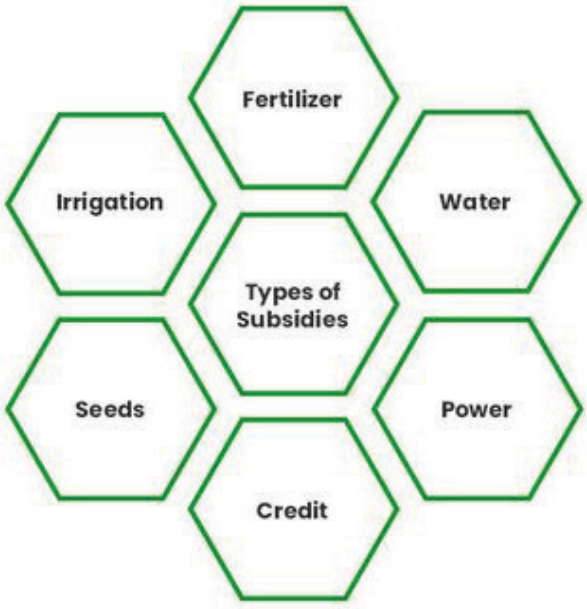
AGRICULTURAL SUBSIDIES AND NEED FOR REFORM

Context

- **The food subsidy** is likely to touch Rs 2.25 trillion and the fertiliser subsidy may go up to Rs 2 trillion, in a total budget of around Rs 51 trillion.
  - Together, these are about 8 to 8.5 per cent of the budget. Both are operating at a sub-optimal level.

Agricultural Subsidies in India

- **Agricultural subsidies refer to** financial support and incentives provided by the government to farmers to reduce production costs, stabilise farm incomes, ensure food security, and promote adoption of modern inputs and sustainable practices.
- **Price Support:** Government supports farmers by setting **Minimum Support Prices (MSPs) for certain crops.**
  - MSP is basically a guaranteed floor price: if market prices crash, the government will buy farmers' crops at the MSP.
  - This policy started in 1965, MSPs are announced for 25 crops, including major staples (rice, wheat, maize), pulses (like lentils), oilseeds (like soybeans), and even commercial crops like cotton.
- **Input Subsidies:** Beyond price guarantees, the government also subsidizes many inputs that farmers need – things like fertilizer, electricity for pumping water, irrigation infrastructure, seeds, credit, and crop insurance.



Importance of Subsidies in Indian Agriculture

- **Ensures Food Security:** Subsidies lower production costs and sustain foodgrain output, enabling India to meet the food needs of a large population and maintain price stability.
- **Supports Small and Marginal Farmers:** With most farmers having low income and limited risk-bearing capacity, subsidies make farming economically viable and protect them from input price shocks.
- **Stabilises Farm Incomes:** Price support (MSP) and income support (PM-KISAN) act as safety nets against market volatility and crop failures, reducing agrarian distress.
- **Promotes Productivity and Technology Adoption:** Subsidised fertilisers, seeds, irrigation and mechanisation encourage adoption of modern practices, enhancing agricultural productivity.
- **Sustains Rural Livelihoods and Employment:** By keeping agriculture viable, subsidies support rural employment, allied activities, and prevent distress migration.

Arguments Against

- **Heavy Fiscal Burden:** Large subsidies on fertiliser, food and power strain public finances and reduce fiscal space for investment in infrastructure, research and education.
- **Inequitable Distribution of Benefits:** Subsidies disproportionately benefit large and better-off farmers, while small and marginal farmers often receive limited or indirect gains.
- **Resource Misuse and Environmental Degradation:** Cheap fertilisers, free power and underpriced water encourage overuse, leading to soil degradation, groundwater depletion and environmental damage.
- **Distorted Cropping Patterns:** MSP- and input-linked subsidies incentivise water-intensive crops like rice and sugarcane in ecologically unsuitable regions, undermining sustainability.
- **Market Distortions and Inefficiency:** Subsidies weaken market signals, discourage crop diversification, and reduce farmers' responsiveness to demand and price discovery.
- **Disincentive to Reforms and Innovation:** Excessive reliance on subsidies discourages structural reforms, private investment, and adoption of climate-smart agricultural practices.

Way Ahead

- **Shift from Input-Based to Income-Based Support:** Gradually replace input subsidies with direct income support to give farmers flexibility and reduce resource misuse.

- **Reform Price Support and Procurement Systems:** Decentralise procurement, expand MSP coverage beyond rice and wheat, and promote market-based price discovery via e-NAM and farmer producer organisations (FPOs).
- **Major committees like the Shanta Kumar Committee, Kelkar Committee, NITI Aayog and Economic Survey** have emphasised rationalisation of agricultural subsidies.
    - They recommend shifting from input- and price-based subsidies to targeted DBT and income support, while linking subsidies with efficiency, sustainability and fiscal prudence.

Source: IE

CHINA'S DECLINING BIRTHRATE AND IMPACTS

In News

- The Chinese population has been consistently declining since 2022

Status of China's Population

- China's population fell for the fourth consecutive year in 2025, dropping by 3.39 million to 1.405 billion.
- Births fell to 7.92 million in 2025, down 17% from 9.54 million in 2024.
- Crude Birth Rate declined to 5.63 per 1,000 people, the lowest in decades.
- Deaths increased to 11.31 million, further accelerating population shrinkage.
- As per the UN ,China's population is projected to decline from **1.4 billion to about 1.3 billion by 2050**, with nearly 40% of citizens aged over 60, reinforcing concerns that the country will age before it becomes rich.

Steps to Increase Population

- President Xi Jinping ended the one-child policy in 2016, first allowing two children and later expanding it to three children in 2021, but these measures have failed to reverse the population decline.
- China has introduced financial incentives for parents, reduced childcare and education costs, raised the retirement age, and launched campaigns to promote marriage and childbirth.
- It has also adjusted policies such as higher age limits for civil service exams and measures to protect pension funds.
    - However, these efforts face major challenges including high living and childcare costs, unemployment, healthcare expenses, gender imbalance, and lingering effects of the one-child policy.

Impacts of Declining Birthrate

- **Economic Growth:** Shrinking labor force threatens China's manufacturing dominance and innovation capacity.
- **Aging Population:** Higher dependency ratio as elderly outnumber youth, straining pensions and healthcare.
- **Social Pressures:** Rising costs of child-rearing, urban housing, and education discourage family formation.
- **Policy Challenges:** Government incentives (tax breaks, housing subsidies) have failed to reverse the trend.

India's Birthrate and Fertility Trends

- **The Infant Mortality Rate (IMR)** of India has declined from 39 per 1000 live births in 2014 to 27 per 1000 live births in 2021.
- **Neonatal Mortality Rate (NMR)** has declined from 26 per 1000 live births in 2014 to 19 per 1000 live births in 2021.
- **Under-Five Mortality Rate (U5MR)** has declined from 45 per 1000 live births in 2014 to 31 per 1000 live births in 2021.
- **The Sex Ratio at Birth improves** from 899 in 2014 to 913 in 2021. Total Fertility Rate is consistent at 2.0 in 2021, which is a significant improvement from 2.3 in 2014.

How China's demographic slowdown presents strategic opportunities for India?

- India with a younger population can attract investments from labor-intensive industries shifting out of China.
- Rising wages in China and a shrinking workforce may drive companies to India to maintain cost-effective production.
- India could see an increase in demand for goods and services in a changing Chinese economy.
- **Stable fertility** ensures a large working-age population, supporting economic growth.
- India's focus on SDG 2030 targets emphasizes sustainable population health and equitable growth.

Conclusion and Way Ahead

- China's falling birthrate is transforming its economy and society, creating global consequences.
- For India, it presents an opportunity to capitalize on its younger population in manufacturing, trade, and talent, making how India leverages this demographic advantage key to its future growth.

- India's near-replacement fertility rate offers a demographic advantage if harnessed through education, healthcare, and employment policies.

Source :TH

INDIA & GLOBAL STOCK MARKET SURGE

Context

- India's **Nifty50** and **Sensex** indices have slipped about **1%**, underperforming nearly every major global benchmark, while markets in **South Korea, Japan, China, and the US** have surged in recent months, rising between **2% and 21%.**

About the India's Stock Market

- It operates under a **robust and transparent regulatory framework** overseen by the **Securities and Exchange Board of India (SEBI)**. It comprises two major exchanges:
  - **Bombay Stock Exchange (BSE):** Established in **1875**, the **BSE** is **Asia's oldest stock exchange**.
    - It lists over **5,000 companies**, with the **Sensex** serving as its benchmark index.
  - **National Stock Exchange (NSE):** Founded in **1992**, the **NSE** revolutionized trading through **electronic systems** and **efficient settlement mechanisms**.
    - Its benchmark index, the **Nifty 50**, tracks the **performance of 50 large-cap companies** across key sectors.
- Together, these exchanges account for **nearly all equity trading volume** in India.

Do You Know?

- **Stocks** (*aka* **shares** or **equities**) represent **ownership in a company**. When one buys a stock, he/she is buying a **small piece of that company**.
- **Owning a stock means** the buyer has **three key rights** i.e. **ownership, profits (dividends), voting rights** over the company.

India's Market Performance

- **Record Capital Mobilisation:** India is now the **world's leading market by number of IPOs** and the **third-largest by value**, with **311 IPOs raising ₹1.7 trillion** in just nine months of FY2025–26.
  - The **market capitalization-to-GDP ratio** has surged from **69% in FY2016** to **over 130%**, reflecting deepening investor confidence and economic expansion.
- **Expanding Investor Base:** Investor participation in India's capital markets has grown remarkably:
  - **Registered investors** increased from **43 million in FY20** to **137 million** today.
  - **Unique mutual fund investors** now exceed **59 million**, highlighting growing retail engagement in financial markets.
  - Increased **financial literacy**, **digital platforms**, and **systematic investment plans (SIPs)** have democratized investing.
- As of 2026, India ranks among the **top five global equity markets by market capitalization**, with a valuation exceeding **$4 trillion**.

Concerns and Issues in India's Stock Market

- **Foreign Portfolio Investors (FPIs) Withdrawal:** In the **first 16 days of 2026**, FPIs have already withdrawn **$2.5 billion** from Indian equities.
  - In **2025**, the total outflow reached nearly **$19 billion**, marking one of the largest foreign sell-offs in recent years.
- **Valuation Premium and Earnings Mismatch:** Indian equities have long commanded a **valuation premium** compared to peers in emerging markets such as **Indonesia, Thailand, and South Korea**.
  - However, this premium is increasingly **unjustified by earnings growth**.
- **Limited Exposure to the Global AI and Tech Boom:** A major driver of recent global stock rallies has been the **Artificial Intelligence (AI)** revolution.
  - Markets in **South Korea, Japan, and the US** have soared due to AI-led demand for chips, memory, and cloud infrastructure.
  - India, however, falls into the **'low AI exposure'** category, meaning few listed companies directly benefit from the global AI surge.
- **Global Geopolitical and Trade Uncertainty:** A delayed or unfavorable trade deal impacts **export-oriented sectors** and **investor sentiment**.
  - Global funds are preferring **more politically stable** markets like Japan and South Korea.
- **High Domestic Valuations and Retail-Driven Volatility: Domestic Institutional Investors (DIIs)** and **retail investors** have stepped in to stabilize markets while foreign investors are selling.
  - India's retail participation through **mutual funds and Systematic Investment Plans (SIPs)** has grown significantly, providing a strong domestic base.

- **Sectoral Imbalances and Concentration Risks:** India's market rally over the last few years has been **narrowly led by select sectors**, mainly banking, IT services, and energy.

Key Regulatory and Market Reforms

- Under SEBI's leadership, several landmark reforms have modernized India's capital markets:
  - **Reduced IPO listing timeline to T+3 days** for faster access to capital.
  - **Simplified norms for rights issues** and **enhanced anchor investor participation**.
  - **Online bond platforms** to boost retail participation in the **corporate bond market**.
  - **Strengthened disclosure and transparency norms** for listed companies.
- These measures aim to **deepen the market**, **enhance liquidity**, and **improve investor protection**.

Securities and Exchange Board of India (SEBI)

- It was constituted as a non-statutory body in 1988 through a resolution of the Government of India and was established as a statutory body under the provisions of the Securities and Exchange Board of India Act, 1992.

Objectives

- **Investor Protection:** Safeguarding the interests of investors in securities.
- **Market Development:** Promoting the development of a robust and efficient securities market.
- **Market Regulation:** Regulating the business of stock exchanges, intermediaries, and other market participants.

Foreign Investment and Global Integration

- India's equity markets have become a **preferred destination for global investors**, thanks to:
  - Stable macroeconomic policies.
  - Rapid digitization and fintech integration.
  - A strong **regulatory reputation** under SEBI.
  - India's **high GDP growth rate**, which outpaces most major economies.
- Foreign Portfolio Investors (FPIs) have significantly increased exposure to Indian equities, particularly in **technology, infrastructure, and financial services** sectors.

Future Outlook

- With sustained economic growth, demographic advantages, and proactive regulation, India's stock market is poised to **become the world's third-largest equity market by 2030**. The focus will remain on:
  - **Expanding retail participation**,
  - **Enhancing corporate transparency**, and
  - **Strengthening digital market infrastructure**.

Source: IE

POWER DISTRIBUTION UTILITIES POST PROFIT AFTER YEARS OF LOSSES

Context

- **India's power distribution utilities** have recorded a **collective Profit After Tax (PAT) of ₹2,701 crore in FY 2024–25.**

About

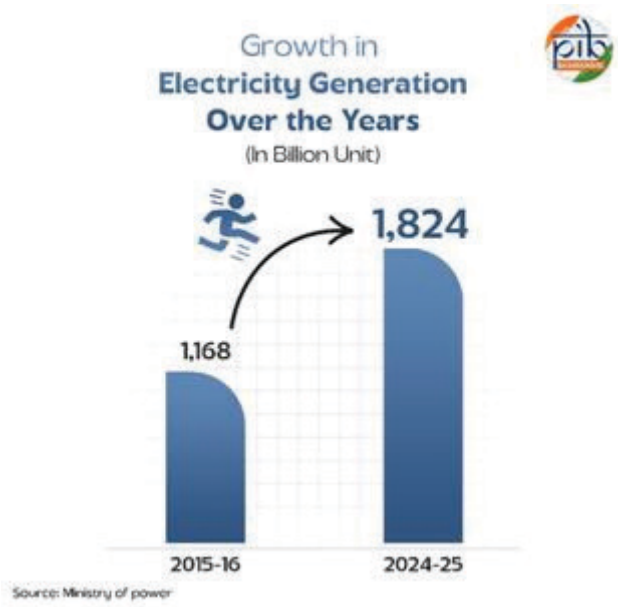
- The distribution utilities **have been reporting PAT losses** for the past several years since unbundling and **corporatization of State Electricity Boards.**
- **This marks a new chapter** for the distribution sector and is a result of several steps that have been taken to redress the concerns of the distribution sector.

Initiatives in the Distribution Sector

- **Revamped Distribution Sector Scheme (RDSS):** Enhancing financial viability through infrastructure modernization and accelerated smart metering.
- **Additional Prudential Norms:** Linking access to finance for Power sector Utilities to achievement against performance benchmarks to promote fiscal and operational discipline.
- **Amendments to Electricity Rules:** Enforcing timely cost adjustments, prudent tariff structures, and transparent subsidy accounting to ensure full cost recovery.
- **Electricity Distribution (Accounts and Additional Disclosure) Rules, 2025:** Introducing uniform accounting and enhanced transparency across Distribution utilities for improved financial governance.
- **Late Payment Surcharge Rules:** Enforcing legal contracts through timely payments in the power sector thereby supporting investment in new RE projects.

India's Power Sector

- India is the **third-largest producer and consumer** of electricity in the world, with an installed capacity of **476 GW as of June 2025.**



- **India ranks fourth globally** in renewable energy installed capacity, fourth in wind power, and third in solar power as of 2025.
- **Electricity consumption** remains led by industry at 41.8%, followed by households at 24.3%, agriculture at 17%, and commercial use at 8.3%.
- **India met a record peak demand of 250 GW** in June 2025, highlighting the scale of demand growth.
- **India achieved 100% village electrification** by 2018 and has since connected more than 2.8 crore households to the grid.

Concerns of Power Sector

- **High transmission and distribution losses:** Power theft, inadequate metering, and outdated infrastructure lead to Transmission & Distribution (T&D) losses well above global standards.
- **Fuel supply and energy security challenges:** Coal shortages, logistical constraints, and rising dependence on imported coal and gas expose the power sector to global price volatility.
- **Renewable energy integration constraints:** The growing share of solar and wind power poses challenges related to intermittency, lack of energy storage and grid balancing issues.
- **Inadequate transmission and grid infrastructure:** Transmission networks have not expanded in pace with generation capacity, particularly in renewable-rich regions, causing congestion and inefficient power evacuation.
- **Rising demand and peak power shortage:** Rapid growth in electricity demand driven by urbanisation, industrialisation, climate-induced cooling needs, and EV adoption has increased pressure on peak capacity and grid stability.

Government Initiatives

- **National Solar Mission (NSM):** It was launched in 2010, it has set ambitious targets for solar capacity installation, including grid-connected and off-grid solar power projects.
- **National Clean Energy Fund (NCEF):** It was established to support research and innovation in clean energy technologies and projects that help in reducing greenhouse gas emissions.
- **National Wind Energy Mission:** Focuses on the development and expansion of wind energy in India. The target for wind energy capacity is set at 140 GW by 2030.
- **Financial Support & Incentives:** Viability Gap Funding (VGF) for large-scale solar and hybrid projects.
  - Production Linked Incentive (PLI) scheme for solar PV manufacturing.
  - Subsidies for rooftop solar and off-grid systems.
  - Renewable Energy Certificates (RECs) to promote green power trading.
- **Infrastructure Development:** Green Energy Corridor to improve RE grid integration.
  - PM-KUSUM Scheme for solarizing agricultural pumps.
  - Revamped Distribution Sector Scheme (RDSS) to strengthen DISCOMs.
- **Emerging Technologies & Projects:** Support for Battery Storage, hybrid systems, and RTC power.
  - Promotion of offshore wind and floating solar projects.
  - Focus on Hydrogen Mission for green hydrogen development.
- **International Partnerships:** ISA (International Solar Alliance) launched by India to promote global solar cooperation.
  - Collaboration with countries & global funds for clean energy investment and technology.

Source: PIB

NEWS IN SHORT

BRICS PLUS NAVAL EXERCISE

In News

- India skipped the **BRICS Plus naval exercise "Will for Peace 2026"** hosted by South Africa, opting out entirely despite holding the BRICS chair this year.

- India clarified that such naval drills are not institutionalised activities of BRICS, but ad-hoc initiatives, and therefore participation is not automatic or obligatory.

What are BRICS Plus Naval Exercises?

- BRICS Plus naval exercises are **ad-hoc maritime drills** involving BRICS members and **selected non-BRICS partner countries.**
- They are **not mandated under the BRICS framework** and do not form part of official BRICS mechanisms.
- Led by China, the exercise features active naval participation from Russia, Iran, the United Arab Emirates (UAE), and South Africa.

What is BRICS?

- **Definition:** BRICS is an informal, non-institutionalized group of eleven countries from the Global South.
- **Origin:** The term "BRIC" was coined in 2001 by a Goldman Sachs economist. The group formally launched as a diplomatic forum in 2006, with the first Summit of Heads of State held in 2009 in Russia.
- **Member Countries:** The group includes the **five original members** (Brazil, Russia, India, China, and South Africa) and **six members admitted during the 2024-25 expansion** (Egypt, Ethiopia, Indonesia, Iran, Saudi Arabia, and the United Arab Emirates).
- **Core Objectives:** The group aims to increase the influence of emerging economies in international governance. It seeks to reform global institutions like the UN, IMF, and World Bank to make them more equitable and representative.
- **Financial Arm**: The New Development Bank (NDB) acts as the group's primary international financial organization to support infrastructure and sustainable projects.

Source: TH

INDIA'S FIRST-EVER OPEN-SEA MARINE FISH FARMING PROJECT

Context

- The government launched **India's first-ever open-sea Marine Fish Farming project** from the Andaman Sea.

About

- **The project is a collaboration between** the Ministry of Earth Sciences, the National Institute of Ocean Technology (NIOT), and Andaman and Nicobar Islands.
- The pilot initiative focuses on **open-sea cultivation of marine finfish** and **seaweed** in **natural ocean conditions,** integrating scientific innovation with livelihood generation.
- The project aims to **boost seafood production** and reduce pressure on coastal fishing.

Open-sea Fish Farming

- Open-sea marine fish farming refers to the **cultivation of marine fish species** in **offshore waters,** away from the coastline.
  - **It is done using** cages, or submersible systems designed to withstand high waves, currents, and wind conditions.
- Open-sea marine fish farming **holds significant potential** for sustainable fisheries, livelihood security, and blue economy expansion.

Source: PIB

80 YEARS OF ECONOMIC AND SOCIAL COUNCIL (ECOSOC)

In News

- The **United Nations Economic and Social Council (ECOSOC)** completed 80 years of its functioning.

About

- It is one of the **six principal organs of the United Nations**, acting as the central forum for international economic, social and environmental policy coordination.
- It was **established in 1945 under the UN Charter.**
- ECOSOC functions as a unique bridge **between governments and non-state actors, with over 6,500 NGOs** having consultative status, enabling civil society, youth and other stakeholders to participate in global policymaking.
- During the 2000s, ECOSOC emerged as a key forum to review progress on the Millennium Development Goals (MDGs) and, since 2015, the Sustainable Development Goals (SDGs) through mechanisms like the High-Level Political Forum (HLPF).

Source: UN

TARIFF THREAT OVER GREENLAND MAY IMPERIL EU TRADE DEAL

In News

- EU lawmakers are moving to delay or block approval of the EU–US trade deal after US President Donald Trump threatened tariffs on countries supporting Greenland's sovereignty.

Greenland

- It is located in the **Northern Hemisphere** and is surrounded by the **Arctic Ocean** in the north, the **North Atlantic Ocean** in the south, **Baffin Bay** in the west and the Greenland Sea in the east.
- It lies closer to **North America**, but culturally and politically it is tied to Denmark.
- **Resources**: It is mineral-rich with large deposits of traditional resources such as gold, nickel, and cobalt.
  - It also has some of the biggest reserves of rare earth minerals such as dysprosium, praseodymium, neodymium, and terbium.
- **Governance** : Greenland gained home rule in 1979 and expanded self-government in 2009, giving it authority over domestic affairs like healthcare and education.
  - Denmark retains control over defense, foreign policy and monetary policy.

Major powers are eyeing Greenland

- Greenland, part of North Atlantic Treaty Organization (NATO) through the membership of Denmark, has strategic significance for the US military and for its ballistic missile early-warning system since the shortest route from Europe to North America runs via the Arctic island.
- China has shown strong interest in Greenland's rare mineral resources, and infrastructural projects.
- As part of its "Polar Silk Road" plan, China aims to develop Arctic shipping routes that could significantly reduce maritime travel times.
- Climate change has intensified the global interest in Greenland. Global warming has made the Arctic warm quicker, which means melting of ice happens faster and there is easier access to natural resources.

Various Developments

- Donald Trump announced new tariffs of 10% from February 1, rising to 25%, unless the EU agrees to a deal over Greenland, prompting strong backlash from EU leaders.
- Critics argue the trade deal already favors the US, especially after Washington expanded 50% tariffs on steel and aluminium.
- As tensions rise, EU lawmakers are considering suspending the agreement and potentially using the EU's anti-coercion instrument in response to US pressure, making passage of the trade deal increasingly uncertain.

Source :IE

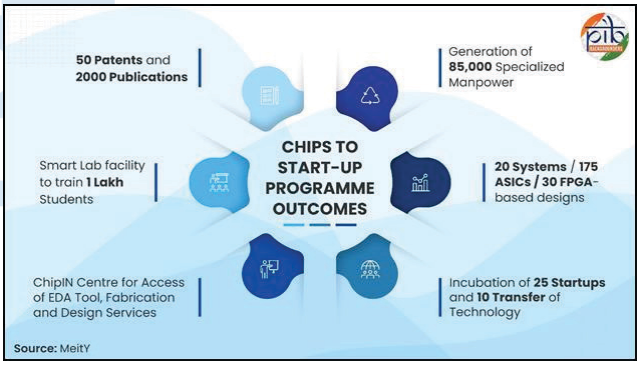
CHIPS TO START-UP (C2S) PROGRAMME

Context

- Over 1 lakh individuals have enrolled in **chip design training,** with approximately 67,000 trained so far under the C2S programme.

About

- The C2S Programme is an **umbrella capacity-building initiative** launched by the **MeitY in 2022,** with a total outlay of 250 crore over five years.
- The C2S Programme targets the development of 85,000 industry-ready professionals across undergraduate, postgraduate, and doctoral levels. This includes:
  - 200 PhD scholars engaged in advanced research in chip design,
  - 7000 M. Tech graduates specializing in VLSI or Embedded Systems,
  - 8800 M. Tech graduates from computer, communication, or electronic systems programmes with focused VLSI exposure,
  - 69,000 B. Tech students trained through VLSI-oriented coursework.



- **Need for the Program:** With rising demand for advanced electronics and AI, the semiconductor industry is expected to reach nearly USD 1 trillion by 2030.
  - A global talent shortage of over 1 million professionals by 2032 positions India as a key contributor to the semiconductor ecosystem through focused initiatives.
- **Significance:** The C2S Programme democratises access to advanced design capabilities.
  - It empowers students, researchers, and entrepreneurs irrespective of institution or location to develop innovative semiconductor solutions.
  - It accelerates indigenous innovation in line with the vision of technological self-reliance and global competitiveness.

Source: PIB

GREEN ALUMINIUM

In News

- NALCO CMD said India's aluminium sector is not yet ready for green aluminium under the EU's CBAM due to high power costs and dependence on thermal energy.

Do you know?

- India is the **2nd largest Aluminium producer after China,** and top-**10 producer in refined copper.**
- India's aluminium industry is strategically strong and among the world's largest, supported by a rich bauxite resource base and led by major producers such as NALCO, Hindalco, BALCO and Vedanta Aluminium.
- Aluminium is widely used across power, transport, construction, packaging, machinery, aerospace and consumer goods, and demand is rising, especially in automobiles, housing, solar energy and power transmission.

Green Aluminium

- It refers to aluminium produced using methods that minimize greenhouse gas emissions and environmental impact.
- Traditional aluminium production is energy-intensive and relies heavily on fossil fuels, contributing to carbon emissions.
- Green aluminium is manufactured using renewable energy sources, recycled materials, and innovative technologies to reduce its environmental footprint.

Importance

- Green aluminium significantly cuts carbon emissions, saves energy through recycling, and supports a circular economy by reducing waste.
- It enhances corporate sustainability credentials while retaining aluminium's key qualities—lightweight, durable, corrosion-resistant, and versatile—without compromising performance.

Source :IE

INDIAPHONTE BIJOYI: MICROSCOPIC CRUSTACEAN FROM KAVARATTI

In News

- Scientists have discovered a tiny crustacean from the Kavaratti lagoon in the Lakshadweep islands and identified it as both a new genus and a new species.

About Microscopic crustacean

- It is a microscopic crustacean (copepod) belonging to the family Laophontidae under the order Harpacticoida.
- The name **Indiaphonte** honours India, while bijoyi recognises marine scientist S. **Bijoy Nandan.**
- The genus Indiaphonte is considered new due to its unique set of physical features that do not match any known genus within the Laophontidae family.
- **Description** The organism has a semi-cylindrical body, wider in the middle and tapering at the rear, with antenna-like appendages at the front.
  - Females are slightly larger than males, measuring between 518 and 772 micrometres.
  - It is classified as meiofauna and these microscopic animals live in aquatic sediments and play an important role in ecosystem health.

Source :TH

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