



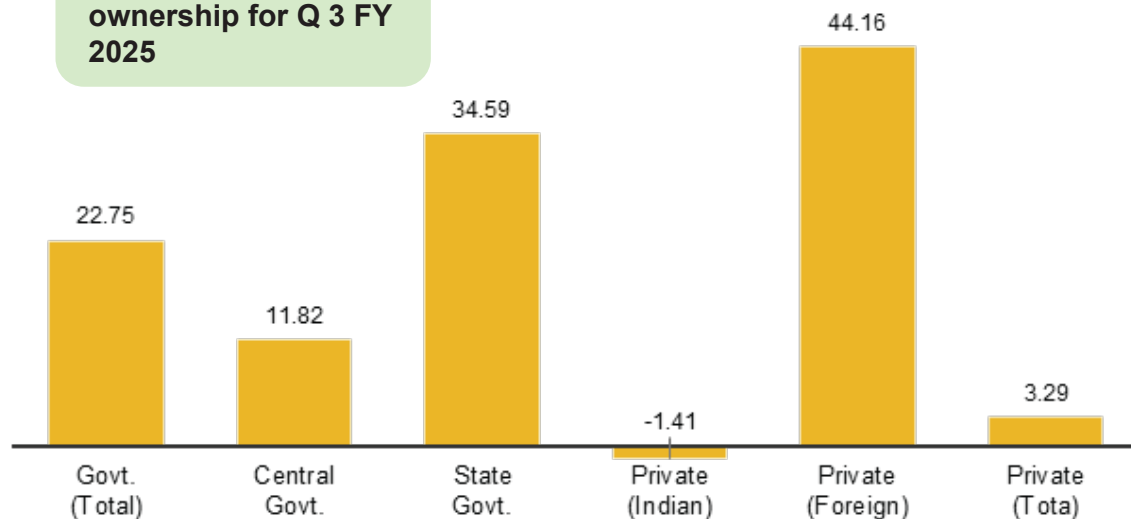
Poor demand hits private sector investments

ECONOMICS & DEVELOPMENT

CONTEXT: India's private sector investment plans in Q3 of 2024-25 fell by 1.4 % attributed to weakening domestic demand, rising inflation, and higher input costs, following a brief recovery in Q2.

Government capital spending growth, led by States, to lift the overall value of new investment projects in Q III BY 9.9 % over Q II

Fresh investment by ownership for Q 3 FY 2025



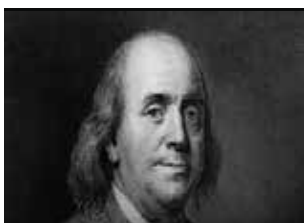
In Q3 of FY2025, overall fresh investments in India grew by 9.9 % to ₹11.46 lakh crore, driven largely by a 34.6 % increase in state government investments. However, domestic private sector investments declined by 1.4 %, with a significant drop in the number of new private sector projects from 1,253 in Q2 to 1,061 in Q3. Private investors' share of new projects also fell from 66.2 % to 62.2 %. On the other hand, foreign investments surged by 44.2 %, largely due to a ₹ 70,000 crore steel project by Arcelor Mittal Nippon. The decline in domestic

investments was attributed to concerns over rising input costs, inflation, geopolitical tensions, weak corporate performance, and low urban demand. Despite this, there is optimism for the 2025-2026 outlook, with expectations for easing inflation and policy interventions to boost private investment.

New power projects

In Q3 of FY2025, new investments by state governments reached ₹2.28 lakh crore, surpassing the Centre's ₹2.05 lakh crore and accounting for nearly 20% of all new investments. This marked a shift from Q2, where the Centre's announcements were higher. Sectors such as mining, irrigation, pharma, construction, and automobiles saw sharp declines in new investments. However, infrastructure investments rose slightly by 0.8% to ₹4.25 lakh crore, while new electricity projects grew significantly by 21.9%, representing 39.3% of all new investments. These investments, particularly in transport and social infrastructure, are viewed as crucial for long-term economic growth and enhancing the business environment. Additionally, there was a reshuffling of states that led in attracting new investments.

In Q3 of FY2025, Rajasthan emerged as a surprising leader in new investment projects, with fresh outlays nearly tripling to ₹2.25 lakh crore. This shift caused Maharashtra and Gujarat, the top two states in Q2, to drop one rank, while Tamil Nadu, which was third in Q2, fell out of the top 10. Tamil Nadu's new projects in Q3 dropped significantly, falling 60.8% to ₹18,066 crore compared to ₹46,119 crore in Q2.



"If you invest more in your education, then you are likely to get more interest in it."

—Benjamin Franklin

Gaza truce takes hold with handover of first Israeli hostages after initial three-hour delay

INTERNATIONAL RELATIONS

CONTEXT: A ceasefire between Israel and Hamas took effect in the Gaza Strip on Sunday, marking the beginning of an initial six-week period of calm.

Three Israeli hostages—Romi Gonen, Emily Damari, and Doron Steinbrecher—were released from Gaza and handed over to Israeli forces. Israel is also expected to release around 90 Palestinian prisoners. The ceasefire, which began at 11:15 a.m., is a step toward ending the conflict and securing the release of nearly 100 hostages taken during Hamas's October 7, 2023, attack. While the ceasefire was delayed by two hours, Israeli fire killed at least 26 people before it took effect. Additionally, Israel recovered the body of Oron Shaul, a soldier killed in the 2014 Israel-Hamas war, during a special operation in Gaza.

Mediation effort

The ceasefire deal, announced last week, followed a year of mediation by the U.S., Qatar, and Egypt. Both the outgoing Biden administration and President-elect Donald Trump's team urged for an agreement before the inauguration. On Saturday, Prime Minister Netanyahu warned that he had Trump's support to continue fighting.

Modi-Trump meet on Jaishankar's 5-point agenda

INTERNATIONAL RELATIONS

CONTEXT: Ahead of his trip to Washington, External Affairs Minister S. Jaishankar noted that President Donald Trump's inauguration could have a major impact on the global order, presenting both challenges and opportunities for India in the coming years.

Mr. Jaishankar suggested that the incoming Trump administration could shift U.S. foreign policy to prioritize its interests, challenging the current rules-based global order, especially on issues like trade and immigration, which may affect India. During his third visit to the U.S. in six months, Mr. Jaishankar's five-point agenda includes preparing for an early meeting between Prime Minister Modi and President Trump, potentially next month, as well as setting a date for the Quad summit in India later this year.

Prime Minister Modi is set to travel to Paris for the AI Action Summit, where President Trump has been invited, or may visit the U.S. in the coming months. Mr. Jaishankar's agenda also includes setting a date for the Quad summit in India later this year. The Quad Foreign Ministers (Australia, India, Japan) are expected to be in Washington, D.C. for President Trump's inauguration. Additionally, The Wall Street Journal reported that Trump is considering visits to both China and India early in his presidency. Ahead of President Trump's visit to India, attention will focus on his appointment of a new Ambassador to India, as Eric Garcetti, a political appointee during the Biden administration, is set to step down on Tuesday.

Despite strong anti-China rhetoric during his campaign and the nomination of China-hawks to his Cabinet, President Trump has recently made overtures to Chinese President Xi Jinping, including inviting him to his inauguration and having a "very good" phone call with him. Additionally, Trump's plans for mass deportations and raids, as outlined by his border czar Tom Homan, will be closely watched during Mr. Jaishankar's visit. There are approximately 17,940 Indian nationals on the U.S. "final removal orders" list, with 2,647 Indians in detention. The meetings between Jaishankar's delegation and Trump advisers, including Elon Musk, will also be observed for potential announcements on India-U.S. engagement.



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Nine Navies hold joint drills in strategic straits between the Indian Ocean and the Pacific

INTERNATIONAL RELATIONS

CONTEXT: The Navies of nine Indo-Pacific countries, including India, are participating in a multilateral exercise, La Perouse, hosted by France in the strategic straits of Malacca, Sunda, and Lombok, between the Indian Ocean and the Pacific Ocean.

The Indian Navy has deployed its guided-missile destroyer INS Mumbai for the exercise scheduled from January 16 to 24, led by the French Carrier Strike Group (CSG) headed by the carrier Charles de Gaulle. The three straits are critical choke points, providing entry and exit into the Indian Ocean Region. With forays by the Chinese Navy in the region rising, the straits are under increased focus.

Maritime safety

The French Embassy in India highlighted that strengthening maritime safety, improving interoperability, and enhancing collective action during maritime crises will be central to a joint exercise involving Australia, Canada, France, India, Indonesia, Malaysia, Singapore, the U.K., and the U.S. The exercise will take place in key maritime straits, which face risks such as accidents, environmental hazards, illegal activities, and natural disasters. The navies will train using IORIS, a system for communication and coordination, to effectively manage maritime crises in a synchronized manner.

Indian cryptography research gears up to face the quantum challenge

SCIENCE & TECHNOLOGY

CONTEXT: Fundamental research in cryptography that's used worldwide to facilitate Internet banking, e-commerce services, and secure messaging systems is now taking root in India as well.

The main goal of cryptographic systems is to enhance security by converting plain text into ciphertext, ensuring that only the sender and receiver can understand the message, protecting it from malicious interference. Cryptography has ancient roots, with early examples such as the cryptic formulae on Mesopotamian clay tablets and Julius Caesar's use of the Caesar cipher. Modern cryptography gained momentum with efforts by Polish codebreakers and Alan Turing to crack the German Enigma system during World War II. Today, sophisticated algorithms and protocols are used to secure data by ensuring its confidentiality, integrity, authenticity, and non-repudiation.

'Hard' problems

Cryptographic algorithms make decoding messages difficult and costly, often by placing sensitive information behind complex problems that can only be solved by authorized agents. As quantum computing advances, the search for increasingly difficult problems for encryption continues. Modern cryptosystems rely on problems that require vast resources to solve, with broken systems leading to serious consequences. Cryptography evolves slowly due to its reliance on proven methods for secure communication. Researchers in India are focusing on areas like communication complexity (the amount of communication required to complete a computational task), proof complexity (the computational resources required to prove or disprove statements), and algebraic coding theory (using algebra to encode and decode data) to advance cryptography and explore the links between complexity theory and cryptography.

Locks and keys

The goal of cryptography is to prevent adversaries, especially those with vast computational resources, from cracking encrypted data. Central to any cryptosystem is the key, a secret value used to encrypt and decrypt messages. The Caesar cipher is an example where the key shifts the alphabet, and only someone with the key can decrypt the message. Modern systems, like public-key cryptography, use two keys — a public one for encryption and a private one for decryption. Researchers focus on one-way functions, which are easy to use but hard to crack. However, some secure systems, like Bitcoin mining, require significant computational resources, leading to efforts to simplify decryption. Researchers are also exploring ways to verify the integrity of data in AI and large language models. Cryptography has practical applications beyond academia, with trustworthiness and computation now being major research challenges, as noted by Turing Award winner Yael Kalai.

Possibility of disruption

Two emerging research areas—homomorphic encryption and quantum information technologies—could disrupt current cryptographic systems with significant economic and social impacts, according to a recent OECD paper. Homomorphic encryption allows calculations on encrypted data without decryption or accessing the secret key, addressing the risks of processing sensitive data. Quantum computers could potentially break existing encryption methods, leading researchers to develop quantum-resistant cryptography (QRC). This includes combining cryptography with quantum physics for more secure encryption methods. Research on QRC is ongoing globally, with contributions from institutions in the EU, Japan, and India, including IISER Pune, IISc, RRI, and Pondicherry University.

'A huge deal'

Cryptography research in India is advancing rapidly, matching global progress in the EU, U.S., and China. The National Quantum Mission, approved in 2023, includes plans for quantum communication research, enabling secure satellite-based communication and inter-city quantum key distribution. The Indian Space Research Organisation is also planning a satellite for ultra-secure quantum communication. Indian scientists have developed a method to generate true random numbers for creating secure private keys and unhackable passwords. The Ministry of Science & Technology, along with other government bodies, funds cryptography research. As quantum computing poses a future threat to current cryptosystems, India is working on quantum-secure cryptosystems. A study by Thales Group highlights the growing importance of encryption, especially with the increasing volume of sensitive data in the cloud, which is pushing organizations to strengthen their encryption practices.

Pyrrhic peace

INTERNATIONAL RELATIONS

CONTEXT: Hamas and Israel have agreed to a ceasefire after 15 months of war, which saw the deaths of tens of thousands of people.

A ceasefire agreement between Israel and Gaza has been reached, providing a temporary break from the violence that has affected Gaza since October 7, 2023. The agreement, which will be implemented in three phases, includes the release of hostages and prisoners by both sides. In the first phase, Hamas will release 33 hostages, and Israel will free around 1,000 Palestinian prisoners. The second phase will involve more exchanges and a formal announcement of the end of hostilities. The third phase will address the future governance of Gaza. While this is not a permanent end to the conflict, it offers relief to Gaza's 2.3 million Palestinians.

Both Israel and Hamas are focused on the first phase of the ceasefire agreement, but challenges may arise during negotiations for the next phases. Israel aimed to destroy Hamas and secure the hostages' release, but Hamas has survived and adapted. While Israel has degraded Hamas's infrastructure, it has not achieved its objectives, leading to questions about its military tactics. Hamas demands a full Israeli withdrawal from Gaza, and Netanyahu has not committed to ending the war. Despite obstacles, the ceasefire provides relief and a foundation for further talks. A potential solution could involve forming a united Palestinian administration under the Palestinian Authority, with Israel withdrawing troops to facilitate Gaza's reconstruction and lasting peace.


The larger picture

India and Bangladesh purely through a religious lens has been counterproductive in the past. While Islamic radicals and certain officials may try to stir polarization, India remains focused on preserving its bilateral relations with Bangladesh, despite challenges like the Teesta river issue. India supported Bangladesh's democracy during the 2009 BDR revolt, and it is in Bangladesh's interest to avoid an Islamic coup. The experience of democracy in 2008 and 2024 makes it difficult for Bangladesh to reverse its democratic progress.

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Recasting insolvency resolution

ECONOMICS & DEVELOPMENT

CONTEXT: The recent Supreme Court of India judgment in Jet Airways (State Bank of India & Ors. vs The Consortium of Mr. Murari Lal Jalan and Mr. Florian Fritsch & Anr.) highlighted issues regarding institutional capacity and procedural efficiency, exposing structural flaws in India's insolvency regime. The Insolvency and Bankruptcy Code (IBC) was introduced as a key economic reform to resolve insolvency in a structured, time-bound manner.

A double burden

The effective implementation of the Insolvency and Bankruptcy Code (IBC) is hindered by delays at the National Company Law Tribunal (NCLT) and its appellate body, NCLAT. The NCLT's outdated structure and insufficient number of members, combined with benches not operating full-time, have led to bottlenecks in insolvency resolutions. Consequently, the average resolution time increased to 716 days in FY2023-24, up from 654 days in FY2022-23, despite calls from the Supreme Court to adhere to IBC timelines, including in the Jet Airways case.

The need for domain expertise

The current framework's deficiencies are manifest across other dimensions. What stands out the most is the qualitative dimension of institutional capacity. The current method of appointment ignores the need for domain experience. As the Court noted in the Jet Airways case, "Members often lack the domain knowledge required to appreciate the nuanced complexities involved in high-stakes insolvency matters...". This creates a paradox where an institution tasked with resolving complex cases is hindered by a lack of specialised knowledge.

However, the problems run deeper than capacity limitations. There is also the bureaucratic labyrinth. There is no effective system in place before the NCLTs for urgent listings. And as noted by the Supreme Court, the staff of the Registry is given wide powers to list or not to list a particular matter. Perhaps most troubling is what the Court has termed a "growing tendency" among NCLT and NCLAT members to ignore or defy its orders, which threatens the very foundation of India's judicial hierarchy.

This is not merely about institutional efficiency. It is about institutional integrity.

Sparse use of alternatives

India's insolvency framework faces challenges such as procedural delays, overburdened systems, and limited use of alternative dispute resolution. While global jurisdictions face similar issues, India's scale and economic ambitions require bold reforms, including mandatory mediation, specialized benches, and infrastructure improvements. The insolvency regime must evolve beyond debt resolution to foster economic rejuvenation and attract foreign investment, necessitating a comprehensive reimagining of the system.



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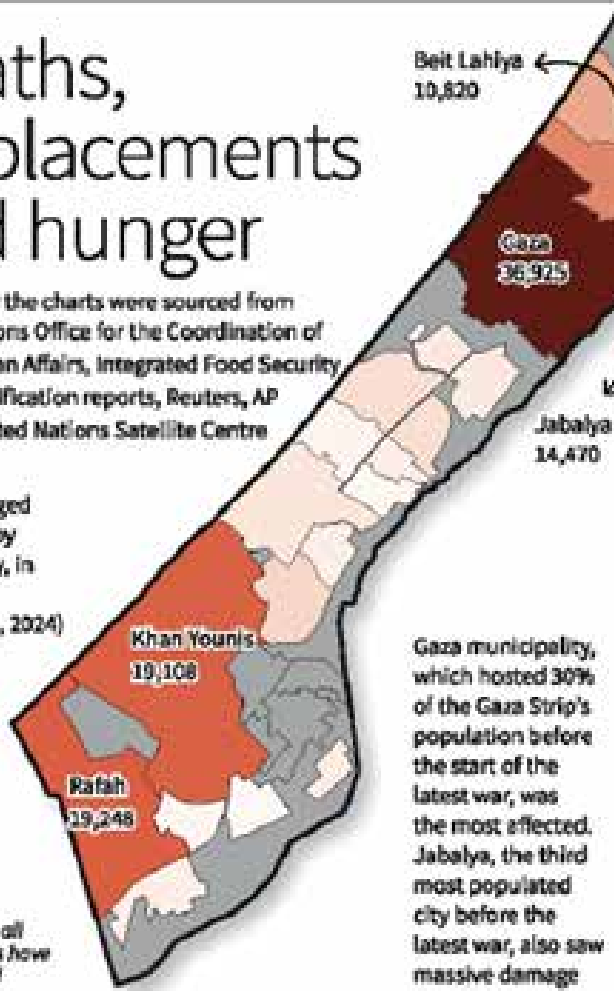
What the ceasefire deal means for Palestine and Israel

INTERNATIONAL RELATIONS

Deaths, displacements and hunger

The data for the charts were sourced from United Nations Office for the Coordination of Humanitarian Affairs, Integrated Food Security Phase Classification reports, Reuters, AP and the United Nations Satellite Centre

Map: Damaged structures, by municipality, in Gaza (as of December 1, 2024)



Map is not to scale and not all municipalities have been mapped



- Captive hostages after phase 1
- Hostages to be released in phase 1
- Exchanged hostages
- Rescued hostages
- Uncertain status
- Dead

Chart 3: Status of hostages held by Hamas (251 in total)

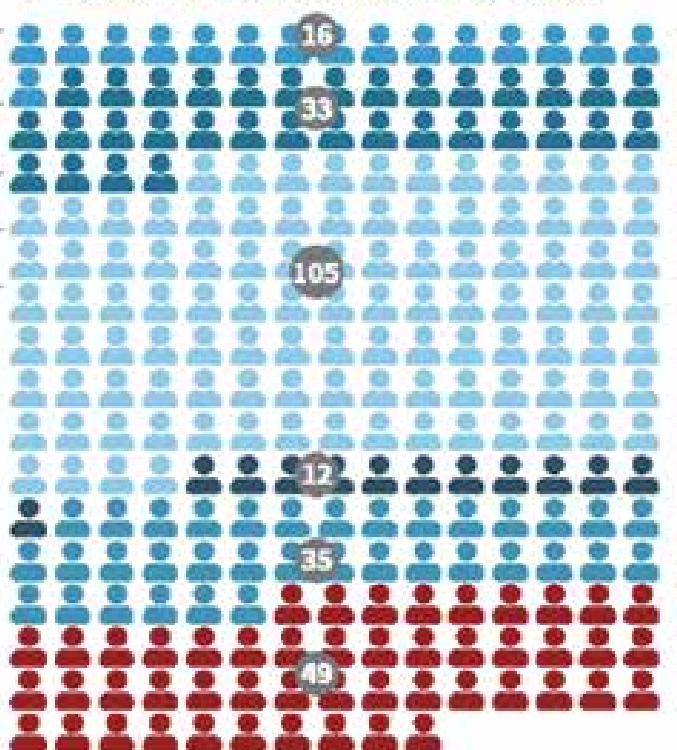


Chart 1: Fewer humanitarian aid trucks reached Gaza after the war

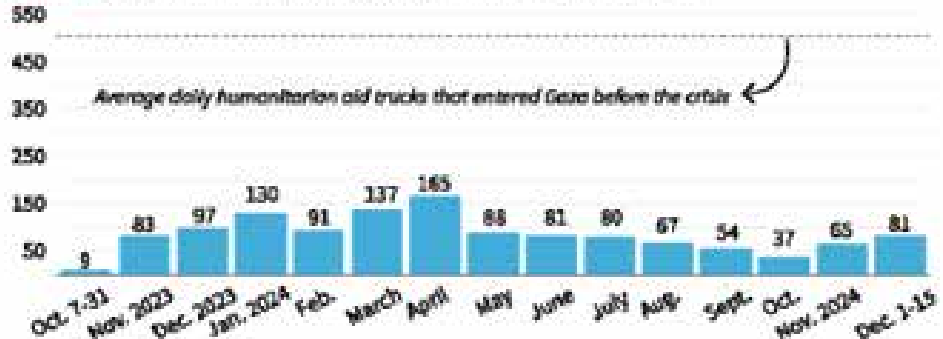


Chart 2: Food Insecurity levels in Gaza

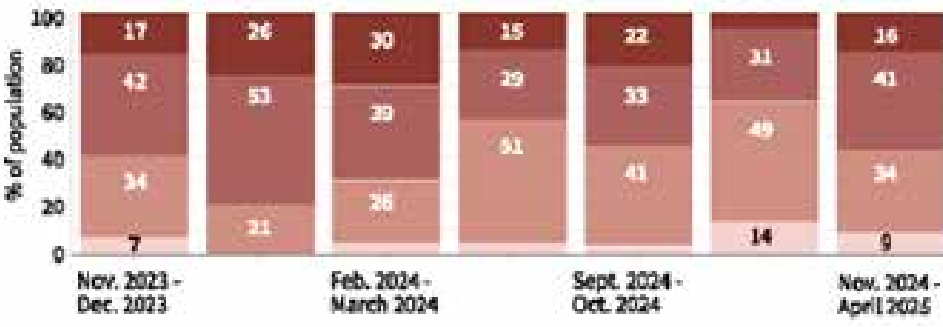
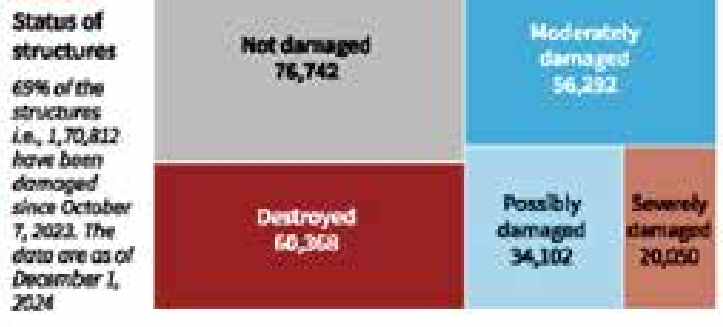


Chart 4: Status of structures



How is TRAI and the govt. combating spam?

INTERNAL SECURITY

CONTEXT: The Telecom Regulatory Authority of India (TRAI) will be using distributed ledger technology (DLT) to register spam preferences from customers, TRAI chairman Anil Kumar Lahoti said. Spam rules will be tightened to make commercial messages traceable, the TRAI has indicated.

What is TRAI's role in fighting spam?

TRAI regulates the telecom industry, focusing on Unsolicited Commercial Communications (UCC), or spam. Since 2007, it implemented a do-not-disturb (DND) registry to prevent spam calls and SMS for customers who sign up. TRAI developed a DND app for customer registration and complaints. Under the 2018 Telecom Commercial Communication Customer Preference Regulation (TCCCPR), telemarketers sending messages to DND users receive warnings and can be blacklisted. The app had issues in 2022 but, in 2024, TRAI mandated DND reporting on all telecom provider apps for easier use.

What role does blockchain play?

To combat spam messages, TRAI mandated the use of a blockchain ledger under the TCCCPR, requiring telcos to store an updated list of approved SMS senders and specific message formats. Blockchain ensures data immutability, making it harder to tamper with. In 2024, regulations were tightened to ensure traceability of messages, requiring telcos to track the origin of messages before they reach SMS gateways, addressing vulnerabilities that allowed spam. Further tightening of these rules is expected in the coming year.

Have these measures been effective?

While DND preferences have reduced communications from legitimate businesses, spam has evolved, with fraudulent calls and financial scams increasing. Many of these operations bypass SMS sender IDs using disposable 10-digit numbers, making enforcement challenging. Additionally, international spam and scam calls, which appear as legitimate traffic, are also a growing issue.

Which are the other steps taken by the government to end spam?

The Department of Telecommunications (DoT) launched the Sanchar Saathi portal with Chakshu for reporting fraudulent calls and messages, partnering with law enforcement and banks to cancel numbers linked to scammers. It also established the Telecom Security Operation Centre to monitor suspicious internet traffic. Companies like Airtel are using AI to label suspicious calls as "Suspected Spam" and are marking international calls on smartphones.

What did the ILO report state about international migrants?

POLITY & GOVERNANCE

CONTEXT: The fourth edition of the ILO's "Global Estimates on International Migrant Workers" highlights how international migrants contribute to global economic growth by addressing labour shortages in host countries and sending remittances to their home countries.

What did the ILO state?

In 2022, international migrants (IMs) made up 4.7% of the global labour force, with 167.7 million IMs, including 155.6 million employed and 12.1 million unemployed. While the share of IM men in global male employment was 4.7% and IM women at 4.4%, the growth rate of IMs slowed to less than 1% annually between 2019-2022, partly due to the pandemic.

What about age and gender?

In 2022, 61.3% of male IMs (102.7 million) were employed, compared to only 38.7% of female IMs (64.9 million), though the number of female IMs has steadily increased since 2015. Prime-age adult IM workers (25-54 years) made up 74.9% of the total, while young IMs (15-24 years) accounted for 9.3%, IMs aged 55-64 were 12.5%, and those above 65 made up 3.4%.

Which economic sectors attract IMs?

In 2022, 68.4% of IMs worked in the services sector, with women IMs holding 80.7% of the sector's share, higher than the 60.8% among male IMs. This sector dominance has remained consistent since 2013. In industry, IMs made up 24.3%, similar to non-migrants (24.2%), while in agriculture, IMs accounted for 7.4%, much lower than non-migrants' 24.3%.

Which are the main host countries?

In 2022, high-income countries hosted 68.4% of IMs, particularly in sectors like services and care, while upper-middle-income countries accounted for 17.4%. Northern, southern, and western Europe made up 23.3% of IM workers, while Northern America's share decreased to 22.6%. The Arab states' share dropped to 13.3%. Despite some regional shifts, high-income countries remain primary destinations for IMs due to factors like aging populations and demand for care workers.

The impact of H-1B visas on the tech industry in U.S.

INTERNATIONAL RELATIONS

CONTEXT: The appointment of Sriram Krishnan as Trump's AI advisor sparked controversy, especially from right-wing figures like Laura Loomer, who criticized Indian immigrants in U.S. tech roles. Krishnan supports simplifying the H-1B visa process, a view shared by Elon Musk. However, figures like Bernie Sanders oppose the H-1B visa, arguing it harms U.S. workers. The debate over its impact on wages and productivity continues.

A brief history

The U.S. Immigration Act of 1990 significantly revised the H-1B visa program to attract skilled foreign workers, particularly in response to global competition and the rising demand for STEM talent, especially in Silicon Valley. The law introduced an annual cap of 65,000 H-1B visas and required employers to ensure that hiring foreign workers would not harm U.S. wages or working conditions. During the dot-com boom, the cap was raised to 195,000, later returning to the base cap, with additional slots for advanced degree holders from U.S. universities added in 2004. From 1990 to 2019, around 4.5 million H-1B visas were issued, with India being the dominant country of origin for visa holders, particularly in computer-related fields.

The impact of H-1B workers

Studies on the impact of H-1B workers in the U.S. have shown positive effects on wages and productivity. Giovanni Peri's 2013 study found that an increase in foreign STEM workers boosted wages for native college-educated workers and overall productivity in U.S. cities. A follow-up study by Alessandro Caiumi and Peri highlighted that immigrants and native workers complement each other in the labour market. Research by William Kerr and Jennifer Hunt further demonstrated that skilled immigrants contribute to U.S. patent activity and innovation, with H-1B workers often founding companies that create jobs for U.S. workers.

Talent conundrum in the age of AI

Opponents of the H-1B visa program criticize its impact, particularly focusing on Indian tech companies like Infosys and Cognizant. These companies use a business model combining offshore centers in India with on-site U.S. operations, facilitated by H-1B visas. This model, while transforming tech services delivery, has not been an innovative boost to the U.S. economy. Critics argue that the program is dominated by large IT firms and suggest that the incoming administration should prioritize individual skills and education over company interests in future immigration policies.

Bangladesh short-circuit trips Adani Power's Godda project

INTERNATIONAL RELATIONS

CONTEXT: Adani Power's Godda plant in Jharkhand, meant to supply 1,600 MW to Bangladesh, is providing only 800 MW due to \$900 million in outstanding dues. Bangladesh is repaying \$70-80 million monthly, but Adani Power is undecided about the remaining 800 MW. Delays in payments have affected the plant's viability despite a sovereign guarantee.

Mega deals under lens

The political turmoil and regime change in Bangladesh have led to scrutiny of 11 major deals, including one with Adani Power. The High Court in Dhaka has instructed the interim government to hire an international law firm to review these agreements, with allegations of inflated tariffs and undisclosed tax benefits received by Adani from the Indian government. Critics argue that the power sector contracts were signed without competitive bidding, making them fiscally burdensome. There are also concerns about Adani charging higher coal prices than other sources. Despite these issues, the deal has been beneficial for both parties—Bangladesh gets cheaper, reliable power, while Adani makes higher profits than it would in India. However, delays in payments have weakened the financial situation. To support exporters, the Indian government has eased norms, allowing projects meant for export to reroute power to the domestic market.

Wish list for 'insurance for all by 2047'

POLITY & GOVERNANCE

CONTEXT: The Indian life insurance industry is poised for transformation in 2025, marking 25 years of the private sector's growth. Key achievements include multi-channel distribution, unit-linked plans, and open architecture. Ongoing discussions focus on issues like composite licenses, 100 % foreign investment, and relaxed capital requirements.

Consumer focus

HDFC Life's 2024 'Life Freedom Index' study, conducted by NielsenIQ, shows a rise in financial freedom among Indian consumers, with the index reaching 70.8, a 9-point increase from 2021. This improvement reflects a post-pandemic rebound in consumer sentiment and an enhanced financial outlook. Factors such as increased financial literacy, access to digital platforms, and the availability of digital infrastructure like Jan Dhan, Aadhaar, and mobile phones have boosted the adoption of life insurance. However, life insurance remains a push product, despite its strong financial protection benefits.

New initiatives

Mass initiatives like the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) have expanded life insurance access, but further efforts are needed to leverage digital infrastructure, such as a centralized medical repository (e.g., Ayushman Bharat Health Account), to improve data access, risk assessment, and claims processing. Allowing insurers to establish insurance-tech subsidiaries would drive digital transformation. Reducing GST on 'term' and 'health' products would lower insurance costs, promoting broader adoption. Additionally, reforming the taxation of annuities to avoid double taxation would support financial inclusion. India's youthful population, strong economic growth, and rising affluence present significant opportunities for the financial services sector, with per capita income expected to grow by 70% by 2030.

UPI's 'too big to succeed' conundrum

ECONOMICS & DEVELOPMENT



CONTEXT: On average, 540 million UPI transactions worth almost ₹75,000 crore were registered daily in December. India's Unified Payments Interface (UPI) has experienced significant growth since its launch in 2016, with 16.73 billion transactions worth ₹ 23.25 lakh crore recorded last month. Transaction volume increased by 39 % year-on-year, and value rose by 28%. In December 2024, UPI handled an average of 540 million transactions worth nearly ₹ 75,000 crore daily. UPI payments are now accepted in seven countries, including France, Singapore, and UAE, with plans to expand to Qatar, Thailand, and others. Domestically, 641 banks and 40 third-party apps support UPI. The technical decline rate for transactions has significantly decreased, reflecting improved efficiency. With 350 million active users and over 340 million QR codes at merchant locations, UPI continues to grow, aided by new

features like UPI Lite, UPI 123PAY, and credit lines on UPI.

Limiting volumes

Despite UPI's domestic success, concerns about the concentration of transaction volumes have arisen, with the top two players, PhonePe and Google Pay, accounting for about 85% of transactions. In response, the NPCI introduced a guideline in 2020 to limit a third-party app provider's (TPAP) transaction share to 30% over a rolling three-month period. The cap was originally set to take effect in January 2021 but was extended to December 2024, and later, in 2022, further extended to December 2026 to accommodate current usage and UPI's future growth.

Processing fee

Imposing a market cap on UPI transactions is challenging due to the absence of a merchant discount rate (MDR), which businesses typically pay for card transactions. Without MDR, smaller players struggle to raise funds and expand their market

share. Introducing MDR could help fintech firms raise larger sums. In 2024, the NPCI approved 20 new UPI apps and lifted WhatsApp's onboarding restriction to reduce the dominance of top players like PhonePe and Google Pay. Vishwas Patel, of the Payment Council of India, emphasized the need to focus on growing UPI's reach to the next 300 million users and believed that market dynamics would naturally address the market cap issue without hindering growth.



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