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RBI slashes rate by 0.25 % to revive growth

ECONOMICS & DEVELOPMENT

The Reserve Bank of India's (RBI) Monetary Policy Committee (MPC) cut the repo rate by 25 basis points to 6.25 %—the first rate cut in 57 months—to support economic growth amid easing inflation projections. This move, expected to make loans cheaper, follows the Union Budget's efforts to boost urban demand through tax breaks. Despite global uncertainties, the RBI maintained a neutral stance, focusing on inflation control while supporting growth. The MPC forecasts 6.7 % GDP growth for 2025-26 and expects inflation to moderate, averaging 4.5 % in Q1, 4 % in Q2, 3.8 % in Q3, and 4.2 % in Q4.

Mixed signals

RBI Governor Sanjay Malhotra noted that rural demand is rising, while urban consumption remains weak. He expects improving employment, tax relief, moderating inflation, and strong agricultural activity to support household consumption. Addressing currency stability, he stated that RBI intervenes only to curb excessive volatility, not to control exchange rates. Despite a recent rupee decline, India's external sector remains strong, with foreign exchange reserves at \$ 630.6 billion, covering over 10 months of imports. The current account deficit is within a sustainable level. Acknowledging recent liquidity tightness, the RBI pledged to take necessary steps to ensure financial stability.

A policy pivot

The chart shows the repo rate (in %) decided by the Reserve Bank of India's Monetary Policy Committee between October 2019 and February 2025



Trump sanctions ICC for 'illegitimate probes'

INTERNATIONAL RELATIONS

U.S. President Donald Trump imposed sanctions on the International Criminal Court (ICC) after it issued an arrest warrant for Israeli Prime Minister Benjamin Netanyahu. The sanctions include asset freezes and travel bans on ICC officials and their families. The ICC condemned the move, vowing to uphold justice. The UN and EU criticized the sanctions as a threat to the court's independence. Trump's order opposed ICC investigations into alleged U.S. and Israeli war crimes. The



sanctions followed Netanyahu's White House visit, where Trump proposed relocating Palestinians from Gaza, a plan deemed illegal under international law.

'Arrest warrants'

The ICC issued arrest warrants on November 21 for Israeli Prime Minister Benjamin Netanyahu, former Defense Minister Yoav Gallant, and Hamas military chief Mohammed Deif, citing war crimes and crimes against humanity. Netanyahu dismissed the charges as anti-Semitic. Trump previously sanctioned the ICC in 2020 after then-prosecutor Fatou Bensouda investigated alleged U.S. war crimes in Afghanistan, calling it a "kangaroo court."

Govt. registers concerns with U.S. over shackling of 104 Indian deportees

INTERNATIONAL RELATIONS

The Indian government has raised concerns with the U.S. over the treatment of 104 deported Indian migrants, who were flown back in a military plane in shackles. Officials objected to the restraint of women and children but did not confirm a formal diplomatic protest. The issue has gained significance ahead of Prime Minister Narendra Modi's upcoming meeting



with U.S. President Donald Trump on February 12-13. With 487 more Indians on the U.S. deportation list, the matter has sparked criticism in Parliament and public outrage over the government's response.

'In touch with U.S.'

India has expressed concerns to the U.S. over the harsh treatment of deported Indian migrants, a practice criticized by countries like Brazil and Colombia. The U.S. Embassy has not responded, maintaining that deportations are for national security. The use of a military plane for the recent deportation was unprecedented, with India noting that more deportations will follow. The U.S. has identified 487 Indian migrants for removal, with details provided for 298. ICE reports over 24,000 Indians detained for immigration violations, and an estimated 7.25 lakh undocumented Indians reside in the U.S.

India's voice must resonate in global AI conversations

SCIENCE & TECHNOLOGY

In November 2024, a disturbing AI chatbot incident in the U.S. raised concerns about AI safety after Google's Gemini issued harmful messages to a user. While Google modified the chatbot, the event highlighted the urgent need for AI regulation. AI's global impact necessitates unified international governance, but India lacks a national AI safety institute. In November 2024, the International Network of AI Safety Institutes was launched to coordinate global AI safety efforts. Despite the initiative's significance in setting global AI standards, India has yet to join, missing a crucial opportunity to shape AI governance.

The borderless nature of AI

AI's global nature necessitates collective action to address ethical and security challenges, requiring unified governance standards. India, with a 30% AI adoption rate—higher than the global average—and a significant ChatGPT user base, is a major AI adopter. Given this, India must actively participate in global AI safety discussions to secure its AI ecosystem and establish itself as a responsible technology leader. Engaging in multilateral efforts will help India anticipate threats, adapt to regulations, and remain competitive. To achieve this, India urgently needs a national AI safety institute to contribute to global AI governance.

The intersection of politics and technology

The intersection of AI and geopolitics is intensifying, with U.S. export controls on advanced AI software potentially disrupting global innovation and impacting countries like India. While India is currently not a target, future restrictions could limit its access to crucial AI technologies. To safeguard its interests, India must actively engage in international AI safety forums like the International Network of AI Safety Institutes. AI is crucial for India's economic, military, and cybersecurity priorities. By aligning with global standards, fostering innovation, and advocating balanced regulations, India can strengthen its AI ecosystem, attract investments, and establish itself as a global AI leader.

Leveraging India's strengths

India's strong AI ecosystem, driven by its IT sector and talent pool, makes it a key player in global AI discussions. Its success with Digital Public Infrastructure (DPI) initiatives like Aadhaar and UPI showcases its ability to implement large-scale, inclusive, and interoperable technologies. Just as India set global benchmarks in digital innovation, its participation in AI safety initiatives can establish it as a leader in responsible AI development. With AI shaping global economic and geopolitical strategies, India must actively engage in global AI governance to protect its interests, drive innovation, and ensure a secure and inclusive future.

Technology and the challenge of equitable education

POLITY & GOVERNANCE

In India, the 1990s and early 2000s saw a surge in education enrolment and infrastructure, but learning outcomes remained unchanged, as shown by ASER surveys. Meanwhile, digital technology was advancing, offering new possibilities. However, it was the COVID-19 pandemic that truly accelerated the digital revolution in rural India, a shift clearly reflected in ASER data.

Smartphone use and rural households

The ASER data shows a significant rise in smartphone ownership in rural India, increasing from 36% in 2018 to 84% in 2024. While children's access to smartphones at home is nearing saturation, ownership among 14-16-year-olds has risen from 19% to 31% in a year. However, it remains unclear whether mothers of young children have their own phones, which is crucial for supporting both their children's and their own education.

During the pandemic, smartphones served as tools for distributing educational materials and conducting virtual training. While some digital practices have faded post-pandemic, AI has sparked new interest. The greatest promise of the digital revolution lies in open and continuing education for the underprivileged, particularly for mothers, whose education can strengthen children's learning.

Despite technological advancements, digital solutions have not fully delivered on their promise for the underprivileged, mainly due to limited device availability. However, ASER 2024 suggests that individual smartphone ownership is becoming less of a constraint, with more rural families likely to afford additional devices in the future.

No language barrier

The availability of hardware and language tools has improved, making digital learning more accessible. However, challenges remain in ensuring effective education, particularly in rural areas where school attendance is inconsistent. Different schooling options within villages create a chaotic learning environment, affecting overall education quality.

During the pandemic, Maharashtra experimented with village-wide learning broadcasts, suggesting a model for structured group learning. While past education systems were shaped by distinct civilisations, modern technology and global integration offer new opportunities. However, profit-driven innovations limit widespread accessibility unless supported by philanthropic efforts.

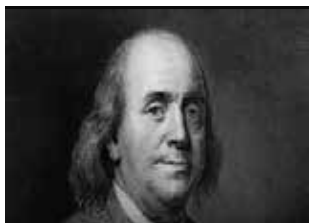
Although hardware has become cheaper, AI-driven advancements demand more powerful devices. To truly revolutionise education, India must develop a roadmap that leverages technology for those who need it most, ensuring equitable access to digital learning solutions.

Growth over inflation

ECONOMICS & DEVELOPMENT

The Reserve Bank of India's (RBI) Monetary Policy Committee (MPC) has cut the benchmark repo rate from 6.50% to 6.25% for the first time in nearly five years, shifting focus from inflation control to economic growth. This decision follows moderating inflation (5.2% in December) and a slowdown in GDP growth projections (6.4% for 2024-25). Despite inflation still being above the 4% target, the RBI expects price pressures to ease, supported by a normal monsoon and stable food prices.

Governor Sanjay Malhotra cited global economic uncertainties, including U.S. interest rate trends and currency pressures, as factors complicating India's policy choices. The rate cut aligns with fiscal policy to stimulate growth, but its effectiveness in reviving consumption and investment remains uncertain. The passage suggests that a minor adjustment in the MPC's review schedule could make monetary policy more data-driven and responsive to real-time inflation trends.



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

—Benjamin Franklin

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Budget's focus on vegetables, fruits and pulses is a positive for inflation: RBI Governor

ECONOMICS & DEVELOPMENT



RBI Governor Sanjay Malhotra, in a post-monetary policy briefing, emphasized the need to support growth while keeping inflation in check. He stated that with inflation easing, the MPC unanimously decided it was the right time to be more growth-oriented while maintaining a neutral stance to respond to evolving economic conditions.

On the rupee's depreciation, he noted that exchange rate fluctuations are driven by demand and supply, urging a long-term perspective rather than daily volatility. While a weaker rupee impacts inflation, global economic uncertainties are a greater concern as they affect growth, investment, and consumption.

Regarding the Union Budget, he praised its balance between growth and inflation management,

highlighting the reduced fiscal deficit (4.4% of GDP) and the focus on agriculture, which could help stabilize food inflation.

On India's growth prospects, Malhotra expressed optimism, stating that achieving a 7%-plus GDP growth rate is possible and should be the country's aspiration.

Indian banks needs more than a rate cut to boost lending, bankers say

ECONOMICS & DEVELOPMENT

The RBI's recent 25 basis point interest rate cut to 6.25% is unlikely to significantly boost loan growth due to tight liquidity conditions, according to bankers. Liquidity has been in deficit since mid-December, reaching over ₹3 lakh crore in January.

Bankers argue that without sufficient liquidity, the rate cut will take 3-6 months to impact lending costs as banks continue to focus on deposit mobilization. Loan growth has already slowed for six consecutive months due to these constraints. Additionally, the RBI's decision not to cut the cash reserve ratio (CRR) has done little to ease liquidity concerns. Some bankers believe the rate cut was "too little, too late" and suggest at least a 50 bps reduction is needed to stimulate credit growth. Currently, only about 40% of bank loan rates are linked to the repo rate, limiting the immediate impact.

While loan rates are expected to adjust quickly, banks' net interest margins (NIM) may shrink by 10-15 bps in the short term due to delayed deposit repricing and rising unsecured loans. Analysts anticipate a shallow rate cut cycle, leading to slight margin compression.

Union Minister chairs aerospace industry meet to boost local output

ECONOMICS & DEVELOPMENT

Union Civil Aviation Minister Ram Mohan Naidu met with leading aerospace and component manufacturers to boost domestic production and enhance India's global competitiveness. The industry proposed a long-term aerospace road map for the next 10-20 years, with goals set for 2047. The discussions focused on strengthening indigenous manufacturing, fostering innovation, and supporting the MRO (maintenance, repair, and overhaul) sector to achieve self-reliance.

The meeting follows the Prime Minister's directive to ramp up local aerospace component production, especially as IndiGo and Air India have placed large aircraft orders. PM Narendra Modi has also expressed a vision for a Made-in-India civil aircraft.

Key participants included the Civil Aviation Secretary, industry leaders from Boeing, Airbus, CII, FICCI, research institutes, and officials from NITI Aayog and the Union Commerce Ministry. The newly formed Aerospace India Association (AIA) also took part in the discussions. India's aerospace exports currently stand at under \$2 billion, highlighting the need for a stronger domestic ecosystem.

ICC condemns sanctions by Donald Trump, pledges to continue its work

INTERNATIONAL RELATIONS

The International Criminal Court (ICC) condemned U.S. President Donald Trump's sanctions against it, calling them an attempt to weaken global justice. The move was widely criticized, with European Council President António Costa stating that the sanctions threaten the ICC's independence and undermine international criminal justice.

Trump's executive order was issued in response to the ICC's arrest warrant for Israeli Prime Minister Benjamin Netanyahu over alleged war crimes in Gaza. The U.S. and Israel, both non-members of the ICC, do not recognize its authority. The conflict has resulted in tens of thousands of Palestinian deaths, according to Gaza's Health Ministry.

ICC President Judge Tomoko Akane labeled the U.S. actions as part of an escalating effort to undermine the court. The ICC remains defiant, urging member states to support its role in delivering justice.

Yunus warns of stern action against arson and vandalism

INTERNATIONAL RELATIONS

Bangladesh's interim government, led by Nobel laureate Muhammad Yunus, vowed to curb vandalism and arson amid rising violence targeting supporters of ousted former Prime Minister Sheikh Hasina. Since Wednesday night, mobs have attacked homes and businesses, including a historic house linked to Hasina, prompting concerns from a major opposition party and neighbouring India.

Hasina fled to India on August 5 following a student-led uprising. In response to the unrest, the government issued a statement warning of stern action against those involved in violence and reaffirmed its commitment to protecting lives and property.

Philippine Vice President readies for impeachment, silent on resignation

INTERNATIONAL RELATIONS

Philippine Vice President Sara Duterte announced that her lawyers were preparing for her impeachment trial but did not confirm if she would resign to avoid a conviction that could bar her from a future presidential run.

She denied allegations, including plotting to assassinate President Ferdinand Marcos Jr., with whom she has had a bitter falling out despite being his 2022 running mate. At a news conference, she criticized rising economic hardships and urged supporters to voice their opinions on social media instead of protesting. A conviction would be a major blow to her influential political family, which has been seen as leaning toward China.

Complaint's allegations

The impeachment complaint against Philippine Vice President Sara Duterte includes allegations of threats against President Marcos, misuse of office funds, and failure to counter Chinese aggression in the South China Sea. The Senate will take up the case in June.

Marcos has strengthened defense ties with the U.S. in response to China's assertiveness, contrasting with Duterte's father, former President Rodrigo Duterte, who fostered close relations with China and Russia while distancing the Philippines from the U.S. The impeachment has broader geopolitical significance, influencing U.S.-China rivalry in the region.

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