

EDITORIALS - 1ST OCT 2026

1. The India-EFTA partnership, one plus one equals three (GS Paper III Economy)

This editorial 'The India-EFTA partnership, one plus one equals three' was published in **The Hindu** on 1st Oct 2026, highlights **TEPA's potential** to deepen investment, technology, employment and sustainable resource partnerships between India and Europe.

Trade and Investment Framework

- The **Trade and Economic Partnership Agreement (TEPA)** entered into force on **1 October 2025**, linking India with European Free Trade Association states: Iceland, Liechtenstein, Norway and Switzerland.
- **Tariff concessions** cover 92.2% of EFTA tariff lines and 99.6% of India's export value; India offers concessions on 82.7% of tariff lines, covering 95.3% of **EFTA export value**.
- India's first trade agreement with a dedicated **investment and job creation** chapter targets \$100 billion additional investment over 15 years and **one million direct jobs**, supporting lasting industrial and technological partnerships.

Geothermal Energy and Carbon Cooperation

- Iceland's **direct-use geothermal heat** supports heating, fish drying and greenhouses without fossil fuels; its experience suits northern India's **Himalayan geothermal belt**, beyond electricity generation.
- At Tapri, Kinnaur, the Indian-Icelandic venture Geotropy uses **geothermal drying** for fruit; cooling storage planned by year-end could let growers delay sales, reducing **harvest-time distress selling**.
- Ground-sourced heat could strengthen **energy security** for high-altitude communities and northern frontier installations dependent on fuel transported through **seasonally disrupted supply routes**.
- A **NITI Aayog** study estimated potential capture of 750 million tonnes of carbon dioxide annually by 2050; the Department of Science and Technology's December 2025 **CCUS roadmap** supports the 2070 net-zero goal.
- The **Union Budget** allocated ₹20,000 crore over five years to scale **carbon capture, utilisation and storage (CCUS)** across power, steel, cement, refining and chemicals; ONGC, NTPC and Indian Oil are undertaking feasibility studies, pilots and subsurface assessments.
- Iceland's CarbFix achieves over 95% **carbon mineralisation** within two years by injecting carbon dioxide dissolved in water into basalt; similarities with India's **Deccan Trap basalts** create storage cooperation potential.
- Iceland's George Olah plant began **carbon-to-methanol** production in 2011–12; Carbon Iceland's May agreement with JSW Steel and Bharatia explores a **300,000-tonne annual project** in Raigad using steel emissions and green hydrogen, creating scope for licensing and co-development.

Fisheries and Arctic Cooperation

- Icelandic firms are exploring processing North Atlantic catch in India, bringing **jobs and technology transfer** under TEPA; expertise spans seafood quality, **cold-chain logistics** and value-added processing.
- Iceland uses around 90% of each fish, against 40–60% in most fishing nations, converting discarded parts into medical products, oils and feed; **resource efficiency** could expand India's **exports and employment** without additional catch.
- Iceland, a founding **Arctic Council** member, offers India a bilateral governance and research channel complementing its **Observer status since 2013**, Arctic Policy of 2022 and Himadri research station in Svalbard.

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Implementation Challenges in India's Trade Agreements

- **Investment accountability:** Commitments need phased monitoring; TEPA targets \$50 billion investment within 10 years and another \$50 billion over the next five, excluding portfolio investment.
- **Rules-of-origin compliance:** Preferential tariffs require verifiable sourcing; India's Customs (Administration of Rules of Origin under Trade Agreements) Rules, 2020 require importers to exercise reasonable care beyond possessing origin certificates.
- **Non-tariff barriers:** Tariff reductions cannot overcome all market-access restrictions; the Commerce Ministry identifies European Union pesticide-residue limits as obstacles affecting Indian agricultural exports.
- **Domestic industry adjustment:** Sensitive producers need protection against disruptive competition; India's TEPA offer safeguards dairy, soya, coal and sensitive agricultural products.
- **Unequal benefit distribution:** Smaller exporters need accessible market information; the Trade Connect e-Platform, launched in September 2024, provides tariff exploration, country guides and expert assistance.
- **Technology absorption:** Collaboration requires domestic technical capacity; TEPA envisages vocational training alongside technology partnerships in precision engineering, health sciences and renewable energy.
- **Institutional coordination:** Investors need coordinated implementation support; the India–EFTA Desk, launched in February 2025, helps businesses navigate Indian markets and establish partnerships.

2. Household debt, financing today against tomorrow (GS Paper III Economy)

This editorial '**Household debt, financing today against tomorrow**' was published in **The Hindu** on 1st Oct 2026, highlights how rising **household borrowing** can sustain consumption while increasing vulnerability when incomes remain inadequate.

Debt and Savings Trends

- According to the **Reserve Bank of India (RBI)**, household debt rose from 39.2% of **gross domestic product (GDP)** in March 2021 to around 42% in June 2023 and 45.5% in September 2025; its composition and pace warrant scrutiny despite relatively modest levels.
- **Net financial savings** declined from exceptional pandemic levels but recovered from 5.2% of GDP in 2023–24 to around 6% in 2024–25, contradicting an **across-the-board savings collapse**.
- **Housing loans** create assets, whereas expanding personal loans, credit-card debt and other **unsecured borrowing** finance consumption shortfalls by committing future income.
- The RBI reports moderating growth in **consumption-oriented borrowing** and increasing productive borrowing; this improvement does not remove **distributional risks**, as irregular-income workers face greater repayment uncertainty than salaried households.

Borrowing Drivers and Household Vulnerability

- Borrowing backed by rising incomes for houses, education or **productive assets** need not cause concern; debt financing routine needs because incomes are inadequate merely postpones the **income constraint**.
- **Digital lending** reduces borrowing costs and blurs the distinction between affordability and credit availability; immediate consumption support creates **future repayment obligations**.
- Borrowing for health care, education, housing and old-age needs can substitute for inadequate **social protection**, making indebtedness an outcome of **institutional conditions** as well as individual choices.

Macroeconomic Effects and Policy

- Credit supports short-term demand, but excessive **household leverage** increases debt servicing, reduces discretionary spending and makes consumption more sensitive to **interest rates and employment**.
- **Income stagnation** can trigger borrowing, higher repayments, lower disposable income, weaker consumption and renewed credit dependence; **credit-led demand** offers temporary acceleration, while income-led expansion provides a sustainable foundation.
- Policy should distinguish **productive credit** and asset-building loans from **distress borrowing**, rather than simply restrict lending, since formal credit access can improve household welfare.

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Consumer Protection in Digital Credit Markets

- **Cost transparency:** Borrowers need comparable total costs; Reserve Bank of India (RBI) digital-lending rules require a Key Facts Statement, while multi-lender platforms must display annual percentage rates and repayment obligations.

- **Responsible lending:** Instant approval must retain affordability checks; RBI requires recorded assessments of borrowers' age, occupation and income, prohibiting automatic credit-limit increases without explicit requests.
- **Data privacy:** Loan access must not permit intrusive surveillance; RBI rules prohibit lending apps from accessing contact lists and call logs, requiring need-based, consent-driven collection.
- **Fair recovery practices:** Collection must preserve borrower dignity; RBI's August 2022 instructions prohibit harassment, public humiliation and recovery calls before 8 a.m. or after 7 p.m.
- **Grievance redressal:** Accessible escalation strengthens accountability; borrowers can approach RBI's Ombudsman mechanism after an unsatisfactory lender response or no reply within 30 days.
- **Financial literacy:** Borrowers need awareness of lending safeguards; RBI's Centres for Financial Literacy project and consumer-awareness campaigns provide institutional channels for improving informed financial decisions.
- **Platform accountability:** Outsourcing cannot erase responsibility; RBI rules keep regulated lenders liable for lending-service providers' acts and omissions, preventing intermediaries from becoming accountability gaps.

3. How to finance rural prosperity (GS Paper III Economy)

This editorial '**How to finance rural prosperity**' was published in **The Hindu** on 1st Oct 2026, highlights the need to finance entire **agricultural value chains** to increase rural value capture, employment and incomes.

From Food Security to Rural Prosperity

- India's first agricultural transformation achieved **food security** through policy, innovation, irrigation and institutional credit; the next must deliver **rural prosperity** by retaining more post-harvest value.
- **Value-chain financing** must extend beyond production to aggregation, storage, logistics, processing, branding and markets, where enterprises generate **employment and incomes**.
- Dairy, poultry and fisheries have **predictable cash flows**, lower inventory risks and regular working-capital turnover; seasonal processors procure annual supplies within a short harvest window, requiring substantial **inventory finance**.
- A ₹500-crore processing facility may need ₹700–800 crore for seasonal procurement and storage; **structured working capital** determines viability, while sugar demonstrates how **warehouse-backed lending** can overcome seasonality.

Financing Gaps and Opportunity

- Bank nationalisation, rural banks, cooperatives and Kisan credit strengthened **production credit**; banks' warehouse-receipt, receivables, processing and infrastructure finance,

alongside non-banking financial companies' innovations, remain fragmented rather than a comprehensive **financing architecture**.

- Agriculture and allied sectors' **Gross Value Added (GVA)** of ₹48.8 lakh crore and institutional credit flow of ₹20.7 lakh crore in 2023–24 indicate a **value-chain financing opportunity** potentially exceeding ₹14 lakh crore.
- India processes only **10–12%** of agricultural produce, against 35–45% across East, South and Southeast Asia and often over 60% in developed economies, where finance supports **commodity-specific value chains** beyond production.

Proposed Financing Framework

- A comprehensive framework needs **receivables and warehouse-receipt finance**, product finance, risk mitigation and **credit enhancement**, financing goods, services and capital throughout the chain.
- Lending based on **cash-flow analysis** and commodity-specific chains, beyond conventional collateral alone, can fund farmers, suppliers, aggregators, warehouses, processors, logistics providers, exporters and retailers, unlocking **private investment**, jobs, higher incomes and rural industrialisation.

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Inclusion Barriers in Agricultural Value-Chain Finance

- **Smallholder exclusion:** Shrinking holdings complicate commercially viable financing; NABARD's All India Rural Financial Inclusion Survey recorded average landholdings declining from 1.08 hectares in 2016–17 to 0.74 hectares in 2021–22.
- **Tenant farmer barriers:** Missing land titles restrict collateral-based borrowing; NABARD-supported Joint Liability Groups enable smallholders, tenants and asset-poor farmers to borrow through mutual guarantees.
- **Gender disadvantage:** Women require dedicated institutional support; Mahila Kisan Sashaktikaran Pariyojana, under the National Rural Livelihoods Mission, specifically supports women's empowerment in agriculture.
- **Collective financing constraints:** Weak capital bases restrict farmer producer organisations (FPOs); the 10,000-FPO scheme provides matching equity grants up to ₹15 lakh and guarantees for eligible project loans up to ₹2 crore.
- **Digital exclusion:** Incomplete financial records weaken credit assessment; NABARD's EShakti project digitised self-help-group records to improve information availability and support bank linkage.
- **Unequal bargaining power:** Dependence on limited buyers weakens price realisation; the National Agriculture Market (e-NAM) expands buyer access through online bidding, while FPO aggregation strengthens farmers' negotiating capacity.
- **Regional disparities:** Infrastructure gaps constrain remote producers; the Mission Organic Value Chain Development for North Eastern Region supports collection centres, processing facilities and packhouses to improve market participation.