P.L.RAJ IAS & IPS ACADEMY

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Editorial of the Day – 13.12.2025

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1. A Critical Story that a Chunk of the Media Missed(TH)

General Studies 3- Economy

Topic- Indian Economy and issues relating to planning, mobilization of resources, growth, development, and employment

IMF's Assessment of India's National Accounts Data

Introduction

The recent release of India's Quarter 2 national accounts data has brought to light a significant contradiction. While the official data showed an unexpectedly strong 8.2% growth, the International Monetary Fund (IMF) simultaneously raised serious concerns about the methodology used to compile these statistics. The IMF assigned India's national accounts—including GDP and GVA—a 'C' grade, the second-lowest rating possible. This analysis highlights the structural flaws in India's economic data and the media's failure to adequately report on it.

Media Coverage- A Crisis of Silence

Despite the severity of the IMF's observation, the issue received minimal public attention due to inadequate media coverage.

Limited Reporting- Most media outlets ignored the IMF's reservations. The Hindu was the notable exception, featuring the story prominently on its front page ("IMF gives 'C' grade for India's national accounts statistics", November 28, 2025).

Silence of Financial Press- The "pink papers" (business newspapers), which are expected to scrutinize economic data, largely overlooked the report.

Buried News- A few outlets that did carry the story relegated it to the inside pages, making it difficult for the public to notice.

Impact- This lack of coverage leaves citizens uninformed and ill-equipped to understand the true state of the economy, reflecting a failure of journalism to act as a watchdog.

The Core Methodology Issue

The primary concern raised by the IMF revolves around how India calculates the growth of its vast informal (unorganized) sector.

The Proxy Problem- India estimates growth in the unorganized sector by using the formal organized sector as a proxy.

Scale of the Sector- Even after excluding agriculture, the unorganized sector contributes nearly 30% of India's GDP.

Fundamental Question- The reliance on proxies raises doubts about whether India has a reliable measurement framework for such a large economic segment or if the GDP figures are merely "informed approximations."

Reliability Concerns- The Divergence of Sectors

Experts like Pronab Sen and Arun Kumar argue that using the organized sector to represent the unorganized sector is fundamentally flawed, especially during economic shocks.

False Assumption- The methodology assumes that both sectors move in the same direction at the same speed.

Reality of Shocks- During major disruptions—such as Demonetization, the GST rollout, and the COVID-19 pandemic—the organized sector often grew (or recovered faster) while the unorganized sector declined or stagnated.

Overestimation- Because the proxy (organized sector) was growing, the data likely overestimated the performance of the shrinking unorganized sector.

Caution on Headline Numbers- Consequently, impressive figures like the 8.2% quarterly growth must be viewed with caution, as they rely heavily on assumptions rather than comprehensive data.

Structural Challenges and Future Outlook

The text suggests that these data issues are structural and unlikely to be resolved in the near future.

Institutional Limitations- The IMF's 'C' grade reflects deep-rooted issues that cannot be fixed quickly.

New Series Update- The Union Ministry of Statistics and Programme Implementation (MoSPI) is working on updating the GDP base year and methodology, with a new series expected by February 2026.

Persisting Doubts- However, experts remain skeptical. Pronab Sen frankly states, "I don't think we can" adequately address the IMF's concerns immediately, primarily because robust, real-time data collection for the unorganized sector does not exist.

Conclusion

The IMF's 'C' grade serves as a critical warning about the structural weaknesses in India's economic data system. Updating the base year alone will not solve the problem of accurately measuring the unorganized sector. The situation is compounded by the media's under-reporting, which weakens informed public debate and policy scrutiny. True economic accountability requires both better data infrastructure and a media that acts as a vigilant watchdog.

Source- https-//www.thehindu.com/opinion/op-ed/a-critical-story-that-a-chunk-of-the-media-missed/article70389725.ece

2. From Licence Raj to Jan Vishwas, What We Need to Set Our Entrepreneurs Free(IE)

General Studies 3- Economy

Topic- Indian Economy and issues relating to planning, mobilization of resources, growth, development, and employment; Investment models; Ease of Doing Business.

Jan Vishwas Siddhant – Unlocking Entrepreneurial Potential

Introduction

India's entrepreneurial ecosystem has historically struggled under the weight of "Regulatory Cholesterol"—a legacy of the Licence Raj characterised by excessive prior approvals, complex compliance, and disproportionate punishments. Despite the economic liberalisation of 1991, structural bottlenecks remain. The proposed Jan Vishwas Siddhant aims to dismantle these barriers, shifting the governance model from one of suspicion and control to one of trust and facilitation, thereby unlocking the potential of millions of small and medium enterprises (SMEs).

Regulatory Pathologies Hindering Entrepreneurship

The text identifies specific structural flaws (pathologies) in the current regulatory framework that act as barriers to entry and growth.

The Burden of Prior Approval

Permission Culture- Entrepreneurs are forced to seek thousands of permissions, No Objection Certificates (NOCs), and licences from various central and state ministries.

Stifled Innovation- Innovation is inherently "permissionless," yet administrative hurdles curtail the fundamental right to practice any profession (Article 19).

Instrument Proliferation

Bureaucratic Overload- Beyond Acts and Rules, the administrative state churns out thousands of non-legislative instruments (circulars, guidelines, SOPs).

Scale- Estimates suggest employers face over 12,000 such instruments, creating deep confusion and inefficiency.

Compliance Blind Spot

Cumulative Burden- Policymakers often ignore the aggregate weight of regulations. As of 2025, compliance obligations reached over 69,000.

Need for Rationalisation- There is a critical need to replicate reforms like the 75% reduction in labour law compliance to decrease regulatory friction.

Enforcing the Unenforceable

Breeding Corruption- Laws that are practically unenforceable inevitably lead to corruption and administrative inefficiency.

Requirement- Effective regulation demands realistic enforcement capabilities and performance management of civil servants.

The Punitive Process

Over-criminalisation- Minor economic offences (e.g., cheque bouncing) are often criminalised, clogging the judicial system and penalising honest errors.

Solution- A shift towards proportional punishments and risk-based inspections is necessary.

Absence of a 'Single Source of Truth'

Opacity- There is no comprehensive, unified database of all applicable Acts, rules, and notifications, leading to compliance errors and harassment.

Jan Vishwas Siddhant- Transformational Reforms

The Jan Vishwas Siddhant proposes a fundamental overhaul of the regulatory architecture.

Perpetual Self-Registration

Paradigm Shift- Moving to a principle where "Everything is permitted until prohibited."

Mechanism- Replacing licences with self-registration for all sectors except those affecting national security, public safety, human health, and the environment.

Risk-Based Inspections & Decriminalisation

Reduced Interference- Inspections will be randomised, risk-based, and potentially third-party to minimize bureaucratic harassment.

Proportionality- Universal application of decriminalisation principles to ensure penalties match the offence.

Digitisation and Transparency

Digital Backbone- All regulatory filings to be digital.

Single Truth- Establishing IndiaCode and e-Gazette as the authoritative "single source of truth" for all laws.

Accountability- Annual Regulatory Impact Assessments to track compliance burdens and punishments.

Empowering Entrepreneurs

From *Ijaazat* to *Koshish*- Shifting policy focus from seeking permission (*ijaazat*) to enabling effort and experimentation (*koshish*).

Outcome- Fostering an iterative business culture that nurtures innovation and job creation.

Way Forward

To fully realise the potential of these reforms, the text suggests a comprehensive roadmap.

Expand Trust-Based Regulation- Extend perpetual self-registration to more sectors, strictly maintaining exceptions only for critical areas (security, health, environment). Cultivate a culture of voluntary compliance.

Digital Governance Integration- Fully integrate IndiaCode and e-Gazette to create a live, verifiable repository of all legal obligations. Ensure all compliance requirements are transparent, dated, and verifiable.

Standardise Decriminalisation- Implement proportionate penalties across all sectors. Decriminalise minor administrative and commercial offences to clear court backlogs and boost investor confidence.

Institutionalise Regulatory Impact Assessment (RIA)

Mandatory Review- Ministries must conduct annual reviews of compliance burdens and enforcement efficiency.

Goal- Use these assessments to simplify rules and remove obsolete regulations.

Capacity Building- Train civil servants to shift from a mindset of "control" to "facilitation." Link performance metrics to Ease of Doing Business outcomes.

Encourage Entrepreneurial Mindset- Provide mentoring, financial facilitation, and skill support to SMEs. Shift the ecosystem to support "freedom to try."

Feedback Loops- Establish a framework for stakeholder consultation with fixed timelines. Continuously monitor implementation to ensure reforms remain adaptive.

Conclusion

The Jan Vishwas Siddhant is not just a policy tweak but a paradigm shift from control to trust. By aggressively removing the regulatory "cholesterol" that stifles enterprise, it seeks to transform India into a hub of innovation. The ultimate goal is to replace the "fear of permission" with the "freedom to try," thereby strengthening India's global economic competitiveness and fostering non-farm job creation.

Source- https-//indianexpress.com/article/opinion/columns/from-licence-raj-to-jan-vishwas-what-we-need-to-set-our-entrepreneurs-free-10417633/