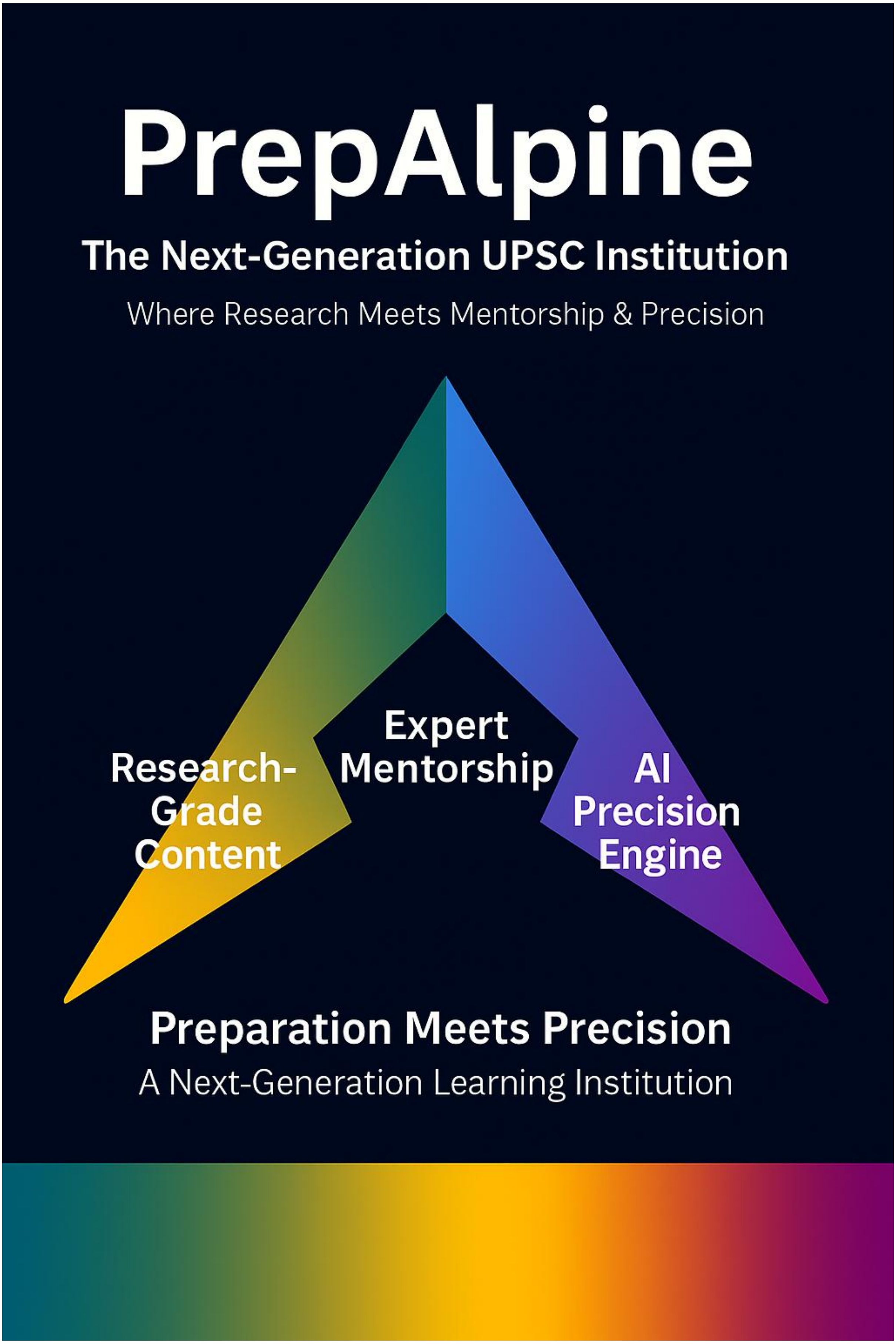

PrepAlpine
The Next-Generation UPSC Institution
Where Research Meets Mentorship & Precision
Research-Grade Content
Expert Mentorship
AI Precision Engine
Preparation Meets Precision
A Next-Generation Learning Institution

For permission requests, please write to:

PrepAlpine
Email: info@PrepAlpine.com
Website: PrepAlpine.com

Disclaimer

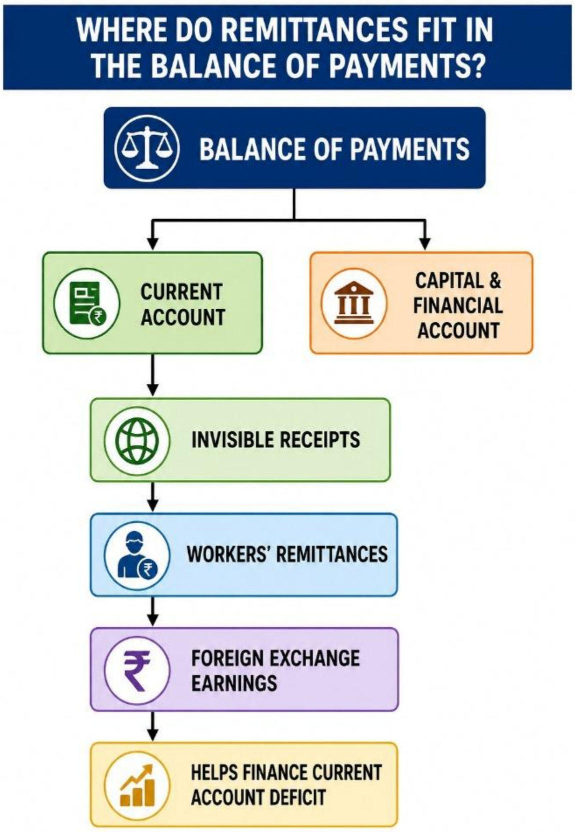
The information contained in this book has been prepared solely for educational purposes. While every effort has been made to ensure accuracy, PrepAlpine makes no representations or warranties of any kind and accepts no liability for any errors or omissions. The use of any content is solely at the reader's discretion and risk.

DAILY CURRENT AFFAIRS DATED 11.06.2026

GS Paper III: Economics

1. Workers' Remittances and India's Balance of Payments

a. Introduction



Workers' remittances have emerged as one of the most important stabilising forces in India's external sector. In financial year 2026, Indian workers abroad remitted a record 110.47 billion dollars, crossing the 100-billion-dollar mark for the first time. These inflows helped India record a Balance of Payments surplus of 7.22 billion dollars in the January to March 2026 quarter, even at a time when foreign direct investment was weak and capital outflows remained a concern.

The development is significant because India's external account is shaped by several pressures: a persistent trade deficit, dependence on crude oil imports, gold demand, volatile foreign portfolio investment, outward investment by Indian firms and uncertain global capital flows. In such a context, remittances provide a relatively stable source of foreign exchange.

However, while remittances strengthen external sector resilience, they cannot substitute for deeper structural reforms in trade, investment and productivity.

Thus, remittances should be understood as a powerful external-sector stabiliser, but not as a complete solution to India's Balance of Payments challenges.

b. Understanding Remittances in the Balance of Payments

- **Meaning of Balance of Payments:** The Balance of Payments records a country's economic transactions with the rest of the world. It includes the current account, capital account and financial account.
- **Place of Remittances in the Current Account:** Remittances form part of invisible receipts in the current account. They represent money sent by Indian workers and professionals abroad to their families or beneficiaries in India.
- **Role in Financing the Current Account Deficit:** These inflows are important because they help finance the current account deficit. When India imports more goods than it exports, the resulting trade deficit puts pressure on the external account. Remittances help offset part of this pressure by adding foreign exchange inflows.
- **Recent Growth in Remittances:** In financial year 2026, workers' remittances increased from 87.55 billion dollars in financial year 2025 to 110.47 billion dollars, registering around 26 per cent annual growth. In the first quarter of 2026 alone, Indians working abroad sent home 31.07 billion dollars, the highest quarterly figure in 13 years.
- **Private Transfers as a Broader Category:** The broader category of private transfers was even larger, at 151.71 billion dollars. This is because private transfers include not only workers' remittances but also gifts, donations, withdrawals from non-resident deposits and other private inflows.

This shows that remittances are not a marginal inflow; they have become a major component of India's external-sector strength.

c. Significance of Record Remittances

- **Dependable Source of Foreign Exchange:** The rise in remittances has several important implications for India's external sector. First, remittances provide a dependable source of foreign exchange. Unlike foreign portfolio investment, which can move quickly in response to interest rates, global risk sentiment or geopolitical uncertainty, remittances are generally more stable. They are linked to the earnings of Indian workers abroad and household-level transfer behaviour.
- **Support to the Rupee:** Second, remittances support the rupee by increasing the supply of foreign currency in the domestic economy. Without strong remittance inflows, the rupee may have faced sharper depreciation pressures, especially in a period marked by capital outflows and trade deficit concerns.
- **Reflection of India's Global Labour Presence:** Third, remittances reflect India's global labour presence. Indian workers, professionals and entrepreneurs in West Asia, the United States, the United Kingdom and other destinations form an important part of India's external economic strength. Their earnings contribute not only to household welfare but also to national macroeconomic stability.
- **Social and Developmental Impact:** Fourth, remittances have a direct social and developmental impact. They support household consumption, education, health expenditure, housing, debt repayment and local economic activity in several Indian States. In many regions, remittances function as a private safety net and help families withstand economic shocks.

Therefore, remittances are important both as a macroeconomic stabiliser and as a household-level development resource.

d. Changing Pattern of Remittance Sources

- **Traditional Gulf Dependence:** India's remittance profile is undergoing a structural shift. Traditionally, a major share of India's inward remittances came from the Gulf region, where large numbers of Indian workers were employed in construction, services, transport and other labour-intensive sectors.
- **Declining Gulf Share:** However, the Gulf region's share in India's inward remittances declined from 47 per cent in 2016–17 to 38 per cent in 2023–24.
- **Rise of Advanced Economies:** This decline has been offset by rising contributions from advanced economies such as the United States and the United Kingdom. The shift indicates a gradual movement from remittances driven mainly by low-skilled migration to remittances increasingly supported by higher-skilled and professional migration.
- **Implications of the Shift:** This change has important implications. Higher-skilled migrants may send larger transfers because they earn higher incomes. Their presence also reflects India's growing role in the global knowledge economy.
- **Future Risks:** However, this pattern may also face future risks. Automation, artificial intelligence, tighter immigration rules, visa restrictions and labour-market changes in advanced economies may affect the stability of such inflows.

Therefore, while the diversification of remittance sources is a strength, it should not lead to complacency.

e. Why Remittances Are Not a Complete Solution

- **Dependence on External Labour Markets:** Despite their importance, remittances cannot become India's long-term Balance of Payments strategy. First, remittances depend on external labour markets. Economic slowdown in destination countries, conflict in West Asia, changes in immigration rules, job losses abroad or wage stagnation can directly affect remittance inflows. India does not fully control these conditions.

- **No Direct Substitute for Productive Investment:** Second, remittances do not directly substitute for productive investment. Foreign direct investment brings long-term capital, technology, managerial practices, supply-chain linkages, employment and export capability. Remittances mainly support consumption and household welfare, though they may indirectly support small investments and local demand. Therefore, weak net foreign direct investment remains a structural concern.
- **Continued Oil and Gold Pressures:** Third, India's current account is still heavily influenced by oil imports and gold demand. A rise in crude oil prices can widen the trade deficit sharply. Similarly, high gold imports place pressure on the current account because gold is largely a consumption and savings asset rather than a productive input. Remittances can cushion these pressures, but they cannot eliminate them.
- **Weak Net FDI as a Structural Concern:** Fourth, weak net foreign direct investment indicates deeper issues related to investment climate, global competitiveness, policy predictability and investor confidence. If gross inflows remain high but net inflows are weak due to repatriation and outward investment, India must examine the quality and durability of capital inflows.

Thus, remittances are a valuable stabiliser, but not a structural substitute for stronger exports, investment and productivity.

f. Governance and Policy Dimension

- **Present Sources of External Stability:** India's external stability currently depends on a combination of remittances, services exports, foreign capital flows and foreign exchange reserves. This combination has helped India manage global uncertainty better than many other emerging economies.
- **Risk of Policy Complacency:** However, dependence on remittances can create policy complacency. Strong remittance inflows may temporarily mask weaknesses in exports, manufacturing competitiveness or foreign direct investment. The real policy challenge is to convert this external comfort into long-term resilience.
- **Role of the Reserve Bank of India:** The Reserve Bank of India may continue to absorb foreign exchange inflows to build reserves and reduce exchange-rate volatility. Foreign exchange reserves are important because they allow the central bank to manage external shocks, sudden capital outflows and currency instability.
- **Need for Structural External-Sector Strategy:** However, monetary management alone cannot solve structural Balance of Payments weaknesses. A durable external sector strategy requires stronger export competitiveness, deeper integration into global value chains, stable investment inflows, energy security and prudent import management.

This governance dimension shows that remittances provide breathing space, but policy must use that space for structural reform.

g. Way Forward

- **Strengthen FDI Climate:** India should strengthen the foreign direct investment climate by improving regulatory predictability, contract enforcement, ease of doing business and sector-specific investment facilitation. Investors are more likely to commit long-term capital when policy conditions are stable and disputes are resolved efficiently.
- **Improve Export Competitiveness:** Export competitiveness must be improved. India needs to focus on manufacturing exports, high-value services, logistics efficiency, quality standards, trade facilitation and integration with global supply chains. A stronger export base will reduce excessive dependence on invisible receipts.
- **Manage Import Dependence:** Import dependence must be managed carefully. Reducing vulnerability to crude oil imports through energy diversification, domestic renewable capacity, electric mobility and strategic petroleum planning can strengthen the current account over the long term.

- **Moderate Gold Imports:** Gold imports should be moderated through attractive financial instruments, formal savings channels, sovereign gold bonds and improved public trust in non-physical investment options. This can help reduce the pressure created by household demand for physical gold.
- **Protect Migrant Workers:** India must also protect its migrant workers. Labour agreements with destination countries, skill certification, legal support, insurance, welfare mechanisms and grievance redressal systems are essential for making migration safe and productive.
- **Diversify Migration Destinations:** Migration destinations should be diversified. India can expand opportunities in advanced economies, East Asia and ageing societies through skill partnerships, nursing and care-worker agreements, digital work arrangements and professional mobility frameworks.
- **Build Foreign Exchange Buffers:** Finally, India should continue building foreign exchange buffers. Prudent reserve accumulation can help manage global shocks and protect macroeconomic stability during periods of capital flow volatility.

A strong way forward must therefore combine migrant welfare, remittance facilitation, stronger exports, stable FDI, import management and reserve-building.

Conclusion

Record remittances have strengthened India's external account and cushioned the rupee at a time when foreign capital flows have been uncertain. They reflect the economic contribution of Indian workers and professionals abroad and provide an important source of stability for the Balance of Payments.

However, remittances cannot be treated as a complete external sector strategy. They are vulnerable to global labour-market conditions and cannot replace productive investment, export competitiveness or energy security. India must therefore use the present comfort created by strong remittance inflows to build deeper resilience.

A durable Balance of Payments strategy requires stronger foreign direct investment, competitive exports, prudent import management, protection of migrant workers and continued foreign exchange reserve accumulation. Remittances are a powerful stabiliser, but they must support, not substitute, structural reform.

GS Paper III: Economics

2. Falling Net FDI and India's External Sector Challenge

a. Introduction

Foreign direct investment has long been considered an important pillar of India's external sector and industrial development. It is valued not only because it brings foreign exchange, but also because it can bring technology, managerial expertise, global market access, supply-chain integration and long-term productive capacity.

However, recent trends suggest that India's foreign direct investment story needs a more careful reading. While gross foreign direct investment inflows have remained strong, net foreign direct investment has fallen sharply. Net foreign direct investment declined from around 44 billion dollars in 2020–21 to less than 1 billion dollars in 2024–25, before recovering modestly to 7.6 billion dollars in 2025–26. This happened even though gross inflows remained high at about 94.6 billion dollars.

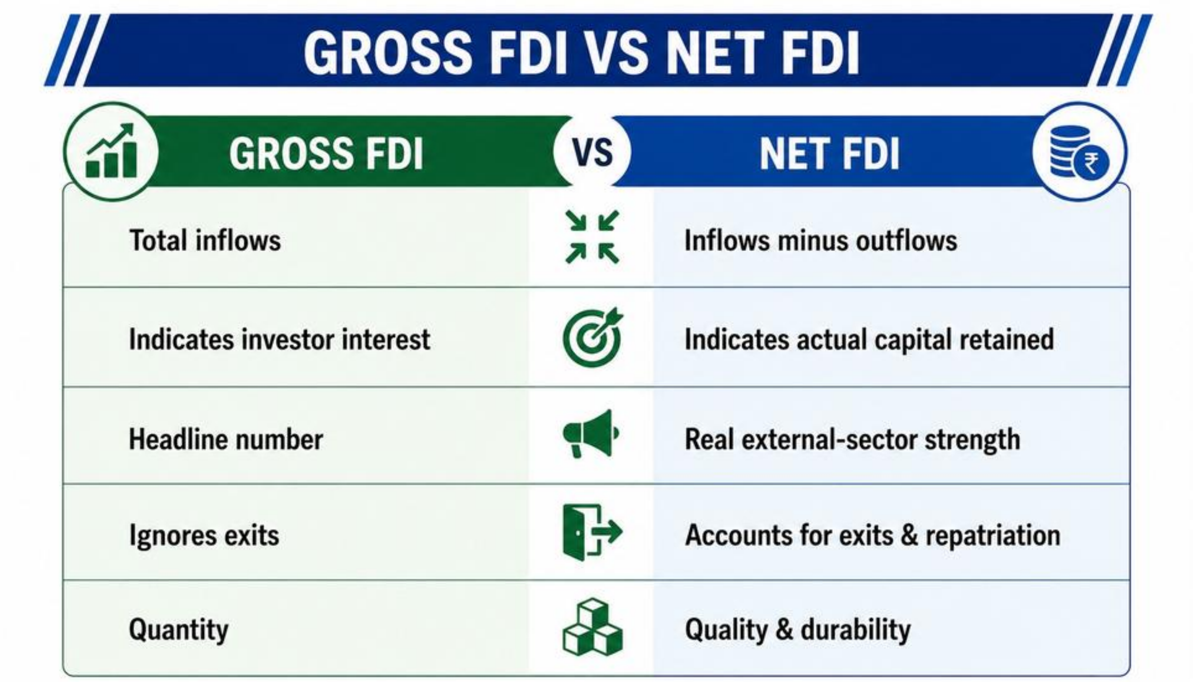
This divergence between gross and net foreign direct investment shows that headline numbers may not fully reflect the quality, durability or developmental impact of foreign capital entering India. The real question is not only how much foreign investment enters India, but what kind of investment it is, how long it stays, what it creates, and how much pressure it places on the Balance of Payments when investors exit.

Thus, India's FDI challenge is not merely about attracting more capital, but about attracting capital that strengthens industrial capacity, external stability and long-term development.

b. Understanding the Difference Between Gross and Net FDI

- **Meaning of Gross FDI:** Gross foreign direct investment refers to the total inflow of foreign direct investment into the country. It gives a broad picture of investor interest, but it does not show how much foreign capital actually remains in the economy after disinvestment, repatriation and outward investment are accounted for.
- **Meaning of Net FDI:** Net foreign direct investment gives a more realistic picture of the foreign direct investment position. It is calculated after adjusting for outflows such as disinvestment by foreign investors, repatriation of capital and outward foreign direct investment by Indian companies.
- **Why the Distinction Matters:** This distinction is important because high gross inflows can coexist with weak net inflows. In such a situation, India may appear to be attracting large foreign investment, but the actual addition to the country's external financing position may be small.
- **Structural Message from Recent Trends:** The recent decline in net foreign direct investment therefore points to a deeper structural issue. It suggests that foreign capital is not merely entering India; a significant portion is also exiting or being offset by outward investment.

This distinction is essential for understanding whether foreign investment is truly strengthening India's external sector or only creating impressive headline figures.



c. Changing Nature of FDI Entering India

- **Real Foreign Direct Investment**
  Broadly, three types of foreign direct investment can be identified. The first is real foreign direct investment. This refers to traditional multinational investment in factories, production facilities, technology, brands, services and long-term business operations. This type of investment is generally more useful for industrial development because it supports technology transfer, employment, productivity and export capacity.
- **Financial-Investor Foreign Direct Investment**
  The second is financial-investor foreign direct investment. This includes investments by private equity funds, venture capital funds, sovereign wealth funds and asset managers. Such investors may bring large amounts of capital, but their investment model is often exit-oriented. They usually enter with a plan to exit through public listing, strategic sale, buyback or secondary market sale.
- **Diaspora-Linked and SPV-Linked FDI**

The third is diaspora-linked or special purpose vehicle-linked foreign direct investment. This may include funds routed through offshore centres or special purpose vehicles. Some of these flows may represent genuine investment structuring, but they may also include accounting-driven flows, tax planning or possible round-tripping.

- **Recent Composition of Effective Inflows**
  Between 2022–23 and 2025–26, real foreign direct investment formed only 41.9 per cent of effective inflows, while financial investors contributed 40.5 per cent. This shows the growing importance of private equity, venture capital and sovereign wealth funds in India's foreign investment profile.
- **Developmental Implication**
  This shift has important consequences. Financial-investor capital may support startups, technology firms and asset markets, but it does not always create the same long-term industrial depth as manufacturing-oriented foreign direct investment.

Therefore, the quality and purpose of foreign capital matter as much as the volume of inflows.

d. Manufacturing Concern

- **Decline in Real FDI into Manufacturing:** One of the most serious concerns is the decline of real foreign direct investment into manufacturing. Despite high overall inflows, real foreign direct investment in manufacturing has declined across three consecutive four-year periods. In the latest period, manufacturing received only 10.6 per cent of total effective inflows.
- **Developmental Value of Manufacturing FDI:** This is significant because manufacturing foreign direct investment has a stronger developmental impact. It can create jobs, improve productivity, introduce new technology, strengthen exports, deepen supply chains and support domestic firms through backward and forward linkages.
- **Limits of Non-Manufacturing Inflows:** If foreign direct investment increasingly flows into financial transactions, services, acquisitions or ownership changes, its contribution to industrial transformation becomes limited.
- **Link with Manufacturing Ambition:** India's ambition to become a manufacturing hub requires not only capital inflows but also investments that build factories, production networks, research capacity and export competitiveness.

Therefore, the decline in manufacturing-linked foreign direct investment should be seen as a warning signal for India's industrial policy.

e. Why Net FDI Is Falling

- **Misunderstanding Around Profit Repatriation:** The fall in net foreign direct investment is often misunderstood as a result of profit repatriation alone. However, this is not the main reason. Under Balance of Payments accounting, dividends and profits sent abroad by foreign investors are recorded in the current account as investment income. These outflows increase the current account deficit, but they do not directly reduce net foreign direct investment.
- **Role of Disinvestment and Capital Repatriation:** The sharper reason for falling net foreign direct investment is disinvestment and capital repatriation, which are recorded in the financial account.
- **Forms of Exit:** These include exits by private equity and venture capital investors, sale of stakes through initial public offerings and offers for sale, share buybacks, strategic sales by foreign promoters and exits by real foreign direct investment investors in some sectors.
- **Exit Intensity of Financial Investors:** This reflects the increased exit intensity of foreign investors, especially financial investors. Since private equity and venture capital funds are designed to exit after a certain period, their growing share in India's foreign direct investment profile naturally creates future repatriation pressure.
- **Deeper External-Sector Implication:** Thus, falling net foreign direct investment is not merely an accounting concern. It shows that India is receiving more capital that is mobile, exit-oriented and less tied to long-term productive assets.

This makes the decline in net FDI a warning about the durability of India's foreign capital inflows.

f. Outward FDI by Indian Companies

- **Positive Interpretation:** Another reason cited for lower net foreign direct investment is the rise in outward foreign direct investment by Indian companies. This can be interpreted in two ways. On the positive side, outward investment may indicate the growing maturity of Indian firms. Companies may invest abroad to acquire technology, natural resources, brands, markets, distribution networks or strategic assets. Such investment can help Indian businesses become global players.
- **Need for Closer Scrutiny:** However, outward foreign direct investment also requires closer scrutiny. Some outflows may represent genuine global expansion, while others may involve routing through financial centres, special purpose vehicles or recycling of earlier capital.
- **Policy Question:** Therefore, outward investment should not automatically be celebrated as a sign of corporate strength. The policy question is whether outward investment is strengthening India's productive capacity and global competitiveness, or whether it is merely part of financial structuring.
- **Balance of Payments Relevance:** This distinction is important for understanding its impact on the Balance of Payments.

Thus, outward FDI must be analysed through both a corporate globalisation lens and an external-sector stability lens.

g. Balance of Payments Implications

- **Traditional View of FDI:** Foreign direct investment has traditionally been considered a stable component of external financing. Unlike foreign portfolio investment, which can leave quickly during periods of market uncertainty, foreign direct investment is expected to be more durable.
- **Changing Nature of FDI Stability:** However, the recent trend complicates this assumption. If a rising share of foreign direct investment comes from exit-oriented financial investors, then even foreign direct investment can become a source of future external pressure.
- **Impact of Large Exits:** Large exits, share buybacks and capital repatriation can weaken the financial account and reduce the cushion available to finance the current account deficit.
- **Interaction with Current Account Pressures:** This is particularly important for India because the current account is already affected by oil imports, gold demand, technology payments, royalties, intellectual property fees and other external obligations.
- **Dependence on Other Stabilising Sources:** If stable capital inflows weaken, India may become more dependent on remittances, services exports, foreign portfolio investment and foreign exchange reserves to maintain external stability.

Therefore, falling net foreign direct investment is not merely a capital-flow issue. It is linked with macroeconomic stability, exchange-rate management and external sustainability.

h. Governance and Policy Dimension

- **Original Developmental Logic of FDI Policy:** India's foreign direct investment policy after 1991 was initially shaped by clear developmental objectives. The focus was on technology acquisition, export promotion, foreign exchange conservation, industrial modernisation and productivity improvement.
- **Shift Towards Headline Numbers:** Over time, however, policy discourse increasingly began to emphasise aggregate inflow numbers. This has created a gap between the quantity of foreign direct investment and the quality of foreign direct investment.
- **Limits of High Inflows:** High inflows may look impressive, but they do not automatically translate into factories, technology, jobs or exports.
- **Need to Distinguish Investment Types:** The policy challenge is therefore to distinguish between different types of investment. Some foreign direct investment builds production capacity and strengthens domestic industry. Some merely changes ownership of existing assets. Some enters through tax or financial structuring. Some creates future repayment,

royalty or repatriation pressure. Some supports genuine innovation, while some only finances asset-price growth.

- **Risk of Misreading External Strength:** Without such distinction, India may overestimate the developmental value of foreign capital and underestimate the external vulnerabilities created by exit-heavy investment.

This governance dimension shows why FDI policy must move from headline inflows to developmental outcomes.

i. Key Concerns

- **Weak Industrial Impact:** The first concern is weak industrial impact. Declining manufacturing foreign direct investment limits technology transfer, job creation, export growth and domestic value addition.
- **Exit-Driven Capital:** The second concern is exit-driven capital. Financial investors may bring large inflows initially, but their business model often involves planned exits. This can create sudden outflows in later years.
- **Balance of Payments Vulnerability:** The third concern is Balance of Payments vulnerability. High disinvestment and capital repatriation reduce the stabilising role traditionally associated with foreign direct investment.
- **Misleading Headline Numbers:** The fourth concern is misleading headline numbers. Gross foreign direct investment inflows may include mergers, acquisitions, intra-group restructuring, share swaps, conversion of earlier debt-like instruments into equity and other transactions that may not involve fresh productive capital entering India.
- **Limited Technology Transfer:** The fifth concern is limited technology transfer. Special purpose vehicle-based or financial foreign direct investment may not significantly deepen India’s technological or manufacturing capability.
- **Rising External Payments:** The sixth concern is rising external payments. Dividends, royalties, intellectual property payments and technical service fees can add pressure to the current account.
- **Policy Complacency:** Finally, high gross foreign direct investment figures may create policy complacency. They may hide structural weaknesses in manufacturing competitiveness, investment quality and long-term industrial capacity.

These concerns show that India must assess foreign investment through a development-quality lens rather than a headline-quantity lens.

j. Way Forward

- **Shift to Quality-Focused FDI Strategy:** India needs to shift from a quantity-focused foreign direct investment strategy to a quality-focused foreign direct investment strategy. Investment should be evaluated not only by the amount of money entering the country, but also by its contribution to technology transfer, employment, exports, domestic value addition and productivity.
- **Promote Manufacturing-Linked FDI:** Manufacturing-linked foreign direct investment must be promoted more strongly. This requires better industrial clusters, efficient logistics, reliable infrastructure, skilled labour, faster dispute resolution, contract enforcement and strong production-linked ecosystems.
- **Improve FDI Reporting:** Foreign direct investment reporting should be improved. India should distinguish fresh capital from mergers, restructuring, share swaps, debt-to-equity conversions and other accounting transactions. This will allow policymakers to judge the real developmental value of inflows.
- **Monitor Financial-Investor Exits:** The exits of financial investors must be monitored more carefully. Private equity, venture capital and sovereign fund exits should be assessed for their Balance of Payments implications, especially when exits occur on a large scale.
- **Scrutinise SPV Routes and Round-Tripping:** Special purpose vehicle routes and possible round-tripping should be scrutinised. Transparency of investment origin, beneficial

ownership and routing through financial centres is essential for maintaining the integrity of foreign investment data.

- **Reduce Royalty and Intellectual Property Dependence:** India should reduce excessive royalty and intellectual property dependence by encouraging domestic research and development, technology absorption and indigenous innovation. This will help limit recurring external payments and strengthen domestic capability.
- **Align FDI Policy with Industrial Policy:** Finally, foreign direct investment policy must be aligned with industrial policy. India should attract investment into sectors critical for manufacturing depth, clean technology, electronics, defence production, semiconductors, renewable energy, advanced materials and export competitiveness.

A durable way forward must therefore combine better data, quality-oriented investment screening, stronger manufacturing ecosystems and external-sector risk management.

Conclusion

The decline in India's net foreign direct investment shows that headline gross inflows are not enough to judge external sector strength. The more important question is whether foreign investment is creating productive capacity, transferring technology, generating employment, supporting exports and deepening domestic industry.

If foreign direct investment becomes increasingly financial, exit-oriented and repatriation-heavy, its contribution to long-term development will remain limited. India therefore needs a more informed and selective foreign direct investment strategy.

The goal should not be merely to attract more capital, but to attract better capital. A durable foreign direct investment policy must prioritise manufacturing depth, technology transfer, domestic value addition, export competitiveness and external sustainability. Only then can foreign direct investment support India's industrial transformation as well as its Balance of Payments resilience.

Reader's Note — About This Current Affairs Compilation

Dear Aspirant,

This document is part of the PrepAlpine Current Affairs Series — designed to bring clarity, structure, and precision to your daily UPSC learning.

While every effort has been made to balance depth with brevity, please keep the following in mind:

1. Orientation & Purpose

This compilation is curated primarily from the UPSC Mains perspective — with emphasis on conceptual clarity, analytical depth, and interlinkages across GS papers.

However, the PrepAlpine team is simultaneously developing a dedicated Prelims-focused Current Affairs Series, designed for:

- factual coverage
- data recall
- Prelims-style MCQs
- objective pattern analysis

This Prelims Edition will be released separately as a standalone publication.

2. Content Length

Some sections may feel shorter or longer depending on topic relevance and news density.
To fit your personal preference, you may freely resize or summarize sections using any LLM tool (ChatGPT, Gemini, Claude, etc.) at your convenience.

3. Format Flexibility

The formatting combines:

- paragraphs
- lists
- tables
- visual cues

—all optimised for retention.

If you prefer a specific style (lists → paras, paras → tables, etc.), feel free to convert using any free LLM.

4. Monthly Current Affairs Release

The complete Monthly Current Affairs Module will be released soon, optimized to a compact 100–150 pages — comprehensive yet concise, exam-ready, and revision-efficient.