Topic 1: Investment Models & Tech Sector Risk Capital (GS-3: Economics)

1. Context & Current Scenario

Seed Funding Slump: Seed funding for Indian technology start-ups fell by **37% to $698 million** in the first nine months of 2026, marking a second consecutive year of decline (following a **30% drop in 2025**).

Developer Pool vs. IP Ownership: India possesses the **world's largest pool of open-source developers**, yet domestic ownership of software products remains low due to shrinking seed capital.

2. Core Economic Concepts

Risk Capital: Capital deployed into unproven, early-stage ideas where the failure rate is high, seeking high returns from the few successful ventures.

Seed vs. Early-Stage Funding:

Seed Stage: Initial capital provided before an idea or product-market fit is proven.

Early Stage: Capital provided after proof of concept or demonstration of customer traction/revenue. While seed funding fell, early-stage funding grew by **27% to $4.2 billion** as investors grew more risk-averse.

Value Layers in India's Tech Sector:

Employment & Talent: The tech industry directly employs **~5.8 million people**, with **Global Capability Centres (GCCs)** employing **~2.36 million**.

High-Value R&D: GCCs are shifting from support roles to artificial intelligence (AI), product engineering, and core R&D.

Intellectual Property (IP) Gap: Software products contribute only **$16.1 billion** out of India's **$282.6 billion** technology market (NASSCOM data), reflecting a services-heavy rather than product-heavy ecosystem.

3. Key Government Initiatives

Startup India Scheme (2016): Implemented by the **DPIIT** (Ministry of Commerce and Industry); has recognized over **1.9 lakh start-ups**, making India the 3rd largest start-up ecosystem globally.

Fund of Funds for Startups (FFS): Managed by **SIDBI**; indirect funding mechanism that invests in registered **Alternative Investment Funds (AIFs)** rather than direct equity investments in start-ups.

Startup India Seed Fund Scheme (SISFS): Routes seed capital through recognized **incubators** to assist start-ups in proof of concept, prototyping, and initial market entry.

Research, Development and Innovation (RDI) Scheme: Approved in **2025** with a corpus of **₹1 lakh crore**, providing low/zero-interest long-tenure loans and equity for private R&D.

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Topic 2: Renewable Energy Sector & Clean Infrastructure (GS-3: Energy & Environment)

1. India's Clean Energy Targets

2030 Clean Energy Goal: Target to source **50% of total energy requirements from renewable energy by 2030** in line with India's climate commitments and Sustainable Development Goals (SDG 7: Affordable and Clean Energy).

Subsidy Realignment: Reallocating subsidies away from conventional fossil fuels toward renewable infrastructure is vital to derisk private investment and scale up solar, wind, and storage capacities.

2. Solar Energy & Subsidies

Cost & Tariff Dynamics: Rapid decline in solar photovoltaic (PV) equipment costs and tariff rates driven by technological advances, economies of scale, and competitive bidding processes.

Impact on Utilities: Cheaper solar energy places structural financial pressure on traditional coal-fired thermal power producers while improving energy access.

3. Grid Infrastructure & Hydro Projects

Green Energy Corridor (GEC): Dedicated transmission project designed to evacuate renewable power from resource-rich regions and seamlessly integrate it into the national grid.

Run-of-the-River Hydroelectric Projects: Hydro projects that harness the natural flow and elevation drop of rivers without creating massive storage reservoirs, minimizing upstream land submergence compared to conventional dam storage projects.

Energy Efficiency (UJALA / National LED Programme): Demand-side energy management scheme replacing incandescent bulbs with LED lamps to curb peak power load and carbon intensity.

Topic 3: Representation of the People Act (RPA) & Electoral Reforms (GS-2: Polity)

1. Simultaneous Elections ("One Nation, One Election")

Key Concept: Conducting simultaneous elections to the Lok Sabha and all State Legislative Assemblies in a synchronized cycle.

Arguments in Favor:

- Reduces enormous financial expenditure on electioneering and logistics.
- Prevents governance paralysis caused by frequent imposition of the **Model Code of Conduct (MCC)**.
- Reduces administrative burden on security forces and government teachers.

Arguments Against / Challenges:

- Concerns regarding federalism and premature dissolution of State Assemblies.
- Risk of regional issues being overshadowed by national narratives.
- Potential decrease in mid-term executive accountability to the electorate.

2. Election Commission of India (ECI) & Voting Integrity

EVM and VVPAT Trustworthiness: Addressing public confidence through audit mechanisms, strict physical security protocols, and verifiable paper trails.

Committee Recommendations: Electoral reform frameworks proposed by committees (e.g., Law Commission reports, Dinesh Goswami Committee, Indrajit Gupta Committee) advocating state funding of elections, criminalization countermeasures, and strict regulation of election financing.

Topic 4: Fundamental Rights and Fundamental Duties (GS-2: Indian Constitution)

1. Fundamental Rights (Part III, Articles 12–35)

Features: Justiciable rights guaranteed against state action (and select private actions); subject to reasonable restrictions.

Basic Structure Doctrine: Established in the landmark Kesavananda Bharati case (1973), preventing Parliament from amending the essential features of the Constitution under Article 368.

2. Fundamental Duties (Part IV-A, Article 51A)

Swaran Singh Committee: Recommended the inclusion of Fundamental Duties during the National Emergency.

42nd Constitutional Amendment Act (1976): Inserted Part IV-A and Article 51A containing 10 Fundamental Duties.

86th Constitutional Amendment Act (2002): Added the 11th Fundamental Duty under Article 51A(k) obligating parents/guardians to provide educational opportunities to children aged 6 to 14 years.

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15 UPSC Prelims-Style MCQs

Q1. With reference to Venture Capital and Seed Funding in India, consider the following statements:

1. Seed funding refers to capital provided to a start-up after it demonstrates commercial traction and customer revenue.
2. High-value product ownership and intellectual property (IP) creation in tech start-ups occur primarily during early seed stages when failure risks are highest.
3. According to recent tech industry data, early-stage funding increased while seed funding experienced a multi-year decline.

Which of the statements given above is/are correct? (a) 1 and 2 only
(b) 2 and 3 only
(c) 3 only
(d) 1, 2, and 3

Q2. Consider the following statements regarding the Fund of Funds for Startups (FFS):

1. It is directly implemented by the Department for Promotion of Industry and Internal Trade (DPIIT) through direct equity infusion into start-ups.
2. It invests capital into SEBI-registered Alternative Investment Funds (AIFs), which in turn invest in start-ups.
3. The operational management of the FFS corpus is anchored by the Small Industries Development Bank of India (SIDBI).

Which of the statements given above are correct? (a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2, and 3

Q3. Which of the following financial instruments are classified as Alternative Investment Funds (AIFs) in India?

Venture Capital Funds

Hedge Funds

Government Sovereign Bonds

Select the correct answer using the code given below: (a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2, and 3

Q4. With reference to the Research, Development and Innovation (RDI) Scheme approved by the Government of India, consider the following statements:

It provides a financial pool of ₹1 lakh crore aimed at encouraging private sector R&D.

The scheme offers long-tenure financing with low or nil interest rates alongside equity options.

Which of the statements given above is/are correct? (a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

Q5. Regarding Global Capability Centres (GCCs) operating in India, consider the following statements:

GCCs are in-house technology and operation centers established in India by multinational corporations.

Indian GCCs have evolved from handling basic back-office services to high-value product engineering, AI development, and R&D architecture.

Software products owned by domestic firms constitute the vast majority of India's total technology industry revenues.

Which of the statements given above is/are correct? (a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2, and 3

Q6. Consider the following statements regarding India's Renewable Energy commitments for 2030:

India aims to meet 50% of its total energy requirements from renewable energy sources by 2030.

Achieving Sustainable Development Goal 7 (SDG 7) requires shifting subsidies from conventional fossil fuels toward clean energy infrastructure.

Which of the statements given above is/are correct? (a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

Q7. With reference to "Run-of-the-River" Hydroelectric Projects, consider the following statements:

They generate electricity by utilizing the natural flow and elevation of a river without storing massive volumes of water in reservoirs.

They completely eliminate seasonal variations in power generation compared to conventional dam-storage projects.

Which of the statements given above is/are correct? (a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

Q8. What is the primary objective of the "Green Energy Corridor" project in India?

(a) Converting urban municipal solid waste into bio-CNG.
(b) Facilitating the transmission and grid integration of renewable energy from power-rich states.
(c) Building dedicated solar-powered railway freight corridors across major metro cities.
(d) Providing direct subsidies to farmers for installing off-grid solar pumps.

Q9. The "Startup India Seed Fund Scheme (SISFS)" operates primarily by routing financial support through:

(a) Direct bank transfers into the bank accounts of individual entrepreneurs.
(b) Selected and recognized incubators across the country.
(c) International venture capital firms operating outside India.
(d) State Level Banking Committees (SLBC).

Q10. With reference to the proposal of "One Nation, One Election" (Simultaneous Elections in India), consider the following statements:

It aims to synchronize elections to the Lok Sabha and all State Legislative Assemblies.

One of the main arguments supporting it is the reduction of frequent disruptions caused by the Model Code of Conduct (MCC).

Implementing simultaneous elections would require no constitutional amendments to the provisions governing the tenure of State Assemblies.

Which of the statements given above are correct? (a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2, and 3

Q11. Consider the following statements regarding the Startup India initiative:

It was launched in 2016 under the aegis of the Department for Promotion of Industry and Internal Trade (DPIIT).

India currently ranks as the third-largest start-up ecosystem in the world in terms of recognized start-ups.

Which of the statements given above is/are correct? (a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

Q12. With reference to Fundamental Duties enshrined in the Constitution of India, consider the following statements:

Fundamental Duties were part of the original Constitution drafted in 1950.

They were incorporated into Part IV-A based on the recommendations of the Swaran Singh Committee.

The duty to provide educational opportunities to one's child aged 6 to 14 years was added by the 86th Constitutional Amendment Act, 2002.

Which of the statements given above are correct? (a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2, and 3

Q13. The "Basic Structure Doctrine" of the Indian Constitution implies that:

(a) Parliament can amend any part of the Constitution provided a two-thirds majority is obtained in both Houses.
(b) Certain core features of the Constitution cannot be abrogated or destroyed even through constitutional amendments under Article 368.
(c) Fundamental Rights can never be suspended even during a proclaimed National Emergency.
(d) The Supreme Court has executive control over legislative draftings.

Q14. In the context of electoral reforms in India, the Model Code of Conduct (MCC) comes into operation:

(a) On the date of issuing the official election notification by the Governor/President.
(b) Immediately upon the announcement of the election schedule by the Election Commission of India.
(c) Thirty days prior to the first phase of voting.
(d) On the last day of nomination withdrawal.

Q15. Consider the following regarding energy efficiency programs in India:

The National Programme on Light Emitting Diodes (LEDs) aims to reduce energy consumption by replacing inefficient lighting.

Lowering peak power demand through LED deployment helps lower carbon emissions without compromising lighting standard levels.

Which of the statements given above is/are correct? (a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

Answer Key & Detailed Explanations

Question	Correct Option	Main Topic Covered
Q1	**(b)**	Seed Funding & Risk Capital
Q2	**(b)**	SIDBI & Fund of Funds
Q3	**(a)**	Alternative Investment Funds (AIFs)
Q4	**(c)**	RDI Scheme 2025
Q5	**(a)**	Tech Sector Value Layers & GCCs

Q6	**(c)**	Renewable Energy 2030 Targets
Q7	**(a)**	Run-of-the-River Hydro Projects
Q8	**(b)**	Green Energy Corridor
Q9	**(b)**	Startup India Seed Fund Scheme
Q10	**(a)**	One Nation, One Election
Q11	**(c)**	Startup India & DPIIT
Q12	**(b)**	Fundamental Duties & Amendments
Q13	**(b)**	Basic Structure Doctrine
Q14	**(b)**	Model Code of Conduct Enforcement
Q15	**(c)**	LED Efficiency Programme

Detailed Explanations

Q1 Explanation: (b)

Statement 1 is incorrect: **Seed funding** is early money given before an idea or product is proven. Funding after demonstrating traction/revenue is known as **early-stage funding**.

Statement 2 is correct: Early stages carry high failure risks, making risk capital essential for founders to build intellectual property and product ownership.

Statement 3 is correct: Seed funding dropped by 37% while early-stage funding rose by 27% to $4.2 billion.

Q2 Explanation: (b)

Statement 1 is incorrect: FFS does **not** invest directly in start-ups; it invests in SEBI-registered Alternative Investment Funds (AIFs).

Statements 2 and 3 are correct: SIDBI manages the FFS corpus, which routes funds to AIFs.

Q3 Explanation: (a)

Venture Capital funds and Hedge funds are recognized types of **Alternative Investment Funds (AIFs)**. Sovereign government bonds are traditional debt instruments, not AIFs.

Q4 Explanation: (c)

Both statements are correct. The RDI Scheme (approved in 2025) provides a **₹1 lakh crore pool** offering long-tenure, low/zero-interest loans and equity for private sector innovation.

Q5 Explanation: (a)

Statement 1 & 2 are correct: GCCs are corporate technology centers in India that have moved up the value chain to product engineering, AI, and R&D.

Statement 3 is incorrect: Software products account for only **$16.1 billion** out of India's **$282.6 billion** tech revenue, showing that services still dominate over software products.

Q6 Explanation: (c)

Both statements are correct. India has set a target of **50% renewable energy by 2030**, and shifting fossil fuel subsidies to clean energy is critical for achieving SDG 7.

Q7 Explanation: (a)

Statement 1 is correct: Run-of-the-river projects use natural flow without major storage reservoirs.

Statement 2 is incorrect: Because they lack large storage reservoirs, their output is directly subject to seasonal river flow variations.

Q8 Explanation: (b)

The **Green Energy Corridor** evacuates renewable power from generation sites and integrates it into the national grid.

Q9 Explanation: (b)

Under the **Startup India Seed Fund Scheme (SISFS)**, funds are disbursed to selected **incubators**, which then allocate seed support to start-ups.

Q10 Explanation: (a)

Statements 1 & 2 are correct: Simultaneous elections cover Lok Sabha and State Assemblies, minimizing MCC disruptions.

Statement 3 is incorrect: Implementing simultaneous elections would require constitutional amendments to articles governing Assembly tenures (e.g., Article 83, Article 172).

Q11 Explanation: (c)

Both statements are correct. Startup India was launched in **2016 by DPIIT** and has created over **1.9 lakh recognized start-ups**, placing India 3rd globally.

Q12 Explanation: (b)

Statement 1 is incorrect: Fundamental Duties were not in the original 1950 Constitution; they were added by the **42nd Amendment in 1976**.

Statements 2 & 3 are correct: Added via the **Swaran Singh Committee** recommendations, with the 11th duty added by the **86th Amendment in 2002**.

Q13 Explanation: (b)

The **Basic Structure Doctrine** (Kesavananda Bharati, 1973) dictates that Parliament's amending power under Article 368 cannot alter the core foundational pillars of the Constitution.

Q14 Explanation: (b)

The **Model Code of Conduct (MCC)** comes into force immediately when the Election Commission announces the election schedule.

Q15 Explanation: (c)

Both statements are correct. The **National LED Programme (UJALA)** lowers energy consumption, curbs peak electricity load, and reduces overall carbon emissions