



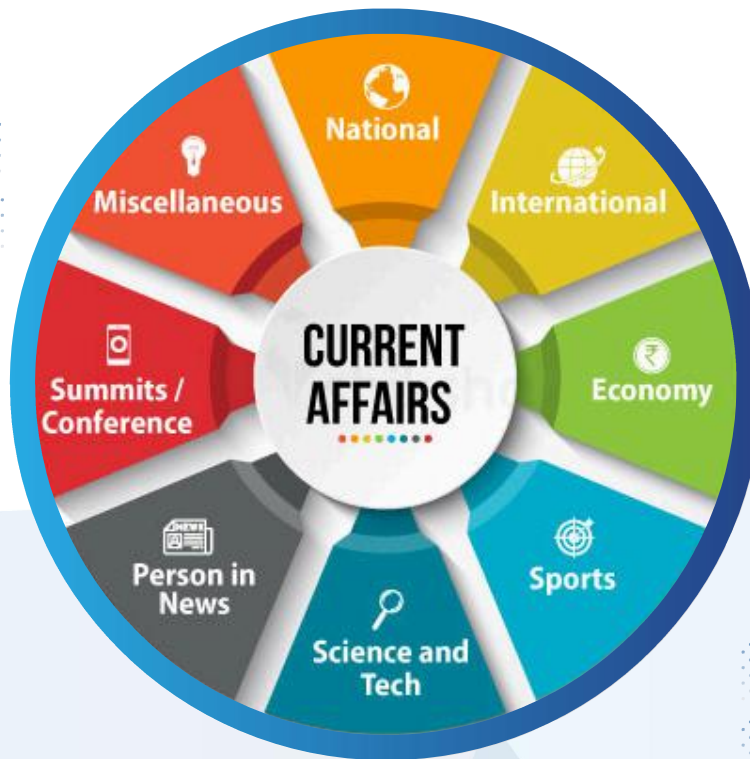
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FOR UPSC CIVIL SERVICE EXAMINATION

DATE: 28/06/2025 (SATURDAY)



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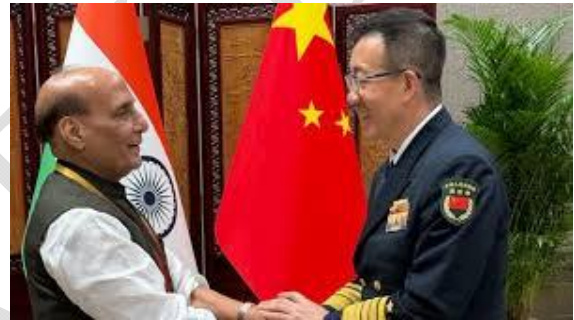
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I. India–China Border Dispute: India Seeks Permanent Solution

Key Highlights from the Recent Development:

- **High-Level Dialogue:**
Indian Defence Minister **Rajnath Singh** met with Chinese Defence Minister **Dong Jun** on the sidelines of the **Shanghai Cooperation Organisation (SCO)** Defence Ministers' meeting in **Qingdao, China**.
- **Call for Permanent Solution:**
India emphasized the need for a "**permanent solution**" to the **decades-old border dispute**, particularly in the context of the **Line of Actual Control (LAC)** tensions, which saw a violent escalation in **Galwan Valley (2020)**.
- **India's Firm Stand:**
Singh reiterated that **peace and tranquillity on the border** is essential for the normalization of broader **bilateral relations**, underlining India's long-standing position.
- **Existing Mechanisms:**
While several rounds of **Corps Commander-level talks** and **Working Mechanism for Consultation and Coordination (WMCC)** meetings have been held, **progress remains limited**, especially in friction points like **Depsang and Demchok**.



Key Concepts & Legal Provisions:

- **LAC (Line of Actual Control):**
It is the de facto border between India and China, not formally demarcated, and the root of differing perceptions and tensions.
- **SCO (Shanghai Cooperation Organisation):**
A regional security and cooperation bloc comprising India, China, Russia, and Central Asian nations. India has used SCO platforms for bilateral engagement as well.
- **Article 51 of the Indian Constitution:**
Encourages **international peace and security**, and resolution of disputes through **arbitration**.
- **Panchsheel Agreement (1954):**
A set of five principles agreed upon by India and China to guide bilateral relations, which include **mutual respect for territorial integrity** and **non-aggression**.

Strategic Significance:

- **Security Implications:**
The unresolved border issue undermines **India's defence preparedness**, especially in **Eastern Ladakh**, and hampers **infrastructure development** along the border.



- **Regional Diplomacy:**
India aims to balance assertiveness and dialogue, especially in multilateral forums like SCO and BRICS, while also strengthening **Quad and Indo-Pacific ties**.
- **Economic Impact:**
Despite high bilateral trade, the **trust deficit** affects investment, tech collaboration, and regional economic initiatives.

Conclusion:

India's push for a **permanent resolution** to the border dispute with China signals a strong diplomatic and strategic message: that **temporary disengagement is not sufficient** and only a clear, **mutually agreed demarcation** can ensure peace. A stable boundary will not only **enhance national security** but also **unlock the potential of India–China relations** in trade, regional leadership, and multilateral cooperation. However, this requires **reciprocal political will and adherence to past agreements**.

2. One Nation, One Tariff for Renewable Energy: A Move Towards Uniform Renewable Energy Tariffs (URETs)

Key Highlights of the Issue:

- **Centre's Proposal for URETs:**
The Government of India has proposed a **Uniform Renewable Energy Tariff (URET)** system to streamline and accelerate the **procurement of clean energy**, especially solar. First proposed in **October 2023**, it is yet to be implemented due to state-level resistance, as **power is a concurrent subject**.
- **Delays in Signing PPAs:**
A major hurdle is the **30 GW worth of unsigned Power Purchase Agreements (PPAs)**, which earlier peaked at 55 GW. Discoms (Distribution Companies) are hesitant to sign PPAs due to **uncertainty in tariffs**, delaying green energy expansion.
- **How URETs Would Work:**
The **Grid Corporation of India Ltd (Grid-India)** would set a **pooled uniform tariff** revised periodically based on **discovered auction tariffs**. Intermediaries like **SECI (Solar Energy Corporation of India)** will sell power from central pools at this tariff to all discoms across states.
- **Discoms' Concerns:**
Discoms fear that if **newer projects come at higher rates**, it will **raise the pooled tariff**, making even older projects costlier under URET. This lack of **tariff predictability and flexibility** is a major roadblock.



Legal and Constitutional Framework:

- **Power as a Concurrent Subject:**
Under **Seventh Schedule, List III** of the Indian Constitution, **electricity is a concurrent subject**,



meaning both Centre and States can legislate. Hence, Centre's push for uniform tariffs **requires state cooperation**.

- **Energy Conservation (Amendment) Act, 2022:**
Introduced the **Renewable Purchase Obligations (RPOs)** requiring discoms to procure a certain percentage of energy from **non-fossil sources**. Non-compliance attracts **penalties**.
- **Article 39(b) & Article 21:**
Promoting **equitable distribution** of resources and ensuring **clean energy access** can be interpreted as part of constitutional obligations under **Directive Principles** and **Right to Life**.

Strategic and Environmental Importance:

- **National Target for Clean Energy:**
India aims to install **50 GW of green power annually** till 2027–28 and achieve **500 GW of non-fossil fuel capacity by 2030**, as reiterated by PM Modi on **15 August 2023**.
- **Grid Connectivity and Investment Concerns:**
Weak grid infrastructure and uncertain returns are deterring private investment. The **merchant capacity of ~3 GW** has already seen underperformance, risking over ₹15,000 crore of investments.
- **URET as a Confidence-Boosting Mechanism:**
A uniform tariff system can **reduce pricing uncertainty**, discourage discoms from **waiting for lower future rates**, and ensure timely signing of PPAs, thus **de-risking the renewable energy sector**.

Definitions for Conceptual Clarity:

- **PPA (Power Purchase Agreement):** A long-term contract between a power generator and a power buyer (like discoms), fixing the price and terms of power supply.
- **URET (Uniform Renewable Energy Tariff):** A tariff mechanism where different renewable energy prices are pooled into a single rate, uniformly applicable across discoms and states.
- **RPO (Renewable Purchase Obligation):** A statutory requirement for discoms to procure a certain percentage of their electricity from renewable sources.

Conclusion:

The “**One Nation, One Tariff**” initiative for renewable energy is a bold step towards **integrated national energy policy**, supporting India's climate and energy goals. However, its success hinges on **cooperative federalism**, with **active participation by states and discoms**. Balancing **tariff stability, investment viability, and consumer affordability** remains key. A robust **URET framework**, backed by legal safeguards and stakeholder consensus, can act as a **catalyst in India's green energy transition and energy security strategy**.



3. States' Market Borrowing Plan for Q2 FY26: Macroeconomic and Fiscal Implications

Key Highlights from RBI Announcement:

- **Planned Borrowing of ₹2.87 Trillion:**
According to the **Reserve Bank of India (RBI)**, 26 state governments plan to raise **₹2.87 trillion** from markets through **state development loans (SDLs)** in the **September quarter (Q2 FY26)**. This is an increase from **₹2.6 trillion** in the same quarter last year.
- **State Budgets and Fiscal Size:**
The **combined state budgets for 2025–26** are projected at **₹70.6 trillion**, which is nearly **19.8% of their aggregate Gross State Domestic Product (GSDP)**, reflecting significant public spending at the sub-national level.
- **Debt Financing for Development:**
States borrow via market securities mainly to fund **capital expenditure, welfare schemes, and fiscal deficits**. Rising borrowing levels also indicate **pressures on state finances**, especially post-pandemic and in light of populist commitments.

Constitutional & Legal Provisions:

- **Article 293 of the Constitution:**
It empowers states to borrow within India. However, if a state owes any money to the Centre, it **requires prior consent of the Government of India** to raise additional borrowings.
- **FRBM Acts (Fiscal Responsibility and Budget Management):**
Both at the **Central and State levels**, these Acts aim to ensure **fiscal discipline** by capping **fiscal deficit, debt-to-GSDP ratio, and revenue deficit**, with recommended limits often set by the **Finance Commission**.
- **RBI's Role:**
The **RBI acts as a debt manager** for both Centre and States under agreements and manages the auction of **SDLs (State Development Loans)** in financial markets.



Economic and Policy Implications:

- **Macroeconomic Impact:**
Large state borrowings can crowd out private investment by pushing up **interest rates** and increasing **bond yields**, especially if not aligned with productive capital spending.
- **Fiscal Consolidation Challenge:**
Many states are already running high revenue expenditures and may struggle to meet **4% fiscal deficit targets**, thus raising concerns about **debt sustainability** and **inter-generational fiscal prudence**.
- **Need for Capex Orientation:**
States must ensure borrowed funds are used more for **capital creation (roads, health infra,**



education) rather than **subsidy-led schemes**, to promote long-term growth and enhance revenue generation capacity.

Definitions for Conceptual Clarity:

- **State Development Loans (SDLs):**
These are market borrowings by state governments, issued as **dated securities**, similar to Central Government bonds.
- **Gross State Domestic Product (GSDP):**
It is the total economic output of a state, similar to national GDP at the state level.
- **Fiscal Deficit:**
The gap between a government's total expenditure and its total receipts (excluding borrowings).

Conclusion:

The **rise in state borrowings** to ₹2.87 trillion in Q2 FY26 signals the growing fiscal demands of sub-national governments amid developmental goals and welfare commitments. While borrowing is a legitimate fiscal tool, its **prudence, productivity, and sustainability** are key to maintaining **macro-fiscal stability**. Coordination between the **Centre, RBI, and states**, along with strict adherence to **FRBM norms**, is vital to ensure that **public debt remains within manageable limits** and continues to support **inclusive and resilient growth**.

4. India's Current Account Surplus in Q4 FY25: Trends, Drivers, and Outlook

Key Highlights from the RBI Data:

- **Q4 FY25 Current Account Surplus:**
India recorded a **current account surplus (CAS) of 1.3% of GDP** in the **January–March 2025** quarter, amounting to **\$13.5 billion**, a significant improvement from the **deficit of 1.1% of GDP** (approx. \$11.3 billion) in Q3. This was also much higher than the **\$4.6 billion surplus** in Q4 of the previous year.
- **Major Drivers of Surplus:**
The surplus was driven by a **surge in net services receipts**, which rose to **\$53.3 billion** (from \$42.7 billion last year), especially in **business and computer services**. **Personal transfers (remittances)** also increased to **\$33.9 billion**, defying expectations of a decline due to falling oil prices.
- **Dip in Primary Income Outflows:**
A **lower-than-expected outflow of primary income** (like interest, dividends, and profits repatriated by foreign investors) further improved the current account position. As a result, the **overall current account deficit for FY25** narrowed to **0.6% of GDP (\$23.3 billion)** from **0.7% in FY24 (\$26 billion)**.
- **Structural Strength in Invisibles:**
The **structural improvement in services exports** and a **seasonal narrowing of the goods trade deficit** contributed to the Q4 surplus, despite muted foreign direct investment inflows.



Key Economic Definitions:

- **Current Account:**
A part of the Balance of Payments (BoP), it records transactions related to **trade in goods and services, income from abroad (interest, dividends), and current transfers (like remittances)**. A surplus indicates **more foreign exchange inflows than outflows**.
- **Invisible Receipts:**
Income from **services, remittances, and investment income** that do not involve tangible goods but contribute to the current account.
- **Primary Income:**
Refers to **payments made to and received from non-residents** in the form of compensation of employees and investment income.



Legal and Institutional Framework:

- **Foreign Exchange Management Act (FEMA), 1999:**
Governs India's external transactions and capital flows, including current and capital account transactions, under the RBI's regulation.
- **Article 266 of the Indian Constitution:**
Deals with Consolidated Fund of India, which includes receipts from external transactions that form part of public finance.
- **RBI's Role:**
The Reserve Bank of India manages the **Balance of Payments, foreign exchange reserves**, and ensures **external sector stability**.

Forecast and Economic Implications:

- **Likely Deficit in Q1 FY26:**
Economists project a **return to current account deficit** in the April–June 2025 quarter, due to a **wider merchandise trade deficit** and **seasonal moderation in services exports**. ICRA expects it at around **1.3% of GDP**.
- **External Sector Stability:**
The surplus strengthens **rupee stability**, reduces reliance on foreign debt, and enhances investor confidence. However, a return to deficit highlights **volatility risks** and continued dependence on **remittances and services exports**.

Conclusion:

India's **Q4 FY25 current account surplus** marks a positive development for the country's **external macroeconomic stability**, driven by robust **services exports** and **remittance flows**. However, this surplus is likely **temporary**, and the country may revert to a **current account deficit** as structural challenges in merchandise trade persist. Policymakers must focus on **enhancing export competitiveness, diversifying services**, and **reducing oil import dependence** to ensure sustainable **current account management** and **currency stability** in the medium to long term.



5. Bhutan's Bold Bitcoin Bet: Strategic Use of Cryptocurrency for Economic Diversification

Key Highlights of Bhutan's Bitcoin Strategy:

- **Massive Crypto Holdings Relative to GDP:**
Bhutan holds **bitcoins worth \$1.3 billion**, accounting for around **40% of its GDP**, making it the **third-largest sovereign holder** of bitcoin globally (as per Arkham). Unlike the U.S. or U.K., Bhutan **mined** its own bitcoins, rather than acquiring them through seizures or market purchases.
- **Hydropower-Fueled Bitcoin Mining:**
Starting in **2019–2020**, Bhutan's **state-owned Druk Holding and Investments (DHI)** began mining bitcoin using **cheap, abundant hydropower**, especially during the summer. This provided a unique opportunity to **utilize excess energy** and earn foreign exchange.
- **Economic Rebound and Revenue Source:**
The **Covid-19 pandemic crippled Bhutan's tourism-dependent economy**. Bitcoin mining helped fill the fiscal gap — in 2023, the government even funded **civil servant pay hikes** (up to 65%) by **selling bitcoins worth \$100 million**, offsetting the fall in **hydropower revenues**, which traditionally fund ~40% of the budget.
- **Strategic and Confidential Infrastructure:**
Bhutan has at least **six operational crypto mines**, run by **Green Digital**, though exact details remain confidential due to **cybersecurity and national interest concerns**. The country is also experimenting with a **crypto-payment system** for tourism and planning broader crypto integration in **Gelephu Mindfulness City**, a new administrative and economic hub.

Key Definitions and Technological Context:

- **Bitcoin Mining:**
A process where high-powered computers solve complex mathematical puzzles to validate and add transactions to the **blockchain**, earning new bitcoins in return. It is **energy-intensive** and typically requires **cool climates and low-cost electricity**.
- **Cryptocurrency:**
A form of **digital or virtual currency** secured by cryptography, operating on decentralized networks using **blockchain technology**. Bitcoin is the most prominent cryptocurrency.
- **Blockchain:**
A **distributed ledger technology (DLT)** that records all transactions across a network of computers, ensuring transparency, immutability, and security.



Legal and Policy Considerations:

- **No Specific Global Regulatory Framework Yet:**
Bhutan's initiative is largely unregulated by **international law** but aligns with its **sovereign**



economic strategy. However, such moves have implications for **financial transparency, capital controls, and international anti-money laundering (AML) frameworks.**

- **India's Policy Caution:**
India, Bhutan's close neighbor, currently taxes cryptocurrency gains at **30%** but does not recognize crypto as legal tender. Bhutan's move thus contrasts with India's cautious stance on **private virtual currencies.**
- **Role of Sovereign Wealth Fund (DHI):**
Bhutan used **Druk Holding and Investments (DHI)** — its sovereign wealth fund — to handle crypto operations, signaling **state-backed legitimacy** while avoiding direct political exposure.

Strategic and Developmental Implications:

- **Economic Diversification:**
Bhutan is attempting to **reduce dependency on hydropower and tourism** by investing in cutting-edge technology. This is a rare example of a **developing nation leveraging digital innovation for macroeconomic resilience.**
- **Geopolitical Significance:**
Sandwiched between **India and China**, Bhutan's proactive role in cryptocurrency may trigger **regional digital finance debates.** Its collaboration with companies like **Bitdeer (Singapore-based)** shows efforts to attract **FDI and tech partnerships.**
- **Risks and Volatility:**
The **high volatility** of bitcoin could impact Bhutan's reserves if prices crash. Furthermore, using electricity for crypto rather than exports or domestic use poses **opportunity cost** concerns.

Conclusion:

Bhutan's bitcoin venture represents a **trailblazing effort** by a small Himalayan nation to **strategically harness emerging technology for economic transformation.** By capitalizing on its **natural hydropower advantage** and **forward-thinking leadership**, Bhutan has managed to **generate revenue, stabilize foreign reserves, and support public expenditure** amid post-pandemic challenges. However, the **inherent risks of cryptocurrency volatility, lack of transparency, and absence of global regulatory consensus** make it essential for Bhutan to **balance innovation with financial caution.** If successful in the long term, Bhutan may emerge as a **case study in how small states can punch above their economic weight through digital disruption.**

6. Mobile Number Validation Platform: India's New Digital Security Initiative

Key Highlights of the Government's Move:

- **Mobile Number Validation Platform Launched:**
The **Department of Telecommunications (DoT)** has proposed new **cybersecurity regulations** to mandate digital platforms to verify whether users' mobile numbers are **authentic and actually belong to them** through a **government-run validation platform.**



- **Objective: Tackling Online Fraud:**

The move aims to curb **rising instances of digital fraud, impersonation, and cybercrime** in India by ensuring **better user identification** on apps, websites, and digital services.

- **Mandatory for Digital Platforms:**

Once implemented, **digital platforms (like fintech apps, e-commerce platforms, and social media)** would need to **integrate with the government-run system** to authenticate the mobile numbers provided by users during registration or transaction.

- **Draft Amendment and Policy Direction:**

The proposed changes are part of **draft amendments** unveiled on Tuesday (by the DoT), forming a part of India's broader **National Cybersecurity Strategy** and ongoing reforms in **digital communication regulation**.

Key Concepts and Legal Provisions:

- **Cybersecurity:**

It refers to the practice of protecting **systems, networks, and programs** from **digital attacks** that aim to access, change, or destroy sensitive information.

- **Digital Personal Data Protection Act, 2023:**

Emphasizes the **consent-based use of personal data**, including mobile numbers. Any validation process must comply with its principles on **data minimization and purpose limitation**.

- **Information Technology Act, 2000 (amended):**

Provides legal recognition for **electronic communications and transactions** and enables government regulation over **intermediaries** for cybersecurity and **user verification**.

- **Fundamental Rights Context:**

Must balance with **Article 21 – Right to Privacy** (as affirmed in the *Justice K.S. Puttaswamy v. Union of India* case), requiring that any data verification process be **proportionate, lawful, and necessary**.



Broader Governance & Security Implications:

- **Enhanced KYC Norms:**

This validation system would **strengthen Know Your Customer (KYC)** norms for digital platforms and reduce **fake or fraudulent mobile-linked identities**.

- **National Security and Trust in Digital Ecosystem:**

Helps the government **build trust** in the growing digital economy, particularly crucial in **fintech, online banking, e-commerce, and social media** where identity theft is common.

- **Global Relevance:**

The proposal aligns India with global practices where telecom regulators and platforms collaborate to **authenticate user identities**, e.g., **Know Your Customer (KYC) compliance in the EU and U.S.**

**Conclusion:**

The proposed **Mobile Number Validation Platform** marks a significant step in **India's fight against digital fraud and cybercrime**, ensuring that **mobile-linked digital identities are verifiable and traceable**. While it promises **enhanced user safety and platform integrity**, its success hinges on **transparent implementation, data privacy safeguards, and seamless integration with existing digital frameworks**. Going forward, the measure will serve as a cornerstone in India's push for a **secure, inclusive, and resilient digital governance ecosystem**.

7. Operation Narnia: Israel's High-Stakes Preemptive Strike on Iran**Key Highlights of the Operation:**

- **What was Operation Narnia?**

Operation *Narnia* was a **covert, high-risk Israeli military campaign** launched on **June 13, 2025**, targeting **Iranian nuclear scientists, military officials, and nuclear installations**. Alongside this, Operation *Red Wedding* eliminated Iran's top military leadership. It involved **airstrikes, drones, and undercover sabotage**, stunning observers with its scope and success.

- **Objectives and Strategy:**

Israel aimed to **cripple Iran's nuclear capabilities** and eliminate its key scientific and military leadership to **prevent nuclear weapon development**. The operation was a **preemptive self-defense strike**, a doctrine Israel has previously followed in attacks on Iraq (1981) and Syria (2007). The goal was also to gain **regional dominance** and reshape diplomatic alignments.

- **Execution and Deception:**

A mix of **Israeli aircraft, drones, and covert operatives inside Iran** executed the operation. Strategic deception was used:

- PM Netanyahu faked attending a family wedding.
- Israeli media leaked diplomatic signals to mislead Iran.
- Mossad smuggled drones and explosives inside Iran.



The **simultaneous assassination of 9 nuclear scientists** at their homes and the **neutralization of Iran's air defense** marked an unprecedented level of precision.

- **Coordination with the U.S. and Global Impact:**

The operation's success inspired **U.S. President Trump to authorize bombing Iran's nuclear sites**, further crippling its infrastructure. It raised possibilities of **new peace accords** for Israel and **shifted regional alliances**. However, Iran's **nuclear rebound capacity remains a threat**, and tensions are expected to persist.

Constitutional & Legal Frameworks:

- **International Law – Use of Force & Preemptive Strikes:**

Article 51 of the **UN Charter** permits **self-defense** if an armed attack occurs. However,



preemptiveself-defense remains controversial in international law, and Israel's justification hinges on perceived **imminent threat** from Iran's nuclear program.

- **India's Relevance:**

India supports **non-proliferation** and **strategic stability in West Asia**, and such events are significant for India's **energy security**, **diaspora safety**, and **diplomatic balancing** between Iran, Israel, and the U.S.

Key Concepts for UPSC:

- **Preemptive Strike:**

A **military action taken to neutralize a perceived imminent threat** before it materializes. Examples include Israel's past airstrikes on nuclear reactors in Iraq (1981) and Syria (2007).

- **Air Superiority:**

A military condition in which one side holds **dominant control over the airspace**, preventing enemy operations.

- **Strategic Sabotage:**

Non-traditional warfare tactics involving espionage, cyber, and kinetic attacks on enemy infrastructure or personnel.

- **Doctrine of Proportionality and Necessity (in conflict):**

Under **jus ad bellum**, military actions must be necessary to achieve legitimate objectives and proportionate in scale and effect.

Strategic & Global Implications:

- **Regional Realignment:**

Israel expects diplomatic gains and realignment of countries away from **Iranian influence**, potentially expanding the **Abraham Accords**.

- **Iran's Future Moves:**

Though significantly weakened, Iran may attempt to **rebuild its nuclear infrastructure**, risking further conflict.

- **Risk of Escalation:**

This high-risk success sets a **precedent** for future **covert warfare** and **surgical strikes** by states under existential threat.

- **Technological Mastery:**

Israel showcased advanced capabilities in **drone warfare**, **cyberintelligence**, and **logistics** over 1,000 miles from its territory.

Conclusion:

Operation Narnia represents a bold and complex military operation rooted in **decades of intelligence preparation and tactical training**. While it temporarily **crippled Iran's nuclear efforts**, it also **heightened the risk of prolonged regional instability**. For UPSC aspirants, this event offers insight into **modern warfare tactics**, **international law**, **statecraft**, and **geopolitics**, underscoring how **military**, **intelligence**, and **diplomacy** intersect in **21st-century security strategies**.



8. Govt to Ease Norms for IFSCA-Registered Lenders

Key Highlights:

- **Proposed Exemption from Companies Act:**
The **Ministry of Corporate Affairs (MCA)** is set to exempt **non-banking finance companies (NBFCs)** registered with the **International Financial Services Centres Authority (IFSCA)** from the provisions of **Section 186 of the Companies Act, 2013**. This section governs **loans, guarantees, investments, and securities** issued by companies.
- **Parity with RBI-Registered NBFCs:**
This exemption aligns IFSCA-registered lenders with NBFCs registered under the **Reserve Bank of India (RBI)**, which already enjoy such relaxation. The move aims to **improve ease of doing business** in IFSCs, especially in **GIFT City, Gujarat**, India's first international financial hub.
- **About IFSCA and GIFT City:**
 - **IFSCA** is a **statutory unified financial regulator** established under the **IFSCA Act, 2019** to develop and regulate financial products and services in **International Financial Services Centres (IFSCs)**.
 - **GIFT City (Gujarat International Finance Tec-City)** is India's flagship IFSC, designed to attract **foreign capital**, offer **global financial services**, and compete with offshore hubs like Singapore and Dubai.
- **Section 186 – Key Provision in Companies Act, 2013:**
This section limits the amount of loan, guarantee, or investment a company can undertake without board/shareholder approval and sets **disclosure and compliance norms**.
Exempting IFSCA-registered firms removes operational hurdles, giving them **greater flexibility in financial structuring**.



Constitutional & Legal Context:

- **IFSCA Act, 2019:**
 - Empowers the central government to **delegate regulatory functions** over financial institutions in IFSCs to IFSCA.
 - Allows **relaxation of central laws** (like Companies Act) to promote ease of business within IFSCs.
- **Companies Act, 2013 – Section 462:**
Enables the government to **exempt certain classes of companies** from specific provisions of the Act, subject to conditions.
- **Federal Coordination:**
The move involves **multi-agency coordination** – between MCA, RBI, IFSCA, and Department of Economic Affairs – for harmonising regulation of financial entities across jurisdictions.



Key Concepts for UPSC:

- **International Financial Services Centre (IFSC):**
A special financial zone that provides financial services in foreign currency to **non-residents and residents** (to a limited extent), outside the domestic economic territory.
- **Non-Banking Financial Companies (NBFCs):**
Financial institutions that offer **bank-like services** (e.g. lending, leasing, hire purchase) but are not banks and operate under the regulatory framework of **RBI or IFSCA**.
- **Ease of Doing Business:**
A key government reform agenda to **simplify compliance, reduce regulation, and encourage investment**, especially in financial and industrial hubs.

Strategic Implications:

- **Boost to Financial Sector Liberalization:**
The move enhances India's capacity to **host offshore financial services** by easing compliance burdens for foreign and domestic firms operating under IFSCA.
- **Global Competitiveness:**
This helps **position GIFT City as a global financial hub**, attracting multinational finance companies and offering **an alternative to other offshore jurisdictions**.
- **Foreign Capital Mobilization:**
Reduced regulatory burden will encourage **foreign investment inflows**, especially in **structured finance, fintech, and digital lending ecosystems**.

Conclusion:

The government's plan to ease regulatory norms for IFSCA-registered lenders is a strategic push toward making **India a global financial powerhouse** through GIFT City. By extending exemptions already granted to RBI-regulated NBFCs, this reform reflects the government's intent to **harmonise regulations, enhance institutional efficiency, and improve investor confidence**. For UPSC aspirants, this represents a significant example of **institutional innovation, regulatory liberalization, and economic diplomacy in financial services**.

9. India's Economy Resilient Amid Rising Global Risks: Finance Ministry Report

Key Highlights from the Finance Ministry's Monthly Economic Review (May 2025):

- **Economic Resilience Amid Global Uncertainty:**
India's economy continues to show **strong resilience** despite global headwinds such as **geopolitical tensions, trade frictions, and international policy uncertainty**. The **finance ministry** notes steady domestic growth supported by **robust demand, easing inflation, and stable employment**.
- **Strong Domestic Fundamentals:**
Key drivers include:
 - **Rebound in rural consumption.**



- **Steady private investment.**
- **Improved net exports.**
- **Services sector** as a major contributor to GDP.
- **Construction and manufacturing sectors** show stable performance.
- **Agriculture sector** revival aided by **good monsoon** and **record food grain output.**
- **Global Geopolitical Risks Intensify:**
 - **Ukraine-Russia war escalation** and **Middle East tensions** (Gaza, Lebanon) are increasing uncertainty.
 - **India-Pakistan border tension** resurfaces following a **terrorist attack in J&K**, adding to **regional instability** and potential economic disruption.
- **Growth Outlook for FY 2025–26:**
 - Government maintains projected **GDP growth rate** in the range of **6.3%–6.8%.**
 - **Private consumption**, especially **rural spending**, and **services exports** are expected to remain key contributors.
 - Independent rating agencies and financial institutions also forecast within this growth band.

Key Terms and Constitutional/Economic Context:

- **Resilience (Economic):** The ability of an economy to withstand or recover quickly from external shocks and disruptions.
- **External Sector:** Comprises exports, imports, remittances, and foreign investments; a resilient external sector indicates **balanced trade and healthy forex reserves.**
- **Monsoon Dependency in Agriculture:** India's **agricultural GDP** remains highly sensitive to monsoon performance, impacting **rural incomes** and **food inflation.**
- **Geopolitical Risk:** Risk arising from conflict, political instability, or military escalation that affects **global economic stability and investment.**
- **Article 112 & 265** – Fiscal responsibility of the Union; budget planning must incorporate both domestic and global factors that affect economic health and tax policy.



Additional Value Points for UPSC:

- **Policy Watch:** Continued focus on **infrastructure, digital economy, rural schemes (e.g., PM-KISAN, MGNREGA), and Make in India** is buffering against global turbulence.
- **Comparison with Global Trends:** While many advanced economies face **slowing growth** and **tight monetary conditions**, India remains among the fastest-growing major economies.



- **Employment Situation:** Government highlights **steady employment trends**, but analysts warn that **quality of employment and urban job creation** need more attention.

Conclusion:

India's economic trajectory remains **optimistic yet cautious**. While **domestic demand, service exports, and rural recovery** form a robust foundation, **persistent global uncertainties**—geopolitical flashpoints, trade disruptions, and capital flow volatility—pose potential risks. Strategic macroeconomic planning, diversified trade, and geopolitical diplomacy will be crucial in **sustaining stable and inclusive growth** in the years ahead. UPSC aspirants should track such economic reports as they **reflect key policy priorities, fiscal strategies, and real-time economic challenges**.

10. Practising Equality in Constitutional Courts: Senior Advocate Designation and Its Constitutional Concerns

Key Summary Points:

- **Supreme Court Revisits Senior Advocate Designation Rules:**
In *Jitender @ Kalla vs State (2025)*, the Supreme Court directed all High Courts to frame rules for designating Senior Advocates, revisiting earlier *Indira Jaising v. Supreme Court* rulings (2017 & 2023). However, it failed to address the **core issue of inherent inequality** in the classification system under **Section 16 of the Advocates Act, 1961**.
- **Legal Basis for Classification and Constitutional Dilemma:**
Section 16 allows constitutional courts to designate 'senior advocates' based on **standing, ability, and special knowledge**. Critics argue this creates **discrimination among equals**, violating **Article 14** (Right to Equality) and promotes **elitism in the legal system**—something antithetical to India's democratic and socialist ethos.
- **Court's Inconsistent Stand on Objectivity and Reforms:**
The Court recognized that the existing **point-based system is subjective**, yet continued with the **application and consent model**. Instead of striking down or referring **Section 16** for constitutional review, the Court allowed only **procedural refinements**, not addressing **systemic bias**.
- **Impact on Access to Justice and Representation:**
This classification has led to the rise of a **legal plutocracy**—a small elite of "star lawyers" dominate cases, sidelining **women, marginalised communities, and regional lawyers**. This results in **intellectual apartheid**, weakening the **diverse and representative nature** of the Bar, essential for a **vibrant judicial democracy**.
- **Comparative Constitutional Practices Misapplied:**
The Court's reliance on global practices (e.g., Nigeria, Australia, Singapore) to justify senior advocate classification ignored India's **unique constitutional vision of egalitarianism**, especially post the **42nd Amendment** that added "Socialist" in the **Preamble**.





Constitutional and Legal Concepts:

- **Article 14:** Guarantees *equality before the law and equal protection of the laws* within the territory of India. Any arbitrary classification is violative of this provision unless it satisfies *reasonable classification* criteria: **intelligible differentia** and **rational nexus**.
- **Section 16 of Advocates Act, 1961:** Legally enables courts to classify advocates as 'senior' based on subjective parameters, now being questioned as **arbitrary and elitist**.
- **Judicial Pluralism:** A judiciary that reflects social, regional, and professional diversity is vital for legitimacy and public trust. Lack of diversity contradicts the ideals of **constitutional morality**.

Value-Added Points for UPSC:

- **Ethics & Judiciary (GS-4):** The practice raises questions of **fairness, transparency, meritocracy, and bias** in legal institutions. It also illustrates **conflict between institutional tradition and democratic values**.
- **Legal Commentary:** F.S. Nariman called it a "*caste system among lawyers*". Scholars label the bias in selection as **homo-social morphing**, where judges prefer lawyers who mirror their own identity and ideology.
- **Impact on Legal Profession:** Promotes **commercialisation of litigation**, and **barriers to entry for competent but underrepresented lawyers**. Undermines **public trust in the neutrality and accessibility** of the judiciary.

Conclusion:

The Supreme Court's recent judgment reflects a missed opportunity to address **structural inequality** in the legal profession. While procedural guidelines were updated, the **constitutional validity of Section 16** and its alignment with **Article 14 and the Preamble** remains unresolved. As custodians of equality, constitutional courts must not just uphold the **form** of justice but also its **substance**. Genuine reform must aim to **democratise access**, ensure **diversity in representation**, and uphold the **egalitarian spirit of the Constitution** in both the Bench and the Bar.

II. A China-Led Trilateral Nexus: India's Emerging Geostrategic Challenge

Key Summary Points:

- **Emergence of China-Pakistan-Plus-One Trilateral Meetings:**
China has initiated new trilateral dialogues with Pakistan and countries like **Afghanistan** and **Bangladesh**, aiming to reshape South Asian strategic alignments. These trilaterals serve to enhance China's influence, **revive Pakistan's regional relevance**, and strategically **distract and encircle India** amid its rising global stature.
- **China-Pakistan Strategic Convergence Against India:**
The **China-Pakistan alliance**, forged post the 1962 Sino-Indian war, continues to function as a **balancing coalition against India**. China provides Pakistan with **military, financial, and diplomatic support**, including shielding Pakistani-backed terrorists at the **UN Security Council** and



supplying over 80% of Pakistan's arms. Recent tensions like **Operation Sindoor (2025)** highlight China's reflexive support to Pakistan despite India's anti-terror retaliation.

- **India's Assertive Foreign and Security Policy:**

India has responded to provocations with robust measures—**surgical strikes, diplomatic isolation of Pakistan, abrogation of Indus Waters Treaty clauses**, and restricting economic engagement. Its assertiveness in **Galwan and Doklam** also reinforced its **military posture** against Chinese incursions, unsettling Beijing's regional dominance ambitions.

- **Regional Dynamics and India's Influence:**

Despite China's efforts, **India's soft power and pragmatic diplomacy** continue to prevail in South Asia:

- **Maldives** turned back to India for economic support.
- **Nepal's** BRI projects with China face financial roadblocks.
- **Sri Lanka's** President visited India first, defying Chinese expectations.
- **Bangladesh** engages in energy cooperation with India, despite diplomatic strains.

- **Security Implications of the Trilateral Nexus:**

China's trilateral ventures with **regime-shifted Afghanistan and Bangladesh** seek to undermine India's neighbourhood diplomacy and revive Pakistan's fading regional clout. These moves also risk the **resurgence of state-supported terrorism**, cross-border instability, and the **infiltration of Chinese economic and strategic interests** under the BRI (Belt and Road Initiative).

Important Concepts and Legal/Constitutional Aspects:

- **Strategic Encirclement:** A geopolitical concept where a country is surrounded by hostile or rival states supported by a competitor, used to limit strategic freedom and decision-making.
- **Belt and Road Initiative (BRI):** China's transcontinental infrastructure development project aimed at expanding its global influence. India has **rejected BRI** on grounds of **sovereignty**, particularly in **Pakistan-occupied Kashmir (PoK)**.
- **Operation Sindoor (2025):** India's military retaliation to the **Pahalgam terror attack**, backed by Pakistan, showcased India's zero-tolerance stance against terrorism and cross-border interference.
- **Article 51 (Directive Principles of State Policy):** Advocates the promotion of international peace and security, guiding India's foreign policy to ensure **regional stability**.



Value-Added Points for UPSC:

- **Quote to use in Essay/GS-2:** "*Neighbourhood first should not mean India last*" – reflects India's need to balance strategic autonomy with cooperative diplomacy.
- **GS-3 Security Angle:** The trilateral grouping introduces a **non-conventional hybrid threat** by combining **geopolitical pressure, economic leverage, and proxy terror networks**.



- **Example of Strategic Autonomy:** India's engagement with **Taliban-led Afghanistan** while balancing traditional support for democratic governance showcases its **realist foreign policy evolution**.

Conclusion:

The **China-led trilateral arrangements** are not merely symbolic but are part of a **larger strategy to encircle India**, weaken its strategic depth, and reshape South Asia's geopolitical order. As China uses Pakistan as a proxy and explores deeper ties with Bangladesh and Afghanistan, **India must reinforce its regional leadership** through **assertive diplomacy, security preparedness, and economic partnerships**. New Delhi's calibrated approach—respecting redlines while engaging constructively—will be key to **countering this trilateral challenge** and preserving its long-term **strategic and security interests** in South Asia.

12. India Rejects Supplemental Award on Kishenganga and Ratle Projects

Key Summary Points:

- **India Rejects Court of Arbitration's Supplemental Award:**
India has **categorically rejected** the supplemental award issued by a **Court of Arbitration** on the **Kishenganga and Ratle hydropower projects** in Jammu and Kashmir. India claims the arbitral court has **no legal standing**, asserting that its constitution was a **violation of the Indus Waters Treaty (IWT), 1960**.
- **Dispute Origin and Pakistan's Objections:**
Pakistan objected to the **design features** of the projects, including water flow diversion and pondage. After bilateral talks failed in 2015, Pakistan **unilaterally approached the World Bank** in 2016, seeking arbitration—**India opposed this**, calling it a violation of the IWT's dispute resolution mechanisms.
- **India's Legal Stand on Sovereignty and Treaty Suspension:**
Post the **April 2025 Pahalgam terror attack**, India has placed the **Indus Waters Treaty in abeyance**, citing **sovereign rights under international law**. India stated that it is **not obligated to fulfill IWT responsibilities** until Pakistan "credibly and irrevocably" stops supporting **cross-border terrorism**.
- **Indus Waters Treaty (IWT), 1960 – Background & Provisions:**
Brokered by the **World Bank**, the IWT allocates:
 - **Eastern rivers (Ravi, Beas, Sutlej)** to India.
 - **Western rivers (Indus, Jhelum, Chenab)** to Pakistan (with limited Indian use for non-consumptive purposes).
Article IX of the Treaty provides for **dispute resolution via Neutral Expert or Court of Arbitration**, but India asserts that arbitration requires **mutual agreement**.





- **Constitutional and Legal Aspects:**

- **Article 51 of the Constitution** encourages respect for international law and treaty obligations—but not unilaterally exploitable ones.
- India argues that **Pakistan's support for terrorism undermines the principle of *pacta sunt servanda*** (agreements must be honored), thereby invalidating its right to enforce the treaty.

Important Definitions & Concepts:

- **Supplemental Award:** A follow-up or secondary ruling issued by an arbitral tribunal clarifying or reinforcing an earlier judgment.
- **Abeyance:** A state of temporary disuse or suspension. India has put the **treaty obligations on hold**, not abrogated it formally.
- **Court of Arbitration (COA):** A tribunal mechanism under IWT, meant to be established with **consent from both parties**—India claims this consent was violated.

Value-Added Points for UPSC:

- **India's assertion of water sovereignty** reflects a **shift in foreign policy**, aligning **hydro-diplomacy** with **national security objectives**.
- **Use of terrorism as a ground to suspend treaty obligations** reflects **India's evolving stance** that **diplomatic engagement cannot continue under security threats**.
- **Comparison with other treaties (e.g., Ganga Water Sharing Treaty with Bangladesh)** could be used to highlight **contrast in trust levels** among neighbors.

Conclusion:

India's rejection of the **Court of Arbitration's supplemental award** signals a **strong linkage between national security and water diplomacy**. By placing the **Indus Waters Treaty in abeyance**, India has emphasized that **treaty obligations cannot be delinked from the conduct of state parties**, especially in the face of **state-sponsored terrorism**. Moving forward, this development reflects the **assertiveness in India's foreign policy**, as well as a **recalibration of international legal commitments** through a **realist security lens**. UPSC aspirants must analyze this case in the context of **treaty law, water sharing, and India-Pakistan relations**.