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FOR UPSC CIVIL SERVICE EXAMINATION

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I. South-East Asia Defies Global FDI Trends

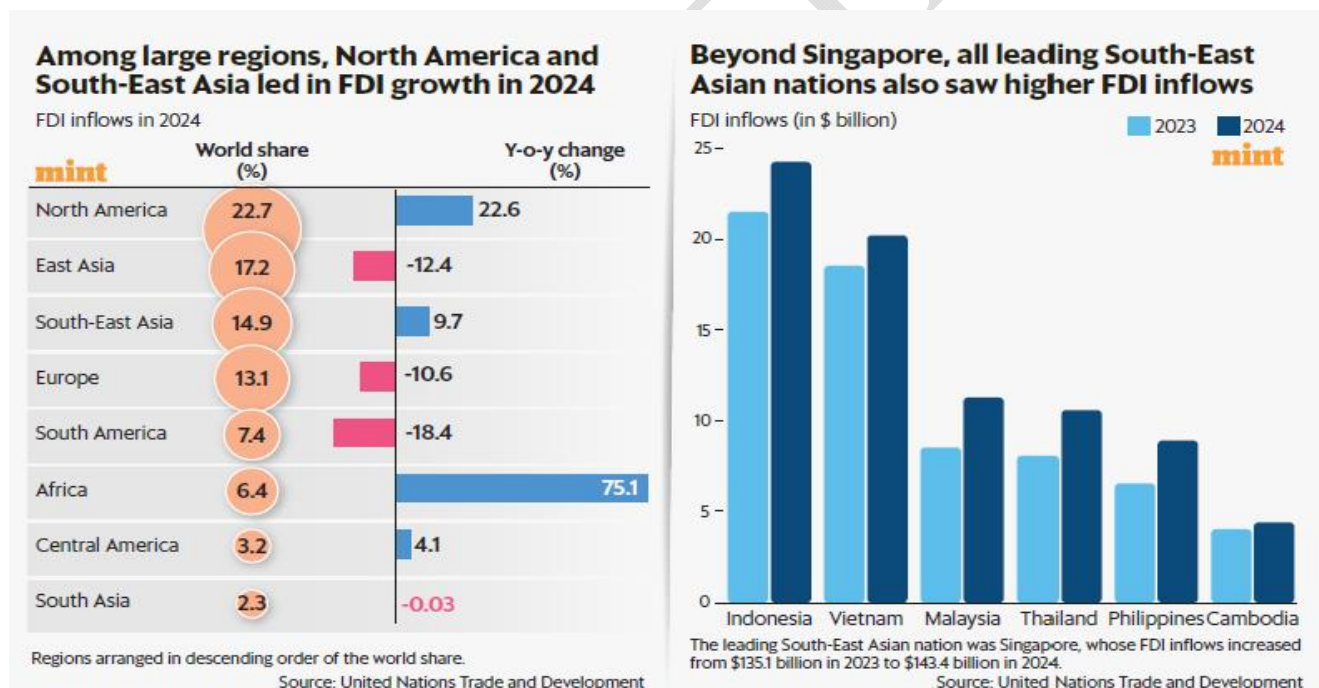
Key Highlights for UPSC (GS 2 – International Relations; GS 3 – Economy)

1. FDI Decline Globally, But South-East Asia Grows

- Global FDI fell by **11% in 2024**, marking the second consecutive decline (UNCTAD).
- Despite this trend, **South-East Asia was the only subregion in Asia to witness FDI growth** in 2024, led by countries like **Philippines, Malaysia, and Thailand**.
- This reflects a regional shift in capital inflow, mainly due to **global supply chain diversification** amid US-China tensions.

2. Digital Economy & Greenfield Investments Drive Growth

- South-East Asia attracted significant **greenfield FDI** in the **digital sector**, with **five countries (Singapore, Vietnam, Indonesia, Malaysia, Thailand)** in the global top 10 for digital FDI.



- The **digital segment** now accounts for **28%** of global greenfield FDI, up from 20% in 2020.
- Sectors include **data centres, fintech, AI, e-commerce, and cloud services**.

3. India's Missed Opportunity

- Despite being the **fifth-largest economy**, India underperformed in attracting increased FDI, especially compared to its South-East Asian neighbours.



- This raises concerns about India's investment climate and readiness to absorb diverted capital from China.

4. Geopolitical Shifts and China's FDI Outflow

- China has seen **net FDI outflows** since 2022, i.e., investing more abroad than receiving.
- Still, it remained a key investor in **Vietnam, Indonesia, and Malaysia** in 2024, notably in **mining and metal refining** sectors.

5. FDI–GDP–Trade Decoupling

- A major concern is the **decoupling of FDI from global GDP and trade** over the last two decades.
- Particularly worrying is the sharp drop in FDI in **developmental sectors** like:
 - Infrastructure (↓35%)
 - Renewable energy (↓31%)
 - Water and sanitation (↓30%)
 - Agrifood systems (↓19%)

6. FDI Concentration & Digital Monopoly Risks

- A few **emerging economies received 75%** of FDI to the developing world.
- **ICT sector** is highly concentrated—top 5 companies hold **26% of total sales**.
- **US leads with 29 ICT firms** in the global top 100, followed by **China and Taiwan (13 each)**.

Key Definitions & Concepts

- **FDI (Foreign Direct Investment):** Investment made by a firm or individual in one country into business interests located in another country.
- **Greenfield Investment:** Type of FDI where a parent company builds operations in a foreign country from scratch.
- **Digital FDI:** Investment in sectors related to digital infrastructure and services like AI, cloud, fintech, etc.
- **FDI Decoupling:** A phenomenon where FDI no longer follows the trends of global GDP or trade volumes, indicating structural shifts in capital flows.

Constitutional & Legal Provisions (India)

- **Article 301–307:** Freedom of trade and commerce within India – though not directly related to FDI, relevant for internal investment climate.
- **FEMA (Foreign Exchange Management Act), 1999:** Governs FDI inflow, managed by RBI and Ministry of Finance.
- **Make in India & Startup India:** Initiatives to boost manufacturing and innovation-driven FDI.



Conclusion

South-East Asia's strategic positioning, proactive policy reforms, and focus on digital economy have enabled it to **defy global FDI slowdowns**, unlike many other regions including South Asia. For India, this trend poses both a **challenge and an opportunity**—to reform its **investment climate, infrastructure, and regulatory frameworks** to emerge as a competitive alternative in the shifting global capital landscape.

2. Special Teams to Recover High-Value Bad Loans of PSBs

Key Highlights (GS 3 – Indian Economy; GS 2 – Governance)

1. Specialised Recovery Teams for High-Value NPAs

- Public Sector Banks (PSBs), under the guidance of the **Finance Ministry**, are planning to **set up dedicated teams to recover bad loans of ₹100 crore and above**.
- The aim is to improve the resolution of **high-value non-performing assets (NPAs)** through structured and expert-led efforts.
- Lower-value NPAs may be written off or liquidated if recovery costs exceed value, ensuring better **resource optimization**.

2. Revamp of Legal Teams & Focus on Top 10 Stressed Assets

- PSBs have been asked to **restructure legal teams**, especially if they've failed to secure resolutions under the **Insolvency and Bankruptcy Code (IBC)** at the **National Company Law Tribunal (NCLT)**.
- Banks must **identify their top 10 stressed accounts** and monitor resolution directly under **senior-most officials (MD/CEO level)** for accountability and quick action.

3. Improvement in Financial Health of PSBs

- Net NPAs of PSBs have dropped to a **multi-year low of 0.52%**, and net profits reached **₹1.78 trillion in FY 2023–24**.
- Gross NPAs of PSBs declined by **17% YoY** to **₹2.94 trillion**, indicating improved asset quality and better credit discipline.

4. Sectoral Exposure and Risk

- About **20% of PSB loan exposure lies in sensitive sectors** like **capital markets and real estate**, necessitating vigilant monitoring.
- Around **30% of total outstanding debt lies in accounts over ₹100 crore**, though these constitute a small portion of total NPA accounts numerically.

5. Segregation Strategy for Efficient Recovery

- Banks are advised to **categorize stressed assets by value and sector**, enabling formation of **specialized resolution teams**.



- This leads to **standardised processes**, better monitoring, quicker settlements (like **one-time settlements or write-offs**), and enhanced operational efficiency.

6. Concerns and Governance Measures

- Experts caution that focus on high-value assets should not lead to **neglect of smaller NPAs**, which can **normalize poor credit governance**.
- Emphasis is placed on maintaining **strict oversight**, even for lower-value loans, to prevent systemic risk accumulation.

Key Definitions & Concepts

- **Non-Performing Assets (NPAs):** Loans or advances where the principal or interest payment remains overdue for more than 90 days.
- **Gross NPA vs Net NPA:**
 - *Gross NPA* is the total value of defaulted loans.
 - *Net NPA* subtracts provisions made by the bank for those bad loans.
- **Insolvency and Bankruptcy Code (IBC), 2016:** A consolidated legal framework for resolving insolvency of companies, individuals, and partnerships within a time-bound manner.
- **National Company Law Tribunal (NCLT):** Quasi-judicial authority for insolvency resolution under the IBC.

Constitutional & Legal Provisions (Related to Banking and Governance)

- **Entry 45, Union List (Seventh Schedule)** – Banking is a subject under the Union List, allowing Parliament to legislate.
- **Article 148 – 151:** Role of the CAG in auditing public sector undertakings.
- **Banking Regulation Act, 1949:** Empowers the RBI to regulate the functioning of banks including NPAs and asset quality.

Conclusion

The move to create **specialised NPA recovery teams for high-value defaults** signifies a proactive approach by the government to safeguard the financial stability of PSBs. While asset quality has shown marked improvement, a dual strategy of **high-level resolution for large loans** and **efficient disposal of smaller bad loans** is key to sustainable credit health.

3. India-US Trade Talks Extension Amid Tariff Deadline

Key Highlights for UPSC (GS 2 – International Relations; GS 3 – Economy)

1. Extension of India-US Trade Negotiations



- Indian trade negotiators have **extended their stay in Washington**, aiming to reach a **trade agreement** before the **9 July deadline**, after which **higher US tariffs** on Indian exports are set to be imposed.
- Originally planned to conclude by **27 June**, the negotiations were extended by a day, indicating movement toward an **interim deal**.

2. Key Sticking Points in Talks

- One major hurdle is the **US demand to allow genetically modified (GM) crops** into the Indian market.
- India has **rejected this demand**, citing concerns for **domestic agriculture, farmer livelihoods, and biodiversity risks**.
- India is also demanding **reciprocal tariff relief and market access** for its own exports, refusing a one-sided arrangement.

3. Context of Trade Dispute

- This follows a history of **strained trade relations**, including:
 - US withdrawal of **Generalized System of Preferences (GSP)** benefits for India in 2019.
 - Reciprocal tariff hikes by India on certain US goods.
- The situation has worsened amid the **protectionist trade stance** of the US under President Trump.

4. Strategic Importance of the Deal

- A potential trade deal would be politically and economically significant ahead of the **upcoming US election cycle** and would improve **India–US economic ties**, which are strategically important given the **Indo-Pacific partnership** and **China's assertiveness**.

5. Constitutional and Legal Aspects (India)

- **Article 246 & Seventh Schedule (Union List – Entry 41)**: Foreign trade and commerce fall under the Union government's domain.
- **Foreign Trade (Development and Regulation) Act, 1992**: Empowers the Central Government to make policy related to imports and exports.
- India's stance against GM crop imports aligns with **Article 48A of the Constitution (Directive Principles)** – protection and improvement of environment and safeguarding of forests and wildlife.



6. Definitions of Key Terms

- **Tariff**: A tax imposed on imports or exports between sovereign states.



- **GMO (Genetically Modified Organism):** Organisms whose genetic material has been altered using genetic engineering techniques.
- **Reciprocal Tariff:** A tariff reduction or exemption given to a country in return for a similar concession.

Conclusion

The extended India–US trade talks reflect the **delicate balancing act** between economic interests and domestic sensitivities. While the US seeks greater access to Indian markets, especially in agriculture, India is firm on **protecting its farmers and securing fair trade terms**. The outcome of these negotiations will have far-reaching implications for **bilateral trade, geopolitical alignment, and India's strategic autonomy**.

World Bank Reclassifies Pakistan and Afghanistan Outside South Asia Region

Key Highlights for UPSC (GS 2 – International Institutions; GS 3 – Security and Economy)

1. Pakistan and Afghanistan Shifted to MENA Region

- The **World Bank has moved Pakistan and Afghanistan** from its **South Asia Region** to the **Middle East and North Africa (MENA) Region**.
- This **administrative shift** pertains to **managerial oversight** of the **International Bank for Reconstruction and Development (IBRD)** and **International Development Association (IDA)** programs.

2. Impact on South Asia Grouping

- With this change, the **South Asia group now includes only six countries**: India, Bangladesh, Bhutan, Maldives, Nepal, and Sri Lanka.
- The **realignment aligns with International Finance Corporation (IFC)** and **International Monetary Fund (IMF)** practices and is said to streamline program administration.

3. India's Concerns Over Lending to Pakistan

- India has **consistently opposed multilateral lending** (e.g., \$2.4 billion IMF aid) to Pakistan, citing concerns over **misuse of financial aid** for military purposes and **state-sponsored terrorism**.
- India also advocates for **greater oversight on loans** to ensure they are used strictly for development and not for **arms procurement**.

4. Call for Greylisting Pakistan by FATF

- India has urged that **Pakistan be re-listed in the 'Grey List'** of the **Financial Action Task Force (FATF)** for failure to curb **terror financing and money laundering**.





- FATF plays a vital role in assessing a country's compliance in **curbing terror-related financial flows**.

5. Administrative Update within World Bank

- **Johannes Zutt**, currently Country Director for Brazil, has been appointed **Vice President of the South Asia Region** (effective 1 July 2025), and will be **based in India**.
- He will oversee **operations across South Asia**, now redefined without Pakistan and Afghanistan.

6. Key Institutions Involved

- **IBRD**: Lends to middle-income and creditworthy low-income countries for development.
- **IDA**: Provides concessional loans and grants to the world's poorest countries.
- India is also a member of **IFC (private sector arm)** and **MIGA (insurance for foreign investment)**.

Definitions & Legal/Constitutional Relevance

- **Multilateral Lending Institutions**: International financial entities like the **World Bank, IMF, ADB**, which offer loans/grants for development.
- **FATF Grey List**: Countries under increased monitoring due to **deficiencies in anti-terror funding and money laundering controls**.
- **Article 51(c) – Indian Constitution**: Advocates **respect for international law and treaty obligations**, relevant to India's engagement with multilateral bodies.
- **External Affairs and International Financial Institutions** fall under the **Union List (Entry 14 & 41, Schedule VII)** of the Constitution.

Conclusion

The World Bank's reclassification of **Pakistan and Afghanistan into the MENA region** marks a significant **geopolitical and administrative shift**, effectively **distancing them from South Asia's developmental priorities**. For India, this could serve as a strategic opening to **reduce Pakistan's multilateral funding footprint**, particularly in light of **security concerns and misuse of aid**.

5. Upcoming Census 2026: Houselisting Operations to Begin from April

Key Highlights (GS 1 – Indian Society; GS 2 – Governance; GS 3 – ICT in Governance)

1. Census 2026 to Begin with Houselisting Operations

- **Phase 1 (Houselisting Operations - HLO)** of India's 16th Census will begin from **1 April 2026**.
- It involves collection of data related to **housing conditions, assets, and amenities** of each household.



- **Phase 2 (Population Enumeration - PE)** will begin on **1 February 2027**, to collect **demographic, socio-economic, cultural** and other personal data.

2. Administrative Boundary Freezing Deadline

- States and Union Territories must **finalize changes in boundaries** of administrative units (districts, tehsils, police stations, etc.) **by 31 December 2025**.
- As per Census rules, the **enumeration can only start 3 months after boundary freezing** to ensure accuracy and avoid duplication or omission.



3. Deployment & Technological Upgrade

- Over **3.4 million enumerators and supervisors**, and around **1.3 lakh Census functionaries** will be deployed nationwide.
- For the first time, the Census will adopt **digital data collection** using **mobile applications**.
- A **provision for self-enumeration** (citizen-led input via portal/mobile app) will also be introduced to improve participation and convenience.

4. Caste Enumeration to be Included

- Government has indicated that **caste-based data** will also be collected during this Census, adding a critical dimension to **policy formulation and welfare targeting**.
- It may help address long-pending demands related to **caste-based census** for social justice and affirmative action.

5. Importance of Enumeration Blocks

- Villages and towns are divided into **uniform enumeration blocks** with one enumerator assigned per block.
- This system ensures **no overlap or gaps** in data collection, maintaining **data integrity and reliability**.

6. Constitutional & Legal Framework

- **The Census Act, 1948** provides the **legal basis** for conducting Census in India.
- While the **Constitution does not mandate a Census**, **Article 246 (Union List – Entry 69)** empowers the Centre to legislate on population Census.
- Census data is critical for **resource allocation, policy planning, delimitation of constituencies, and reservation quotas**.

Key Terms & Definitions

- **Census:** A systematic and official count of a country's population including details like age, gender, occupation, etc., held every 10 years in India.



- **Houselisting Operations (HLO):** The first stage of the Census to record the condition of houses, household assets, and infrastructure access.
- **Population Enumeration (PE):** The second stage involving detailed personal information of each resident.
- **Boundary Freezing:** A process by which all changes in the jurisdiction of administrative units are paused to ensure enumeration consistency.

Conclusion

The upcoming **16th Census of India** is not just a headcount but a **comprehensive socio-economic mapping exercise**. Its digital transformation, inclusion of **self-enumeration and caste data**, and precise **boundary management** will make it a landmark exercise in **evidence-based governance**.

6. FinMin Directs PSBs to Monetize Investments through Subsidiary Listings

Key Highlights (GS 3 – Indian Economy; GS 2 – Governance)

1. Monetization of PSB Subsidiaries via Stock Market Listings

- The **Finance Ministry** has advised **Public Sector Banks (PSBs)** to **monetize their investments** in **subsidiaries and joint ventures** by **listing them on stock exchanges**.
- This strategy aims to **unlock value**, boost **capital efficiency**, and generate **higher returns** through **Initial Public Offerings (IPOs)** or **strategic disinvestment**.

2. Medium to Long-Term Monetization Plan

- Around **15 subsidiaries or joint ventures** are identified for possible listing or divestment over the **medium to long term**.
- PSBs are also encouraged to **invest in scaling up** these subsidiaries before listing, to enhance their market value and performance.

3. Improved Governance & Operational Efficiency Needed

- Prior to monetization, PSBs must focus on **professional governance, decision-making autonomy, and operational efficiency** in their subsidiaries.
- The idea is to build **financially robust and independently managed entities** that can sustain themselves post-listing.

4. Examples from Major PSBs

- **State Bank of India (SBI)** is likely to consider listing **SBI General Insurance** and **SBI Payment Services** after they expand further.
- SBI General Insurance, incorporated in 2009, reported a profit of **₹509 crore in FY 2024–25**, showing its potential for public listing.



5. Strategic Objectives of the Move

- This move aligns with the broader goal of **capital infusion, disinvestment targets**, and improving **public sector profitability**.
- It also resonates with India's efforts to promote **financial sector deepening, market-driven reforms**, and **corporatization of public enterprises**.



6. Constitutional & Legal Framework

- **Article 19(1)(g)** of the Constitution allows citizens (and thus entities like banks) the right to carry on trade or business.
- PSBs function under the **Banking Regulation Act, 1949**, and are regulated by the **RBI**.
- The **Companies Act, 2013** governs the corporate structure of subsidiaries and listing norms, while **SEBI** oversees the IPO process.

Key Terms & Definitions

- **Monetization**: The process of converting assets into financial returns, typically through sales, listing, or leasing.
- **Subsidiary**: A company controlled by another (parent) company.
- **IPO (Initial Public Offering)**: The process through which a private company offers shares to the public for the first time.
- **Operational Efficiency**: Ability of a company to deliver products or services in a cost-effective manner without compromising quality.

Conclusion

The Finance Ministry's directive to **monetize PSB subsidiaries via public listings** reflects India's evolving approach to **financial sector reforms**, with emphasis on **value creation, transparency, and efficiency**. By unlocking capital through IPOs and improving governance, the government aims to strengthen the **financial health of PSBs**, encourage **market discipline**, and achieve **divestment goals**.

7. Overestimation in Informal Sector Output – Key Insights

Key Summary (GS 3 – Indian Economy; GS 2 – Governance; GS 1 – Indian Society)

1. Concerns Over Estimation of Informal Sector GVA

- India's **informal sector contributes 45% to Gross Value Added (GVA)** and **33% of non-agricultural output**.



- Critics argue that the **labour-input method** used to estimate GVA—particularly during the **2011–12 base year**—may **overestimate value addition**, especially by using **data from higher-productivity units (directory establishments)** that form only a small fraction of enterprises.

2. Definitional Nuances and Data Gaps

- In **enterprise surveys**, businesses are categorized into:
 - **Own-account enterprises (OAEs)** – no hired workers, majority share.
 - **Establishments** – at least one hired worker.
 - **Directory establishments** – 6+ workers.



- The **GVAPW (Gross Value Added per Worker)** used in 2011–12 disproportionately relied on directory establishments, which:

- Represented only **2.1% in urban trade** but had 2.4x higher GVAPW than OAEs.
- Led to **inflated value assumptions** for the entire sector.

3. Mismatch Between National Accounts & Survey Data

- From **2015–22**, **enterprise survey data** showed **declining GVAPW growth**, while **National Accounts data** showed **informal trade growing at ~10% per annum**.
- This suggests a **discrepancy between actual productivity and estimated growth**, indicating **possible overestimation of sectoral output post-2015–16**.

4. Agriculture Data & Cereal Gap Concerns

- Economists **Jean Drèze and Christian Oldiges** highlighted a **70 million tonne gap** (2022–23) between cereal production and usage, up from 30 million tonnes in 2011.
- This “**cereal gap**” raises concerns over **inflated agricultural production estimates**, possibly contributing to **GVA inflation in the primary sector**.

5. Need for Annual Informal Sector Surveys

- The **Ministry of Statistics and Programme Implementation (MoSPI)** plans to **conduct annual informal sector surveys** for better estimation.
- While this is a positive step, experts caution that unless **results are analysed and applied with methodological rigour**, they may **create more confusion than clarity**.

6. Constitutional & Legal Framework

- **Article 246 (Union List – Entry 69)** empowers the Centre to legislate on census and statistical surveys.
- The **Collection of Statistics Act, 2008**, provides the legal basis for surveys by MoSPI.



- Accurate GVA estimation is crucial under **FRBM Act**, **budget formulation**, and for **policy targeting** under schemes like **PMEGP**, **MSME support**, etc.

Key Concepts & Definitions

- **GVA (Gross Value Added)**: Measure of the value of goods and services produced in an area, industry, or sector of an economy.
- **Labour-input method**: A method of estimating output based on the number of workers and GVA per worker.
- **GVAPW**: Gross Value Added per Worker – a productivity metric used in estimating informal sector output.
- **Informal Sector**: Economic activities not covered by formal contracts, often unregistered and lacking legal protection.

Conclusion

The article highlights a significant methodological concern: **India may be overestimating output in the informal sector**, especially due to **inaccurate GVAPW assumptions and weak data validation**. While **tracking is improving with new surveys**, unless **rigorous review and transparent application** of such data is ensured, these estimates could mislead both **economic planning and public perception**.

8. Maharashtra Scraps Three-Language Policy for Primary Classes

Key Highlights (GS 2 – Governance, Education; GS 1 – Society; GS 4 – Ethics in Public Policy)

1. Three-Language Policy Put on Hold for Primary Classes

- The **Maharashtra Government** has **scrapped its plan to implement the three-language formula** in **Classes 1 to 5** of State government schools.
- The move comes after **widespread opposition** from **academics, civil society groups, and political parties**, including coalition member **Nationalist Congress Party (NCP)**.

2. Formation of Expert Panel to Review Policy

- A **committee headed by economist and educationist Dr. Narendra Jadhav** has been constituted to study:
 - The future of the three-language policy.
 - Its appropriate stage of implementation.
 - Recommendations of the earlier **Mashelkar Committee**.
 - Inputs from stakeholders holding differing views.
- The committee is expected to submit its **report in three months**, post which the government will take a final decision.



3. Cancellation of Government Orders

- Two **Government Resolutions (GRs)** dated **April 16 and June 17, 2025**, mandating the new policy for primary education, have been **officially withdrawn**.
- The policy, if implemented, would have impacted **approximately 80 lakh students** studying in Marathi and English medium schools under the Maharashtra State Board.



4. Current Language Framework and Public Sentiment

- The **three-language formula** (usually involving the study of a regional language, Hindi, and English) is already operational in **secondary classes**.
- Opposition parties including **Shiv Sena (UBT)** and **Maharashtra Navnirman Sena (MNS)** welcomed the rollback, calling it a “**victory of Marathi identity and unity**.”
- However, **scepticism remains** about the neutrality and ultimate intentions behind the newly formed panel.

5. Constitutional and Policy Context

- The **three-language formula** was first recommended by the **Kothari Commission (1964–66)** and promoted under the **National Policy on Education (1986)**.
- **Article 350A** of the Constitution mandates that states provide **instruction in the mother tongue at the primary level**.
- **Article 29 and Article 30** guarantee the protection of linguistic and cultural rights of minorities and communities.
- Language remains a sensitive issue in states like Maharashtra with strong **regional linguistic identities**.

Definitions and Key Concepts

- **Three-Language Formula:** A language policy designed to promote multilingualism in schools by mandating the learning of three languages—usually the mother tongue/regional language, Hindi, and English.
- **Mashelkar Committee:** A policy committee previously tasked with examining educational reforms including language instruction.
- **Government Resolution (GR):** An official document outlining state government policy decisions or administrative orders.

Conclusion

The **rollback of the three-language policy for primary education in Maharashtra** underlines the **complex interplay between education policy, language identity, and political sensitivities**. While the



formation of an expert panel is a **balanced and consultative approach**, its recommendations will need to **account for regional linguistic pride, constitutional safeguards, and pedagogical feasibility**.

9. One Year Since Implementation of New Criminal Laws

Key Developments in Criminal Justice Reform

1. Colonial-era Criminal Laws Replaced

- **Indian Penal Code (IPC), Code of Criminal Procedure (CrPC), and Indian Evidence Act, 1872** were replaced in 2023 by:
 - **Bharatiya Nyaya Sanhita (BNS)** – Replaces IPC
 - **Bharatiya Nagarik Suraksha Sanhita (BNSS)** – Replaces CrPC
 - **Bharatiya Sakshya Adhiniyam (BSA)** – Replaces Evidence Act
- Aimed to **indigenize criminal law**, improve procedural justice, and enhance **victim-centricity** and **technological integration** in investigations.



2. Use of Technology: e-Sakshya App and ICJS Integration

- **‘e-Sakshya’ app** launched for real-time capture of **photo, video, and geolocation-based evidence** under key BNSS sections (e.g., 105, 173, 176, 180, 185, 497).
- Linked to **CCTNS** (Crime and Criminal Tracking Network & Systems) and **National Government Cloud (NGC)**, forming part of the **Interoperable Criminal Justice System (ICJS)**.
- Enhances **evidence integrity, transparency**, and limits unofficial delegation of investigation duties by Investigating Officers (IOs).

3. Key Legal and Constitutional Provisions Involved

- **Article 21**: Ensures protection of life and personal liberty; relevant for fair trial and investigation.
- **Article 39A**: Mandates equal justice and free legal aid; crucial for poor/vulnerable accused in the new criminal justice framework.
- **Information Technology Act, 2000**: Governs use and authentication of digital evidence.
- New provisions under **BNSS (e.g., Section 530)** provide for **video-based trial procedures**, though under-implemented so far.



4. Operational Challenges and Gaps

- **Infrastructure Gaps:** Many IOs use personal phones; devices must meet **Android 10+ with 1 GB+ storage**.
- **Evidence Handling:** Courts still demand pen-drive submissions, though cloud access is available via ICJS.
- **Forensic Support: Mandatory FSL visit** now part of crime scene protocol, but **cyber forensics labs remain under-notified** under the IT Act.
- **Delayed Post-mortem Reports:** Despite 7-day limit for rape victim reports (BNSS Sec 184), post-mortem delays persist. **MedLEaPR system** under testing to address this.

5. Concerns in Criminal Law Classification and Definitions

- **Ambiguity in Provisions:** Petty thefts (< ₹5000) often not registered; vaguely worded **Section 112 (petty organized crime)** causes confusion.
- **Witness and Accused Rights:** While capturing video evidence improves accountability, **accused often resist being recorded**, raising privacy concerns.

Key Terms for UPSC

- **BNSS (Bharatiya Nagarik Suraksha Sanhita):** Replaces CrPC, focuses on procedural justice.
- **BNS (Bharatiya Nyaya Sanhita):** Replaces IPC; includes new offenses and stricter timelines.
- **e-Sakshya:** Mobile-based app for collecting electronic evidence with real-time authentication.
- **CCTNS (Crime and Criminal Tracking Network and Systems):** Digital platform for police case tracking.
- **ICJS (Inter-operable Criminal Justice System):** Integrates police, courts, jails, FSLs, and prosecution digitally.

Conclusion

The new criminal laws mark a major shift in India's criminal justice architecture, modernizing outdated colonial-era statutes and emphasizing **technology-driven, transparent, and efficient policing**. Tools like **e-Sakshya** and integration via **ICJS** show promise but require **better infrastructure, training, and legal clarity**.

10. Digital Search Powers under I-T Bill 2025: A Critical Overview

Key Highlights of the Issue

1. Expanded Powers of Search & Seizure under Income-Tax Bill, 2025

- The new **Income-Tax Bill, 2025** proposes that tax authorities be empowered to access an individual's **"virtual digital space"** during search and seizure operations.



- This includes **emails, cloud drives, social media accounts, digital apps**, and any “**other similar spaces**,” making the definition **broad and open-ended**.
- It allows authorities to **override access codes** without clarity on encryption protocols (e.g., WhatsApp).

2. Legal & Constitutional Concerns: Privacy and Overreach

- Violates the **right to privacy**, a **Fundamental Right under Article 21** upheld in **Justice K.S. Puttaswamy v. Union of India (2017)**.
- The **proportionality test** laid down by the Supreme Court includes:
 - Legitimate aim
 - Necessity
 - Least restrictive means
 - Judicial oversight
- The Bill fails these standards by **lacking judicial authorization, relevance thresholds, or distinction between financial and personal data**.



3. Impact on Professionals & Sensitive Communications

- Risks to **journalists, lawyers, doctors**, and other professionals who deal with **confidential information**.
- Compromises **freedom of the press (Article 19)** and **professional-client confidentiality** if personal devices are searched arbitrarily.

4. Lack of Procedural Safeguards & Judicial Oversight

- Like current **Section 132 of the Income-Tax Act, 1961**, the proposed provision **prohibits disclosure of "reason to believe"**, violating **transparency and accountability**.
- No clear mechanism for **grievance redressal, prior warrants, or independent judicial approval**, unlike **Canada's Charter (Section 8)** and the **U.S. Constitution (Fourth Amendment)**.

5. Global Best Practices Emphasize Judicial Sanction & Proportionality

- In the **U.S.**, the **Riley v. California** judgment mandates **judicial warrants for phone searches**.
- In **Canada**, prior authorization and probable cause are legally required to conduct a search of digital data.
- **India's tax authority lacks these procedural filters**, raising fears of **unchecked digital surveillance**.

Definitions & Concepts



- **Virtual Digital Space:** Refers to personal online environments including social media, cloud storage, and communication apps.
- **Search & Seizure (under IT Act):** Legal power to enter premises, examine materials, and confiscate assets linked to tax evasion.
- **Proportionality Principle:** A legal doctrine that requires state actions limiting rights to be necessary, suitable, and the least intrusive.

Conclusion

The proposal to extend **digital search powers** under the I-T Bill 2025, though aimed at curbing digital tax evasion, **raises significant constitutional and ethical concerns**. In its current form, it **violates the principles of privacy, proportionality, and due process** enshrined in India's Constitution and Supreme Court jurisprudence. For effective tax enforcement without undermining fundamental rights, the government must:

- **Limit the scope** of 'virtual digital space'
- **Mandate judicial warrants**
- **Introduce redressal mechanisms**
- **Ensure accountability and transparency.**

II. Why is the ECI De-listing Political Parties?

Context & Recent Development

- The **Election Commission of India (ECI)** has initiated the **de-listing of 345 Registered Unrecognised Political Parties (RUPPs)** for being non-functional — not contesting elections since 2019 and lacking a physical address.
- This move aims to cleanse the political ecosystem of **“letter pad parties”** that exist only on paper and may misuse **tax exemptions or election privileges**.

Key Constitutional and Legal Provisions

1. **Right to Form Associations (Article 19(1)(c)):**
 - Forming political parties is a **Fundamental Right** under the Constitution.
2. **Section 29A of the Representation of the People Act, 1951:**
 - Governs **registration of political parties** with ECI.
 - Parties must submit a constitution showing allegiance to the **Constitution of India, secularism, socialism, and democracy**.





- The party must provide for **internal democracy** and **regular elections** within its structure.

3. Section 13A of Income Tax Act, 1961:

- Provides **tax exemption** to registered political parties for donations received, subject to transparency norms.

Benefits Enjoyed by RUPPs

- **Tax exemption** on donations under Section 13A of the IT Act.
- **Common election symbol** when contesting.
- Entitlement to nominate **20 star campaigners**.
- Donations above ₹2,000 must be through **cheque or bank transfer**, and parties must disclose donors giving more than ₹20,000 annually.

Key Issues & Challenges

- As of May 2025, over **2,800 RUPPs exist**, but only ~750 contested the 2024 general elections.
- Many have become inactive, non-compliant, or **fictitious entities misusing privileges**.
- **ECI lacks explicit statutory power to de-register** political parties under the RP Act.
 - **SC in INC vs Institute of Social Welfare (2002)**: ECI cannot de-register unless the party commits fraud, loses constitutional allegiance, or is banned by law.

Way Forward & Recommendations

- **Law Commission's 255th Report (2015)**: Suggested de-registration if a party **fails to contest elections for 10 consecutive years**.
- **ECI's 2016 electoral reforms memorandum**: Urged for **amendments to RP Act** to allow de-registration and ensure inner-party democracy.
- Need for **statutory backing** for:
 - De-registration of dormant parties.
 - Strengthening internal democratic practices in political parties.
 - Mandating **disclosure of leadership changes** and audit reports.

Definitions for Conceptual Clarity

- **RUPP (Registered Unrecognised Political Party)**: A party registered with the ECI but **not recognised** as a National or State party under ECI norms.
- **De-listing vs De-registration**: *De-listing* removes benefits and electoral privileges; *De-registration* is the formal removal from ECI records.

Conclusion

The ECI's recent move to **de-list non-functional RUPPs** is a **positive step towards electoral transparency and accountability**, but its inability to de-register such entities exposes a **gap in India's electoral legal framework**. To strengthen Indian democracy, there is a pressing need for **amendments to the**



Representation of the People Act, incorporating **powers to de-register**, enforce **internal democracy**, and ensure **cleaner, accountable political financing**. This topic is highly relevant under **GS Paper 2** (Polity & Governance – Electoral Reforms, Constitutional Bodies).

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