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VIDHVATH IAS KAS ACADEMY
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STUDY CENTRE

DAILY CURRENT AFFAIRS

FOR UPSC CIVIL SERVICE EXAMINATION

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Table of Contents

1. GDP Growth Quickens to 7.8% – Five-Quarter High.....	2
2. India to Become 3rd Largest Economy – PM’s Statement	3
3. Proposal for Cess on Sin and Luxury Goods – GST Rate Rationalisation.....	4
4. Bihar Cabinet Approves Mukhya Mantri Mahila Rozgar Yojana	5
5. Flood Warning in Godavari – Andhra Pradesh on High Alert	6
6. Rediscovery of Ice Age-era Dragonfly in Western Ghats	7
7. Energy Sovereignty in an Unstable World	8
8. Detoxifying India’s Entrance Examination System – Key Summary	10
9. Pact with Tokyo to Advance Low-Carbon Technology Projects – Key Summary	12
10. Supreme Court Returns to Full Strength of 34 Judges.....	13
11. Gross FDI at Four-Year High but Net FDI Declines.....	14
12. India’s Fiscal Deficit Widens in April–July FY26 Amid Capex Surge.....	15



1. GDP Growth Quickens to 7.8% – Five-Quarter High

1. Key Highlights of Growth

- India's GDP growth reached **7.8% in Q1 (April–June 2025)**, the highest in five quarters.
- Growth was led by **manufacturing, construction, and services sectors**.
- The growth rate surpassed the **RBI's projection of 6.5% (August 2025)**.

2. Sectoral & Policy Drivers

- Manufacturing & Construction:** Infrastructure push, real estate revival, and PLI schemes supported output.
- Services Sector:** IT, banking, and tourism contributed significantly.
- Government Policy:** Lowering of indirect tax rates and continued public capex boosted demand.

3. Concerns & External Challenges

- U.S. Tariffs:** Recent 50% tariff on Indian imports poses risks to exports.
- CEA acknowledged possible impact on domestic spending but termed it **“modest in nature”**.
- Short-term uncertainties in external trade may be balanced by robust domestic demand.

4. Economic Assurance by CEA

- Aggregate demand** is expected to remain strong due to government measures.
- Consumer demand dip (pre-GST Council meet) expected to **recover before festive season**.
- Growth momentum projected to continue despite global headwinds.

5. Constitutional & Legal Context

- Article 265:** “No tax shall be levied or collected except by authority of law” – relevant in indirect tax reforms (GST).
- GST Council (Article 279A)** plays a central role in harmonizing tax rates, influencing demand and growth.
- FRBM Act (2003)** guides fiscal prudence in public spending supporting growth.

6. Definition – GDP (Gross Domestic Product)

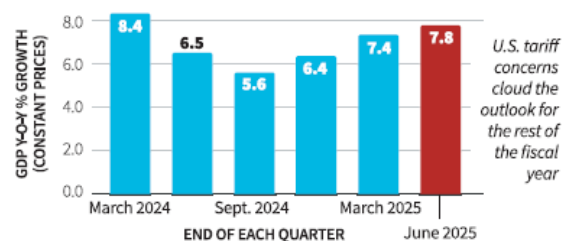
- GDP is the **total monetary value of all final goods and services produced within a country's borders in a specific period**.
- It serves as the **primary indicator of economic growth and development**.

Conclusion & UPSC Relevance

India's Q1 GDP growth at 7.8% reflects resilience in domestic sectors despite external challenges like U.S. tariffs. The role of **government policy, tax reforms, and demand-side management** is central in sustaining momentum. For UPSC, this highlights linkages between **macroeconomic indicators, fiscal policy, and global trade dynamics**, crucial for GS Paper 3 (Economy), Essay, and Prelims Current Affairs.

Present perfect, **future tense**

India's economy grew **7.8%** in April–June 2025, the fastest in five quarters, beating expectations





2. India to Become 3rd Largest Economy – PM's Statement

1. Key Announcement

- PM Narendra Modi, at the **India-Japan Economic Forum in Tokyo**, declared that India will “very soon” become the **3rd largest economy in the world**.
- This statement came amidst **trade-related uncertainties with the U.S.** and global economic shifts.

2. India-Japan Economic Cooperation

- Japan announced a **private investment target of ¥10 trillion (approx. \$65–70 billion)** in India over the next decade.
- Japanese companies have already invested **\$40 billion** in India; \$13 billion in the last two years.
- **JETRO survey**: 80% of Japanese firms plan to expand, 75% already profitable in India.

3. India as a Global Investment Hub

- India projected as a “**springboard to access the Global South**” due to its demographic advantage and market size.
- PM emphasized that in India, “**capital does not just grow, it multiplies**”, highlighting higher returns on investment.



4. Constitutional & Legal Provisions

- **Article 246 & Seventh Schedule**: Union powers over trade, commerce, and foreign investment policies.
- **Article 301**: Freedom of trade, commerce, and intercourse within India.
- **Make in India & Atmanirbhar Bharat** initiatives supported through FDI reforms and PLI schemes under government policy framework.
- **FDI Regulations (FEMA, 1999)** govern foreign investments in India.

5. Definition – Economy Size (Nominal GDP vs PPP)

- **Nominal GDP**: Value of goods & services at current exchange rates.
- **Purchasing Power Parity (PPP)**: Value adjusted for relative cost of living and inflation.
- India is **5th largest economy by nominal GDP** and **3rd largest by PPP**; target is 3rd largest in nominal terms soon.

6. Strategic Significance

- Strengthening India-Japan partnership enhances India's role in **Indo-Pacific strategy**, balancing China's influence.
- Foreign capital inflows reduce savings-investment gap and boost infrastructure development.

Conclusion & UPSC Relevance

India's projected rise as the **3rd largest economy** underscores its growing global economic weight,



supported by **Japan's long-term investments**. The development links to **GS Paper 2 (India's bilateral relations)**, **GS Paper 3 (Economy & Investment climate)**, and **Essay topics** on India's role in global economy. It reflects how **foreign investments, domestic reforms, and geopolitical alignments** collectively shape India's economic trajectory.

3. Proposal for Cess on Sin and Luxury Goods – GST Rate Rationalisation

1. Context and Proposal

- Eight non-BJP ruled States (Himachal Pradesh, Jharkhand, Karnataka, Kerala, Punjab, Tamil Nadu, Telangana, and West Bengal) have proposed an **additional cess on sin and luxury goods** over and above the **proposed 40% GST rate**.
- The demand arose during discussions on **GST rate rationalisation**, ahead of the **GST Council meeting (September 3–4, 2025)**.

2. Centre's GST Rationalisation Plan

- Proposal to **merge 12% and 28% slabs** into 5% and 18% categories for most goods.
- **40% slab** for a few items such as **tobacco, cigarettes, gutkha, luxury cars, and business/first-class flight tickets**.
- States warn this will cause **15–20% revenue losses**.

3. Revenue Concerns of States

- **GST accounts for ~50% of States' own tax revenues**, while it contributes only **28% to Centre's tax revenues**.
- States lack alternative major revenue sources, unlike the Centre, which has direct taxes, excise, customs, and cesses.
- Without cess, States may be forced to **cut developmental expenditure drastically**.

4. Demand for Compensation Mechanism

- States demand **guaranteed GST compensation for 5 years**, assuming **14% annual growth in GST revenues**, to ensure stability in **medium-term fiscal planning**.
- Proposal for **periodic review of compensation** after the 5-year period depending on GST buoyancy.

5. Constitutional & Legal Provisions

- **Article 246A**: Special power of both Union & States to levy GST.
- **Article 279A**: Establishes the **GST Council**, responsible for recommendations on rates, cesses, and exemptions.
- **GST (Compensation to States) Act, 2017**: Provided compensation for 5 years (till June 2022) for revenue shortfall, based on 14% growth.
- **Article 265**: No tax shall be levied or collected except by authority of law – ensuring cess requires legal backing.

NOW TILL 2026

- Cess is levied along with GST on 'sin' items like cars, tobacco. Initially imposed for 5-year period ending this month to ensure states' revenues grew 14% annually
- Several states demanded extension of the cess as pandemic had dented revenues
- Consumers of these items will now have to bear the extra burden till March 2026



6. Definition – Sin Tax

- A **sin tax** is a levy on goods considered harmful to society or health (e.g., tobacco, alcohol, gutkha).
- Purpose: discourage consumption while generating additional revenue.

Conclusion & UPSC Relevance

The debate on cess over GST rationalisation highlights the tension between **Centre's uniform tax policy** and **States' revenue autonomy**. It underscores the challenges of **cooperative federalism**, fiscal federalism, and balancing **developmental expenditure with tax reforms**. For UPSC, this is relevant to **GS Paper 2 (Centre-State relations, cooperative federalism)**, **GS Paper 3 (Indian Economy, resource mobilisation)**, and **Essay on fiscal federalism and tax reforms**.

4. Bihar Cabinet Approves Mukhya Mantri Mahila Rozgar Yojana

1. Key Features of the Scheme

- Approved by the Bihar Cabinet chaired by CM Nitish Kumar, the scheme aims to **promote women entrepreneurship**.
- One woman from every family will receive **₹10,000 as the first instalment** (grant) starting September.
- After six months, based on evaluation of performance, women entrepreneurs will receive **an additional grant of ₹2 lakh**.
- The aid is **not repayable**, as it is a form of **government grant/economic assistance**.

2. Objectives and Implementation

- Empower women financially and socially by enabling them to start small businesses of their choice.
- **Haat bazaars** will be developed across villages and towns to provide a market for women's products.
- Expected to create **better employment opportunities within Bihar**, reducing migration for jobs.

3. Context of Women Empowerment Policies in Bihar

- 50% reservation for women in **Panchayati Raj (2006)** and **Urban Local Bodies (2007)**.
- **Liquor prohibition (2016)**, strongly backed by women's movements, aimed at improving social conditions.
- Schemes for **educational empowerment**: free uniforms, bicycles, and scholarships at secondary and higher levels.

4. Constitutional & Legal Provisions

- **Article 15(3)**: State can make special provisions for women and children.
- **Article 39 (Directive Principles of State Policy)**: Equal right to livelihood and economic participation of women.

Bihar Cabinet approves new aid scheme to help women start businesses

One woman from each family will be given ₹10,000 as the first instalment, which will be released from next month: Chief Secretary; will empower women, create better job opportunities, says CM

Amit Bihari
PATNA

The Bihar Cabinet on Friday approved the Mukhya Mantri Mahila Rozgar Yojana to provide financial aid to one woman from every family in the State to start a business of her choice. Under the scheme, a woman from every family would be provided ₹10,000 as the first instalment.

Chief Secretary Amit Lal Meena said, "Following the evaluation of the performance of women's entrepreneurial ventures after six months, an additional ₹2 lakh will be given as grant to the women entrepreneurs."

The process of releasing the first instalment will begin from the month of September and it will be transferred into the women's bank accounts, he said.

Clearing the scheme was the only agenda of the Cabinet meeting chaired by Chief Minister Nitish Kumar on Friday. FILE PHOTO



FILE PHOTO



Following evaluation of the performance of the entrepreneurial ventures after six months, an additional ₹2 lakh will be given as grant to the women entrepreneurs. AMIT LAL MEENA, Chief Secretary

sion through his post on X. Mr. Kumar exuded confidence that the implementation of the scheme would not only further strengthen women but also help in creating "better employ-

ment opportunities" so that people will not have to move out of the State in search of job opportunities out of compulsion. Haat bazaars will be developed in villages and towns to boost the sales of the products made by the women.

In response to a query on whether the women entrepreneurs will have to return the ₹10,000 given as grant, Mr. Meena made it clear that "they (entrepreneurs) don't need to return it (to the government) as the amount given to them (entrepreneurs) is a kind of grant or economic aid".

"The idea is to promote

and help those women who want to become entrepreneurs on their own," the Chief Secretary said.

Previous schemes: Recounting the schemes rolled out by the State government for women's empowerment, Mr. Meena said the government took a "major decision to give reservation of 50% in both rural and urban local bodies in 2006 and 2007 respectively for women's political empowerment".

He added that the State government also implemented liquor prohibition in 2016 in response to women's demand. "The ban is quite successful in the State besides it helped a lot in improving women's lot," Mr. Meena said.

He also pointed out many government schemes launched to "educationally empower" women, especially girls. Schemes were launched to provide school uniforms, bicycles, and scholarships at Classes 10, 12, and graduation levels to girl students, he added.



- **73rd and 74th Amendments:** Provide reservation for women in rural and urban local bodies, already extended to 50% in Bihar.
- **Article 41:** Duty of the State to secure the right to work and public assistance in cases of unemployment.

5. Definition – Women Entrepreneurship

- Women entrepreneurship refers to **businesses owned and managed by women that provide goods, services, or employment**, often supported by special government policies to bridge gender gaps in economic participation.

6. Significance & Expected Impact

- Promotes **financial independence of women** and fosters inclusive growth.
- Strengthens **local economies** and enhances rural entrepreneurship.
- Aligns with the broader goal of **social justice and gender equality** enshrined in the Constitution.

Conclusion & UPSC Relevance

The *Mukhya Mantri Mahila Rozgar Yojana* reflects Bihar's attempt to combine **economic empowerment, gender justice, and rural development** through targeted financial aid for women. It is significant for **GS Paper 2 (Governance, welfare schemes, women empowerment)**, **GS Paper 3 (Inclusive growth, employment generation)**, and **Essay** on women's role in economic transformation. It also illustrates the practical application of **Directive Principles and Article 15(3)** in State policy-making.

5. Flood Warning in Godavari – Andhra Pradesh on High Alert

1. Context and Current Situation

- Andhra Pradesh Irrigation Department issued the **first flood warning** as **Godavari water level crossed 44 feet at Bhadrachalam (Telangana)**.
- Due to **heavy rains in catchment areas**, water levels are expected to rise further; officials expect **second warning level (48 feet)** soon.
- At 8 p.m., **9.46 lakh cusecs of water** was released downstream; inflows/outflows at Prakasam Barrage on Krishna River stood at **3.38 lakh cusecs**.



2. Administrative Preparedness

- Departments on high alert: **Revenue, Police, Health, Panchayat Raj, ITDA, AP-Transco, NDRF, SDRF**.
- Evacuation plans in place for **low-lying and tribal habitations**.
- **Three-month stock of rice, pulses, and essentials** already distributed to Agency areas (tribal-dominated regions).

3. Risk Zones and Impact

- **North coastal districts** (Alluri Sitharama Raju, Parvatipuram-Manyam, Vizianagaram, Srikakulam) likely to face **moderate to heavy rainfall** in next 24 hours.



- High risk of **inundation of low-lying areas**, posing threats to agriculture, housing, and tribal livelihoods.

4. Constitutional & Legal Provisions

- **Entry 17, List II (State List)**: States responsible for water, irrigation, and flood control.
- **Disaster Management Act, 2005**: Provides legal framework for disaster preparedness, mitigation, and response (NDRF, SDRF mobilization).
- **Article 21 (Right to Life)**: Imposes duty on State to protect citizens during natural calamities.
- **73rd & 74th Amendments**: Empower local bodies in planning and implementing disaster management at the grassroots.

5. Definition – Flood Warning System

- A **flood warning system** is an early warning mechanism issued when river water levels cross defined danger marks, allowing time for evacuation and preparedness to minimize loss of life and property.

6. Significance & Strategic Lessons

- Highlights the **increasing frequency of extreme rainfall events** due to climate change.
- Demonstrates importance of **flood management infrastructure, inter-State coordination (AP–Telangana), and community preparedness**.
- Ensures continuity of supply of essentials to vulnerable populations, especially **tribal and rural households**.

Conclusion & UPSC Relevance

The Godavari flood warning underscores the growing **climate vulnerability of river basin states** and the need for robust **disaster risk reduction strategies**. For UPSC, this links to **GS Paper 1 (Geography – floods, river systems)**, **GS Paper 2 (Disaster management governance, federal coordination)**, and **GS Paper 3 (Climate change adaptation, agriculture resilience)**. It also reflects practical application of the **Disaster Management Act, 2005** and **federal cooperation mechanisms** in handling natural calamities.

6. Rediscovery of Ice Age-era Dragonfly in Western Ghats

1. Key Discovery

- Scientists (odonatologists) have reconfirmed the presence of the elusive dragonfly species **Crocothemis erythraea** in the **high-altitude regions of the southern Western Ghats (Munnar ranges)**.
- Earlier, it was **misidentified as Crocothemis servilia**, a common lowland species found widely across India.

2. Species Significance

- The genus **Crocothemis** in India has two known species:
 - *C. servilia* – common in lowlands.





- *C. erythraea* – typically found in **high-elevation habitats** of Europe, Asia, and the Himalayas.
- Its presence in the Western Ghats indicates **rare biodiversity continuity from Ice Age times**.

3. Evolutionary & Ecological Context

- Researchers suggest *C. erythraea* colonised southern India during the **Pleistocene Ice Age**, when cooler climatic conditions allowed **temperate fauna to migrate southward**.
- The rediscovery highlights the **biogeographic link between the Himalayas, Europe, and Western Ghats ecosystems**.

4. Research Process

- First suspected in 2018 during a faunal survey in Munnar.
- Initially included in a 2021 monograph on Kerala's odonata fauna but removed due to skepticism.
- Multiple expeditions (2019–2023) confirmed its **existence alongside *C. servilia*** in the Western Ghats.

5. Constitutional & Legal Provisions

- **Article 48A (Directive Principles)**: State must protect and improve the environment and safeguard forests and wildlife.
- **Article 51A(g) (Fundamental Duties)**: Duty of citizens to protect natural environment, including flora and fauna.
- **Biological Diversity Act, 2002**: Provides for conservation of species and equitable sharing of biological resources.
- **Wildlife Protection Act, 1972**: Legal framework for protection of species, though dragonflies are less represented in conservation priorities.

6. Definition – Odonata

- **Odonata** is an order of insects that includes **dragonflies and damselflies**, widely considered indicators of **healthy freshwater ecosystems**.

Conclusion & UPSC Relevance

The rediscovery of *Crocothemis erythraea* in the Western Ghats underscores the **ecological uniqueness and evolutionary history of India's biodiversity hotspots**. It highlights the importance of **long-term ecological monitoring, faunal surveys, and climate-linked species migration studies**. For UPSC, this is relevant to **GS Paper 3 (Environment & Ecology, Biodiversity Conservation, Climate Change impact)**, **GS Paper 1 (Geography – Biogeography, Ice Age migrations)**, and **Prelims (species-in-news, biodiversity hotspots)**.

7. Energy Sovereignty in an Unstable World

1. India's Energy Dependence and Risks

- India imports **85% of crude oil** and **50%+ of natural gas**, creating a **national security risk** due to dependence on volatile global markets.



- In 2024–25, **Russia became India's largest crude supplier (35–40%)**, up from 2% before the Ukraine war. While cheaper oil reduced costs, **over-reliance on one partner increases vulnerability**.
- Crude oil and natural gas together cost **\$170 billion in FY 2023–24**, over **25% of total imports**, pressuring rupee, trade deficit, and macroeconomic stability.

2. Global Energy Flashpoints & Lessons

- **1973 Oil Embargo** → Exposed dependence on OPEC; led to **strategic reserves** and diversified sourcing.
- **2011 Fukushima Disaster** → Loss of faith in nuclear; now regaining importance as a **low-carbon baseload option**.
- **2021 Texas Freeze** → Showed weakness of systems not designed for climate resilience.
- **2022 Russia-Ukraine War** → Europe's 40% dependence on Russian gas ended abruptly; LNG prices spiked; coal returned.
- **2025 Iberian Peninsula Blackout** → Grid collapse due to **over-dependence on renewables** without dispatchable backup.
- Lesson: **Energy sovereignty requires diversification, resilience, and foresight.**



3. India's Energy Sovereignty Doctrine – Five Pillars

- **Coal Gasification**: Use India's **150 billion tonnes of reserves** with new technology (gasification, carbon capture) to produce **syngas, hydrogen, fertilizers**.
- **Biofuels**: Ethanol blending saved **₹92,000+ crore**, boosts farmer incomes, and improves **soil health** via bio-manure (SATAT scheme, CBG plants).
- **Nuclear Energy**: Expand beyond current **8.8 GW**, revive **thorium roadmap**, adopt **Small Modular Reactors (SMRs)** for a reliable zero-carbon baseload.
- **Green Hydrogen**: Target **5 MMT annually by 2030**, ensure domestic **electrolyser & catalyst manufacturing**, aim for **sovereign hydrogen economy**.
- **Pumped Hydro Storage**: Provide **grid stability and inertia** to balance renewable-heavy systems, using India's **topography** advantage.

4. Constitutional & Legal Provisions

- **Article 39(b)**: Distribution of resources for common good.
- **Article 48A**: Protection of environment and resources.
- **Article 51A(g)**: Duty of citizens to conserve natural resources.
- **Energy Conservation Act, 2001**: Promotes efficiency in energy usage.
- **National Green Hydrogen Mission (2023) & National Bio-Energy Mission**: Part of India's climate commitments under **Paris Agreement (NDCs)**.



5. Key Definition – Energy Sovereignty

- **Energy Sovereignty** refers to the ability of a nation to **secure, produce, and sustain energy needs** through domestic resources, diversification, and resilient systems, minimizing external vulnerabilities.

Conclusion & UPSC Relevance

India's overdependence on fossil fuel imports exposes it to **geopolitical shocks and climate risks**. The shift toward an **energy sovereignty doctrine**, based on coal gasification, biofuels, nuclear, green hydrogen, and pumped hydro, is vital for **economic stability, environmental commitments, and national security**. For UPSC, this is directly relevant to **GS Paper 3 (Energy, Economy, Environment, Technology)**, **GS Paper 2 (International Relations – energy diplomacy)**, **Essay**, and **Prelims (Energy Missions, Renewable mix, International Energy Security Events)**.

8. Detoxifying India's Entrance Examination System – Key Summary

1. Scale of the Examination System and Coaching Crisis

- Nearly **70 lakh students** compete annually for limited undergraduate seats through JEE, NEET, CUET, and CLAT.
- The extreme competition fuels a **coaching industry** charging up to ₹6–7 lakh for two-year programmes.
- Students as young as 14 sacrifice holistic development, leading to **stress, depression, suicides, and alienation**.
- Government regulations on coaching exist, but the root problem is the **over-competitive entrance exam system**.

2. Flaws in Current Examination System

- JEE filters **15 lakh aspirants** for **~18,000 IIT seats**, creating cut-throat distinctions (e.g., 99.9 vs. 99.8 percentile).
- Overemphasis on minor score differences creates a **false hierarchy of merit**.
- The system privileges students who can afford coaching, **exacerbating urban-rural, gender, and regional inequalities**.
- Socially, this leads to an **illusory meritocracy**, ignoring privilege and structural disparities.

3. Global Models and Alternatives

- **Netherlands' weighted lottery system** for medical admissions: applicants above a threshold enter a lottery; higher grades increase chances.
- **China's 2021 Double Reduction Policy**: banned for-profit tutoring, reduced inequalities, protected student well-being.
- Lessons: reduce obsession with precision metrics, ensure fairness, reduce financial and psychological burden.





4. Proposed Reforms for India

- Simplify admissions by **trusting Class 12 board exams** as eligibility filters.
- Introduce a **lottery-based system with thresholds** (e.g., 80% in PCM) with weightage for higher marks.
- Incorporate **reservations for gender, rural, and regional diversity** within constitutional framework (Articles 14, 15, 16).
- Reserve **50% IIT seats for rural govt. school students** to promote social mobility.
- **Ban or nationalize coaching**; provide free online resources.
- Introduce **student and faculty exchange across IITs** to reduce artificial hierarchies and ensure uniform academic standards.

5. Constitutional & Legal Provisions Relevant

- **Article 14:** Equality before law – ensures fair opportunity in admissions.
- **Article 15(4) & 15(5):** Permits special provisions for socially and educationally backward classes.
- **Article 16:** Equality of opportunity in public employment (linked to education as feeder).
- **Directive Principles (Article 38, 39, 41, 46):** Mandates state to reduce inequalities, promote educational and economic interests of weaker sections.
- **Right to Education (Article 21A):** Focuses on accessible and equitable education.

6. Way Forward

- Move from **exam-centric to student-centric** admission models.
- Promote **holistic development, well-being, and equity** in higher education.
- Create a system that values **equal opportunity over illusory meritocracy**.
- Reduce financial and psychological barriers to restore **trust in education as a means of social mobility**.

Conclusion

India's entrance examination system, in its current form, fosters **toxic competition, inequality, and psychological harm**. Global models like the Dutch lottery and China's double reduction show that alternatives are possible. A **lottery-cum-threshold approach**, combined with strengthened school education and constitutional safeguards, can promote **fairness, inclusivity, and equity**.

UPSC Relevance

- **GS Paper 1 (Society):** Social impact of education inequality and youth stress.
- **GS Paper 2 (Governance, Polity):** Constitutional provisions on equality and affirmative action in education.
- **GS Paper 3 (Economic & Social Development):** Role of education in human capital formation and reducing inequality.
- **GS Paper 4 (Ethics):** Issues of fairness, meritocracy, and justice in education policy.



- **Essay Paper:** "Meritocracy vs Equality in Indian Education System" or "Youth and the Burden of Competitive Exams".

9. Pact with Tokyo to Advance Low-Carbon Technology Projects – Key Summary

1. Memorandum of Cooperation (MoC) with Japan

- India and Japan signed a **first-of-its-kind MoC** on the **Joint Crediting Mechanism (JCM)**.
- JCM allows Japan to invest in **low-carbon technologies** in developing countries and earn **carbon credits** from emission savings.
- These credits help Japan meet its **national emission-reduction targets** under the Paris Agreement.

2. Benefits for India

- Facilitates **investment flow, technology transfer, capacity building**, and localisation of low-carbon technologies.
- Promotes deployment of **advanced machinery, equipment, systems, and infrastructure** for sustainable growth.
- Strengthens India's domestic ecosystem for **climate-friendly innovation and industrial competitiveness**.



3. Link to Paris Agreement – Article 6.2

- Enables **international trading of carbon credits** generated in India with Japan and potentially other countries.
- Ensures that such trading does not **adversely impact India's NDC commitments**.
- India has also constituted a **National Designated Authority** to approve projects, monitor reductions, and oversee the **Indian carbon market**.

4. India's NDC (Nationally Determined Contributions) Targets

- Reduce **emission intensity of GDP by 45%** by 2030 (from 2005 levels).
- Achieve **50% cumulative electric power capacity from non-fossil fuel sources** by 2030.
- Create an additional **carbon sink of 2.5–3 billion tonnes of CO₂ equivalent** through afforestation by 2030.

5. Constitutional & Legal Provisions

- **Article 48A (Directive Principles):** State to protect and improve the environment.
- **Article 51A(g) (Fundamental Duty):** Duty of every citizen to protect environment.
- **Environment Protection Act, 1986:** Umbrella legislation for pollution and climate actions.
- **Energy Conservation (Amendment) Act, 2022:** Provides legal backing for carbon credit trading scheme in India.



6. Significance for UPSC

- Strengthens **India-Japan strategic partnership** in climate action and technology.
- Supports India's role in **climate negotiations and carbon markets** under the Paris Agreement.
- Boosts India's pathway to **net-zero emissions by 2070** while balancing **developmental needs and global commitments**.

Conclusion

The India-Japan MoC on the **Joint Crediting Mechanism (JCM)** represents a crucial step in **decarbonisation, green technology transfer, and carbon market development**. It aligns with India's **NDC targets and Paris Agreement commitments**, while also promoting **sustainable growth, innovation, and international climate cooperation**.

UPSC Relevance

- **GS Paper 2:** India's international relations & climate diplomacy.
- **GS Paper 3:** Environment, carbon markets, sustainable development.
- **GS Paper 4 (Ethics):** Intergenerational equity & environmental responsibility.
- **Essay:** "Carbon Markets and Climate Justice" or "India's Path to Low-Carbon Growth".

10. Supreme Court Returns to Full Strength of 34 Judges

Key Highlights

- Chief Justice of India (CJI) B.R. Gavai administered the oath of office to Justices **Alok Aradhe** and **Vipul M. Pancholi**, restoring the Supreme Court's sanctioned strength of **34 judges**.
- Justice Vipul Pancholi is in line to become **Chief Justice of India (CJI) from October 3, 2031, till May 27, 2033**, based on the seniority convention.
- His appointment sparked a **rare dissent** within the **Collegium system**; Justice B.V. Nagarathna opposed his elevation, citing seniority concerns (ranked 57th in the all-India High Court seniority list).
- Despite dissent, the **Collegium recommended Pancholi and Aradhe by 4:1 majority** (August 25, 2025), and their appointments were notified within 48 hours.

Background on Collegium System

- **Definition:** The Collegium is a system of appointments and transfers of judges, where a group of senior judges led by the CJI recommends names to the government.
- **Constitutional Basis:** Not expressly mentioned in the Constitution; evolved through **Supreme Court judgments** (Three Judges Cases: 1981, 1993, 1998).
- **Criticism:** Lack of transparency, seniority disputes, and limited accountability; however, it ensures judicial independence under **Articles 124 and 217** of the Constitution.



Profiles of the New Judges



- **Justice Vipul M. Pancholi:** Born May 28, 1968; Permanent Judge of Gujarat HC (2016); transferred to Patna HC (2023); appointed as Chief Justice of Patna HC (July 2023).
- **Justice Alok Aradhe:** Born April 1964; Additional Judge, Madhya Pradesh HC (2009); Permanent Judge (2011); appointed Chief Justice of Bombay HC (January 2025).

Constitutional & Legal Significance

- **Article 124(1):** Establishes the Supreme Court with a CJI and other judges as prescribed by law (currently capped at 34 under **Supreme Court (Number of Judges) Amendment Act, 2019**).
- **Judicial Independence:** The appointment process directly impacts the **separation of powers** and credibility of the judiciary.
- **Dissent within Collegium:** Highlights challenges in balancing **seniority vs. merit** in judicial appointments.

Conclusion

The appointments restore the Supreme Court to full strength, but also reignite debates on the **transparency and credibility of the Collegium system**. The episode underscores the tension between **judicial independence, meritocracy, and seniority norms** in India's higher judiciary.

UPSC Relevance

- **GS Paper 2:** Polity & Constitution – Judiciary, Separation of Powers, Judicial Appointments, Collegium System.
- **Prelims:** Articles 124 & 217, Collegium System, Number of Judges in SC.
- **Mains:** Issues in judicial appointments, Judicial reforms, Independence of Judiciary, Role of Collegium, Dissent in decision-making.

11. Gross FDI at Four-Year High but Net FDI Declines

Key Highlights

- **Gross FDI inflows** into India touched a four-year high of **\$9.3 billion in June 2025**, marking a 22% rise from June 2024 (\$7.6 billion) and 29% from May 2025 (\$7.2 billion).
- Despite this, **net FDI contracted by over 50%** due to sharp increases in (i) **repatriations/disinvestment** by foreign companies and (ii) **outward FDI** by Indian firms.
- **Repatriation** (profits or investments sent back abroad by foreign investors) rose **40.7% in June 2025 to \$5.7 billion**, reflecting cautious investor sentiment.
- On a **quarterly basis**, gross inflows grew 10.5%, but net FDI was subdued as outward Indian investments expanded faster.

SCORECARD

India's foreign direct investments (\$ billion)

	Q1FY25	Q1FY26
Net FDI	6.22	4.91
Gross FDI	22.77	25.17
Repatriation\divestment	12.17	12.38
Outward FDI*	4.38	7.87

*Overseas investment by Indian entities, Source: RBI

Key Definitions



- **Foreign Direct Investment (FDI):** Investment by a company/individual in one country into business interests in another, usually in the form of ownership, mergers, acquisitions, or setting up operations.
- **Gross FDI:** Total foreign capital inflows before accounting for outflows or repatriations.
- **Net FDI:** Gross inflows minus outward investments and repatriations; reflects the actual addition to the domestic economy.
- **Repatriation/Disinvestment:** Withdrawal of invested capital or profits by foreign investors back to their home countries.

Constitutional & Legal Provisions

- **Entry 41, Union List (7th Schedule):** “Trade and commerce with foreign countries; import and export” gives Union Government exclusive power over FDI policy.
- **FEMA, 1999 (Foreign Exchange Management Act):** Governs FDI inflows/outflows, monitored by the RBI.
- **FDI Policy:** Issued by the Department for Promotion of Industry and Internal Trade (DPIIT); two routes – **automatic** and **government approval**.

Economic Significance

- Rising **gross FDI** indicates India remains attractive as an investment destination.
- Decline in **net FDI** points to **profit repatriation pressures** and increasing risk appetite of Indian corporates investing abroad.
- Sustained repatriations may impact **foreign exchange reserves, rupee stability, and balance of payments (BoP)** position.

Conclusion

While India continues to attract global investors, the contraction in net FDI highlights structural concerns such as **investor confidence, ease of doing business, and regulatory predictability**. Strengthening policies to retain investments and encourage reinvestment is crucial.

UPSC Relevance

- **GS Paper 3 (Economy):** Foreign investment, Balance of Payments, FEMA provisions, RBI's role.
- **Prelims:** Definitions of FDI, Gross vs Net FDI, FEMA, DPIIT role.
- **Mains:** Challenges in FDI retention, policy reforms needed, impact of FDI on India's growth and external sector stability.

12. India's Fiscal Deficit Widens in April–July FY26 Amid Capex Surge

Key Highlights

- India's **fiscal deficit nearly doubled to ₹4.68 trillion (29.9% of FY26 BE)** in April–July, compared to ₹2.77 trillion in the same period of FY25.
- The rise was driven by a **sharp increase in capital expenditure (capex)**, which surged to **₹3.47 trillion (31% of BE)**, up from ₹2.61 trillion last year.





- **Net tax receipts** fell to ₹6.62 trillion (23% of BE) from ₹7.15 trillion last year, partly due to delayed personal income tax filings and adverse base effect.
- **Total government expenditure** rose to ₹15.64 trillion (31% of BE), compared to ₹13 trillion in the year-ago period.
- Fiscal deficit target for FY26 is **4.4% of GDP**, down from **4.8% in FY25**, indicating the government's continued commitment to **fiscal consolidation**.
- Subsidy bill reduced to ₹1.14 trillion from ₹1.26 trillion, while **non-tax revenue** stood at ₹4.03 trillion (69.2% of BE).

Key Definitions

- **Fiscal Deficit:** Shortfall between government's total expenditure and total revenue (excluding borrowings).
- **Capital Expenditure (Capex):** Government spending on creating long-term assets like infrastructure, railways, defense, and power projects.
- **Revenue Expenditure:** Spending on salaries, subsidies, pensions, and interest payments, which do not create assets.
- **Revenue Receipts:** Income earned by the government from taxes and non-tax sources.

Constitutional & Legal Provisions

- **Article 112:** Union Budget (Annual Financial Statement) presents estimated receipts and expenditures.
- **Article 266:** Consolidated Fund of India, out of which all government expenditures including fiscal deficit financing occur.
- **FRBM Act, 2003 (Fiscal Responsibility and Budget Management):** Mandates fiscal discipline, targets for reducing fiscal deficit and debt-GDP ratio.
- **Controller General of Accounts (CGA):** Prepares and maintains accounts of the Union Government, releases fiscal deficit data.

Economic Significance

- Higher fiscal deficit reflects **frontloaded public investment** to boost growth amid uneven private capex recovery.
- While moderate deficit supports economic expansion, **sharp increases may fuel inflation, higher borrowing costs, and debt burden**.
- Lower subsidies and higher capex suggest a **shift towards growth-oriented expenditure**.
- Availability of fiscal space (~₹50,000 crore) provides flexibility to absorb tax shortfalls or push additional capex if needed.

Conclusion

India's fiscal strategy reflects a **delicate balance** between growth through higher capex and fiscal prudence through consolidation. The government's commitment to reducing the deficit to **4.4% of GDP in FY26** signals confidence in revenue buoyancy and fiscal discipline, but risks remain from uneven tax receipts and global uncertainties.



UPSC Relevance

- **Prelims:** Definition of fiscal deficit, revenue vs capital expenditure, FRBM Act, role of CGA.
 - **GS Paper 3 (Economy):** Fiscal policy, deficit financing, public investment and growth, subsidy rationalization.
 - **Mains:** Challenges of balancing growth and fiscal consolidation, implications of widening deficit on inflation, debt, and external stability.
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