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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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## 1. Financial Turnaround of Indian DISCOMs: Analyzing the FY25 Profit Surge

The Indian power distribution sector, traditionally the "weakest link" in the power value chain, reported a cumulative net profit of ₹2,701 crore in FY25, marking a significant departure from the ₹25,553 crore loss in FY24. While this signals a recovery, structural debt and operational inefficiencies remain critical concerns for long-term sustainability.

### Executive Summary:

- **Financial Recovery:** After a decade of systemic losses, DISCOMs achieved a net profit of ₹2,701 crore in FY25, driven by improved revenue realization and reduced interest burdens.
- **Operational Efficiency:** The Aggregate Technical & Commercial (AT&C) losses dropped to 15.04% in FY25 from 17.6% in FY24, reflecting better billing efficiency and reduced power theft.
- **Bridge of the Gap:** The Average Cost of Supply-Average Revenue Realized (ACS-ARR) gap, a key indicator of viability, narrowed sharply to ₹0.06/unit from ₹0.48/unit year-on-year.
- **Debt Sustainability:** Despite profits, the sector carries a massive debt of over ₹7 trillion, with ₹2.74 trillion classified as 'unsustainable,' necessitating further debt restructuring.
- **Policy Enforcement:** Implementation of the **Late Payment Surcharge (LPS)** rules and the **Revamped Distribution Sector Scheme (RDSS)** has forced fiscal discipline and timely subsidy accounting.
- **Future Competition:** The proposed **Electricity (Amendment) Bill 2025** aims to de-license distribution, allowing multiple players in one area to foster competition and consumer choice.

### Key Definitions & Metrics

- **AT&C Losses:** Represents the difference between energy units put into the system and the units for which payment is collected. It accounts for transmission losses, theft, and billing inefficiencies.
- **ACS-ARR Gap:** The difference between the cost of procuring/distributing electricity (ACS) and the revenue generated per unit (ARR). A zero or negative gap indicates financial self-sufficiency.
- **Cross-Subsidy:** The practice where one category of consumers (industrial/commercial) is charged higher tariffs to subsidize another (agricultural/domestic).

### Constitutional and Legal Provisions

- **Concurrent List (Seventh Schedule):** 'Electricity' is a Concurrent List subject (Entry 38), giving both the Centre and States power to legislate, though the Centre's laws prevail in case of conflict.
- **Electricity Act, 2003:** The primary legislation governing the sector, focusing on unbundling State Electricity Boards and promoting competition.
- **Electricity (Rights of Consumers) Rules, 2020:** Sets standards for service and provides for compensation to consumers for delays by DISCOMs.
- **Electricity (Amendment) Rules, 2022:** Mandates timely tariff revisions and strict timelines for subsidy transfers by State governments to DISCOMs.

### Factors Driving the Revival

- **RDSS Implementation:** A ₹3.03 trillion scheme focused on "result-linked" funding, prioritizing smart metering and feeder separation.



- **Strict Financial Linkages:** The Union government has linked the additional borrowing space of States (0.5% of GSDP) to specific performance milestones in the power sector.
- **Timely Tariff Hikes:** Regulatory pressure has led to more frequent tariff revisions by State Electricity Regulatory Commissions (SERCs), aligning prices with actual costs.
- **LPS Rules:** Penalties on delayed payments to generating companies (GENCOs) have streamlined the entire cash flow cycle of the energy value chain.

### UPSC Relevance

- **GS Paper II:** Federalism (Centre-State financial relations regarding power subsidies) and Statutory/Regulatory bodies (CERC/SERCs).
- **GS Paper III:** Infrastructure (Energy), Government Budgeting, and Mobilization of Resources.
- **Prelims:** Specifics of RDSS, UDAY scheme outcomes, and definitions of technical terms like AT&C losses.

### Conclusion

The transition of DISCOMs from perennial loss-makers to profit-reporting entities in FY25 is a landmark achievement for India's energy transition. However, the "profit" remains fragile as long as ₹2.74 trillion of debt remains unsustainable. True reform lies in the successful passage of the Electricity (Amendment) Bill to introduce competition and the complete elimination of the ACS-ARR gap through technology-led interventions like smart metering. Sustained profitability is essential for DISCOMs to invest in the green energy infrastructure required for India's 2070 Net Zero goals.

## 2. RBI's Proposal for BRICS CBDC Interoperability: Strengthening the Global South Financial Architecture

The Reserve Bank of India (RBI) has recommended that the Government include the linking of Central Bank Digital Currencies (CBDCs) on the agenda for the 2026 BRICS summit. This strategic move aims to revolutionize cross-border payments, enhance financial integration among member states, and provide an alternative to traditional dollar-dominated settlement systems like SWIFT.

### Executive Summary:

- **Strategic Proposal:** RBI seeks to formalize a framework for connecting the digital currencies (like India's e-Rupee and China's e-CNY) of BRICS members during the 2026 summit hosted by India.
- **Objective of Interoperability:** The primary goal is to facilitate seamless, real-time cross-border trade and tourism payments, reducing the high costs and time lags associated with correspondent banking.
- **Geopolitical Significance:** By enabling local currency settlements through digital bridges, the initiative offers a pathway for "de-risking" from the US dollar, though India maintains it is not an explicit "de-dollarization" campaign.
- **Building on Past Pacts:** The proposal advances the **2025 Rio de Janeiro Declaration**, where BRICS finance ministers pledged to enhance payment system interoperability and explore "Technical Reports" on cross-border systems.

**Ease of payment**

If the proposal is accepted, a plan to link digital currencies will be put forward at the 2026 BRICS summit in India

- The move could reduce reliance on the U.S. dollar as geopolitical tensions rise
- While none of the BRICS members have fully launched their digital currencies, all five main members have been running pilot projects
- India's digital currency - e-rupee - has attracted a total of 7 million retail users since its launch in December 2022



- **Operational Status:** While no BRICS nation has fully launched a retail CBDC, core members (Brazil, Russia, India, China, South Africa) are in advanced pilot stages, with India's e-Rupee crossing 7 million users by early 2026.
- **Global Challenges:** Implementation faces hurdles such as technological compatibility, governance standards for trade imbalances, and potential friction with the US, which views such moves as "anti-American."

### Key Definitions

- **Central Bank Digital Currency (CBDC):** A digital form of sovereign currency issued by a central bank. It is a legal tender and appears as a liability on the central bank's balance sheet, unlike private cryptocurrencies.
- **Interoperability:** The technical and legal ability of different digital payment systems to communicate and settle transactions with each other without intermediate conversion into a third currency (like the USD).
- **mBridge Project:** A multi-country wholesale CBDC platform (initially involving China, UAE, Thailand, and Hong Kong) that demonstrates the practical feasibility of peer-to-peer digital cross-border payments.

### Constitutional & Legal Provisions

- **RBI Act, 1934 (Amended 2022):** Section 22 was amended via the **Finance Act, 2022** to expand the definition of "bank notes" to include currency in digital form. This provides the legal basis for the Digital Rupee as legal tender.
- **Payment and Settlement Systems (PSS) Act, 2007:** Empowers the RBI to regulate and supervise payment systems in India, providing the regulatory framework for CBDC operations and international linkages.
- **Currency Management (Entry 36, List I):** Under the Seventh Schedule of the Constitution, "Currency, coinage and legal tender; foreign exchange" falls exclusively under the Union List, giving the Centre and RBI sole authority over CBDC policy.

### Important Key Points & Implications

- **Settlement of Imbalances:** To handle trade deficits between members, the RBI is exploring **bilateral foreign exchange swap arrangements**, allowing net positions to be settled periodically (weekly/monthly).
- **Financial Inclusion & Tourism:** Digital currency linkage would allow tourists to use their home digital wallets in any BRICS nation, boosting the services sector and people-to-people ties.
- **Monetary Policy Sovereignty:** CBDCs allow central banks to maintain better control over the money supply and reduce the influence of global interest rate volatility driven by the US Federal Reserve.

### Conclusion

The RBI's push for a BRICS CBDC bridge signifies India's leadership in financial technology and its intent to build a more "multipolar" financial order. While technical and regulatory alignment remains a long-term challenge, the successful integration of digital currencies could serve as the cornerstone for a resilient, transparent, and efficient Global South economy, independent of traditional geopolitical bottlenecks.



## UPSC Relevance

- **GS Paper II:** International Relations (BRICS as a platform for Global South leadership), Bilateral and Regional Groupings.
- **GS Paper III:** Economy (Monetary Policy, Digital Infrastructure, External Sector/Forex), and Science & Technology (Blockchain/CBDC).
- **Prelims:** Features of e-Rupee, legal status under RBI Act, and BRICS declarations.

### 3. Supreme Court on Special Intensive Revision (SIR): Balancing Electoral Integrity and Citizen Welfare

The Supreme Court of India recently intervened in the Election Commission's (ECI) ongoing Special Intensive Revision (SIR) in West Bengal. Expressing concern over the "stress and strain" caused to nearly 1.36 crore citizens, the Court issued a series of directives to ensure that the process of purifying electoral rolls does not lead to the arbitrary disenfranchisement or harassment of genuine voters.

#### Executive Summary:

- **Judicial Intervention:** The Supreme Court flagged that approximately 20% of West Bengal's population received notices for "logical discrepancies," urging the ECI to conduct the exercise without causing undue hardship to the public.
- **Logical Discrepancies Defined:** The ECI flagged names based on criteria such as a parent-child age gap of less than 15 years, households with more than six children, or age differences with grandparents being less than 40 years.
- **Directive on Transparency:** To aid affected voters, the Court ordered that lists of persons flagged for discrepancies must be displayed publicly at Gram Panchayat Bhawans, Block offices, and Ward offices.
- **Procedural Safeguards:** The Court mandated the issuance of written receipts for documents submitted during hearings and allowed Booth Level Agents (BLAs) to assist voters during the verification process.
- **Extension of Timelines:** Recognizing the logistical burden, the Bench extended the period for filing objections by 10 days and directed the State to provide adequate manpower and security for local hearing centers.
- **Questioning ECI Methodology:** The Court questioned the validity of flagging a 15-year age gap as "illogical" in a country where child marriage has historically occurred, highlighting a need for context-sensitive data auditing.



#### Key Definitions

- **Special Intensive Revision (SIR):** A comprehensive, house-to-house verification drive by the ECI to update electoral rolls, typically involving a "legacy linkage" to older rolls (e.g., 2002) to verify long-term residency and eligibility.
- **Logical Discrepancies:** Computer-generated flags in the Electoral Roll Officers' Net (ERONET) that identify data entries that appear mathematically or biologically improbable based on pre-set parameters.



- **Booth Level Agent (BLA):** An individual appointed by a political party to assist in the registration process and ensure the fairness of the electoral roll at the polling station level.

### Constitutional and Legal Provisions

- **Article 324:** Vests the "superintendence, direction, and control" of the preparation of electoral rolls in the Election Commission of India.
- **Article 326:** Guarantees Universal Adult Suffrage, stipulating that every citizen aged 18 or above is entitled to be registered as a voter unless disqualified by law.
- **Representation of the People Act, 1950 (Section 21):** Empowers the ECI to direct a special revision of the electoral roll for any constituency or part thereof at any time.
- **Doctrine of Proportionality:** A judicial principle used here to ensure that the ECI's administrative goals (clean rolls) do not disproportionately infringe upon a citizen's fundamental right to vote.

### Important Keypoints & Observations

- **Data Digitization Issues:** Reports suggest that the high number of discrepancies may stem from inaccuracies in the digitization of the 2002 "base" electoral roll rather than actual voter fraud.
- **Access to Justice:** The Court moved hearing centers from centralized district levels to local Block/Panchayat levels to prevent voters from traveling hundreds of kilometers to prove their identity.
- **Informal Governance:** The Bench criticized the ECI for issuing critical operational instructions via WhatsApp rather than through formal, transparent circulars.
- **Vulnerable Groups:** The SIR exercise has caused particular anxiety among marginalized communities and refugees who may lack the "legacy documents" required to satisfy software-driven queries.

### Conclusion

While the "purification" of electoral rolls is essential for the sanctity of the democratic process, the Supreme Court has underscored that administrative efficiency cannot override human dignity and ease of living. By mandating local hearings and public displays of names, the judiciary has reinforced the principle that the burden of administrative errors should not fall solely on the citizen. The case highlights the tension between technology-driven governance and the complex socio-demographic realities of India.

### UPSC Relevance

- **GS Paper II:** Functions and responsibilities of the Election Commission (Constitutional Bodies), Judicial Oversight of administrative actions, and the protection of vulnerable sections.
- **GS Paper III:** Role of technology in governance (e-Governance) and its challenges.
- **Ethics (GS IV):** Administrative ethics—balancing rules with empathy and the practical difficulties faced by citizens.

## 4. CAQM Flags Gaps in GRAP Implementation: Addressing the Accountability Crisis in NCR Air Quality

The Commission for Air Quality Management (CAQM) has issued a stern warning to the governments of Delhi, Haryana, Rajasthan, and Uttar Pradesh regarding "serious deficiencies" in enforcing the Graded Response Action Plan (GRAP). Despite air quality plunging into the 'Severe' and 'Severe+' categories in



January 2026, the commission noted that critical emergency measures remained largely on paper, compromising collective efforts to mitigate the toxic smog.

### Executive Summary:

- **Enforcement Shortfalls:** A performance review revealed massive gaps in mandated actions, with shortfalls ranging from 7% to 99.6%. Specifically, inspections of large Construction & Demolition (C&D) sites (>500 sq. m) saw non-compliance rates of 87% in Delhi and up to 99.6% in Haryana.
- **Negligence in Dust Management:** Deployment of mechanical road-sweeping machines (MRSMs) and water sprinkling remained significantly below targets. Delhi recorded a 70% gap in road-length sweeping during the most critical Stage-IV period.
- **Weak Grievance Redressal:** The CAQM highlighted an alarmingly high pendency of unresolved public complaints, ranging from 47% to 100%. This indicates a breakdown in the institutional mechanism intended to bridge the gap between citizens and regulators.
- **Accountability Directives:** For the first time, the CAQM has directed state governments to initiate disciplinary proceedings against specific officers responsible for implementation lapses, moving from "advisory" to "punitive" oversight.
- **GRAP-IV Stringency:** While Stage-IV measures (banning non-essential truck entry, shifting schools to hybrid mode, and 50% work-from-home) were invoked, their on-ground impact was diluted by the failure of state pollution control boards (SPCBs) to conduct physical field checks.
- **Meteorological Challenges:** The commission noted that stable atmospheric conditions and slow wind speeds have trapped pollutants, making strict adherence to the 9-point action plan under GRAP-III and 5-point plan under GRAP-IV non-negotiable for public health.

Commission for Air  
Quality Management



### Key Definitions

- **CAQM:** A statutory body established under the **Commission for Air Quality Management in National Capital Region and Adjoining Areas Act, 2021**. It has overriding powers over other state bodies in matters of air pollution.
- **GRAP (Graded Response Action Plan):** An emergency framework that triggers specific restrictive measures based on Air Quality Index (AQI) thresholds:
  - **Stage I (Poor):** AQI 201–300
  - **Stage II (Very Poor):** AQI 301–400
  - **Stage III (Severe):** AQI 401–450
  - **Stage IV (Severe+):** AQI >450
- **Mechanical Road Sweeping (MRS):** Use of specialized vehicles to vacuum dust from roads, preventing its re-suspension—a major source of PM10.

### Constitutional and Legal Provisions

- **Article 21:** The Supreme Court has repeatedly held that the "Right to Life" includes the right to a healthy environment and clean air.



- **Article 48A (DPSP):** Directs the State to endeavor to protect and improve the environment.
- **Article 51A(g) (Fundamental Duties):** Mandates citizens to protect and improve the natural environment.
- **CAQM Act, 2021 (Section 14):** Provides the Commission with the power to impose "Environmental Compensation" and initiate criminal proceedings against violators, including government officials.

### Important Keypoints & Institutional Gaps

- **The Compliance Gap:** While UP marginally exceeded its MRS targets, other states showed systemic failure. Haryana (NCR) recorded a 100% gap in C&D site inspections during Stage-IV.
- **Bureaucratic Inertia:** The "high pendency" of complaints on platforms like the *Sameer App* and *Green Delhi App* suggests that field-level staff are not prioritizing emergency response.
- **Legal Teeth:** Under Section 12 of the CAQM Act, the commission's directions are mandatory. Non-compliance by officials can now lead to service-record entries or prosecution under the Environment (Protection) Act, 1986.

### Conclusion

The current crisis in Delhi-NCR is as much an "administrative failure" as it is an environmental one. The CAQM's decision to name and shame specific departments and call for officer accountability marks a shift toward "coercive federalism" to ensure environmental compliance. For GRAP to be effective, the "Implementation Gap"—the distance between policy notification and field-level enforcement—must be closed through transparent, geo-tagged monitoring and strict departmental penalties.

### UPSC Relevance

- **GS Paper II:** Statutory Bodies (CAQM), Centre-State relations in environmental governance, and the role of the Judiciary in environmental protection.
- **GS Paper III:** Environmental Pollution and Degradation (Air Pollution), Disaster Management (Pollution as a slow-onset disaster), and Science & Tech (Aerosols/PM metrics).
- **Mains Case Study:** Ethics of administrative negligence and the responsibility of civil servants during public health emergencies.

## 5. Strategic Significance of US Mid-Terms 2026: Navigating the Era of 'Trump 2.0'

As President Donald Trump completes his first year of a disruptive second term (Trump 2.0), the upcoming 2026 US mid-term elections emerge as a decisive "bellwether" for global geopolitics. For India, the transition from 2025 to 2026 has been marked by a shift towards a highly transactional relationship, characterized by significant trade friction, the introduction of a "Board of Peace" initiative, and unconventional US foreign policy claims involving Greenland and Venezuela.

### Executive Summary:

- **Domestic Bellwether:** The 2026 mid-term elections (scheduled for November 3, 2026) will determine whether the Republican "trifecta" (control of the White House, House, and Senate) remains intact or if a "lame-duck" scenario emerges for Trump's final years.
- **Trade Turbulence:** India faced 50% "reciprocal tariffs" in 2025 due to trade imbalances and continued Russian crude purchases; the mid-term results will dictate if this protectionist "America First" stance intensifies or softens.



- **Disruptive Diplomacy:** The Trump 2.0 administration has shocked traditional allies with threats to annex Greenland and the unilateral seizure of the Venezuelan President, testing the limits of international law and India's policy of strategic silence.
- **India-US Security Ballast:** Despite trade wars, institutional frameworks like iCET (Initiative on Critical and Emerging Technology) and INDUS-X provide stability, with both nations aiming for "Mission 500" (\$500 billion bilateral trade by 2030).
- **New Alliances:** The US-backed "**Board of Peace**"—a proposed international body to mediate global conflicts like Gaza—represents a shift from multilateralism (UN) to minilateralism, where India's participation is actively sought.
- **The "Greenland Precedent":** Trump's demand for Greenland has rattled NATO and the EU; for India, this signifies a period of "turbo-charged turbulence" where traditional diplomatic norms are secondary to absolute force and transaction.

### Key Definitions

- **Mid-Term Elections:** Elections held midway through a President's 4-year term, where all 435 seats in the House of Representatives and 1/3 of the Senate are contested. They serve as a referendum on the incumbent's performance.
- **Reciprocal Tariffs:** A trade policy where a country imposes the same tariff rates on imports that the partner country imposes on its exports (e.g., US charging 50% on Indian goods because it perceives Indian duties as high).
- **Strategic Autonomy:** India's foreign policy pillar of making independent decisions based on national interest, without becoming a formal ally or subordinate to any superpower bloc.

### Constitutional and Legal Provisions

- **Article 73:** Extends the executive power of the Indian Union to matters with respect to which Parliament has power to make laws, including "Foreign Affairs" (Entry 10, List I) and "Entering into treaties" (Entry 14, List I).
- **US Constitution (Article I & II):** The US Congress (Article I) holds the "power of the purse" and trade regulation, which can check the President's (Article II) foreign policy if the mid-terms result in a Democratic majority.
- **STA-1 Status:** India holds Strategic Trade Authorization-1 (STA-1) from the US, which facilitates high-tech and defense exports, a status that requires constant legislative and executive renewal in Washington.

### Important Keypoints: Trump 2.0 vs. India

- **The Energy Pivot:** India has increased US energy imports (LNG/Crude) to balance trade deficits and offset "Trumpian" pressure regarding its energy ties with Russia and Iran.
- **Chabahar Port Pressure:** The US has renewed pressure on India to wind down operations at Iran's Chabahar port, threatening secondary tariffs on countries "doing business with Tehran."
- **The "Modi-Trump" Rapport:** Personal chemistry between the two leaders remains a primary tool for "quiet diplomacy" to resolve issues like the H-1B visa curbs and 2025 tariff hikes.



## Conclusion

The 2026 US mid-term elections will either consolidate "Trumpism" or force the administration into a more conciliatory path. For India, the strategy must be one of "calm engagement." By leveraging its role as a "Major Defense Partner" and an indispensable counterweight to China in the Indo-Pacific, New Delhi can navigate the transactional turbulence of Trump 2.0 while diversifying its trade via the SCO and BRICS to safeguard its strategic autonomy.

## UPSC Relevance

- **GS Paper II:** Effect of policies and politics of developed countries on India's interests (US Foreign Policy).
- **GS Paper III:** Indian Economy and issues relating to planning, mobilization of resources (Trade Tariffs/Energy Security).
- **Prelims:** Terms like STA-1, iCET, Reciprocal Tariffs, and the structure of US mid-term elections.

## 6. RBI Amendments to Priority Sector Lending (PSL) Guidelines 2026: Enhancing Oversight and Operational Clarity

The Reserve Bank of India (RBI) has issued comprehensive amendments to the Priority Sector Lending (PSL) Targets and Classification Directions. Effective from January 2026, these changes aim to tighten credit flow safeguards, refine the calculation of lending targets, and ensure that the benefits of priority sector credit reach the intended grassroots beneficiaries without systemic leakages.

### Executive Summary:

- **Refined ANBC Computation:** The RBI has synchronized the calculation of Adjusted Net Bank Credit (ANBC) with the *Resource Raising Norms Directions, 2025*. Notably, exemptions for long-term bonds (minimum 7-year maturity) used for infrastructure and affordable housing are now clearly defined to avoid double-counting.
- **Tightened On-Lending Oversight:** To prevent "double-claiming" of PSL benefits, NBFCs and HFCs must now provide external auditor certificates. A new provision allows bank loans to the National Cooperative Development Corporation (NCDC) to qualify as PSL, subject to CAG-empowered auditor certification.
- **Target Recalibration for SFBs:** In a significant correction, the PSL target for Small Finance Banks (SFBs) has been revised to 60% of ANBC (or CEOBSE), down from the previously stated 75%, ensuring a more realistic transition for these institutions.
- **PSLC Framework Codification:** The four types of Priority Sector Lending Certificates (PSLCs)—Agriculture, SF/MF, Micro Enterprises, and General—have been formally mapped to specific sub-targets. Banks can now issue PSLCs up to 50% of the previous year's achievement without immediate underlying assets.
- **Focus on Regional Rural Banks (RRBs):** For RRBs, lending towards medium enterprises, social infrastructure, and renewable energy is now capped at 15% of ANBC to ensure their primary focus remains on small/marginal farmers and micro-units.





- **Enhanced Audit Controls:** The 2026 norms mandate stricter methodology for calculating Credit Equivalent Off-Balance-Sheet Exposures (CEOBSE) across all bank categories, including UCBs and LABs, aligning them with the Large Exposures Framework.

### Key Definitions

- **Priority Sector Lending (PSL):** A regulatory requirement mandate by the RBI that directs banks to provide a specified portion of their loan portfolio to sectors that impact large segments of the population and are employment-intensive (e.g., Agriculture, MSMEs, Housing).
- **Adjusted Net Bank Credit (ANBC):** The total credit provided by a bank after adjusting for bills rediscounted, certain exemptions (like infrastructure bonds), and additions for investments in non-SLR categories. It is the base on which PSL targets are calculated.
- **On-Lending:** A mechanism where banks provide funds to intermediaries (like NBFCs or MFIs), who then lend that money to individual priority sector borrowers.
- **PSLC (PSL Certificates):** Tradable instruments that allow banks to meet their PSL targets by buying "achievement" from other banks that have surpassed their targets, without transferring the actual loan assets or risk.

### Constitutional and Legal Provisions

- **RBI Act, 1934:** Grants the RBI the power to regulate the credit system of the country. Sections 21 and 35A of the Banking Regulation Act, 1949, specifically empower the RBI to issue directions to banking companies in the public interest.
- **Banking Regulation Act, 1949:** Provides the legal teeth for penalizing banks that fail to meet PSL targets, including the mandatory investment of the shortfall into the **Rural Infrastructure Development Fund (RIDF)** managed by NABARD.
- **Article 38 & 39 (DPSP):** These constitutional provisions direct the State to ensure an equitable distribution of resources and promote the welfare of the people, forming the socio-economic basis for the existence of PSL.

### Additional Keypoints: Resource Raising & Export Credit

- **Long-term Bonds:** Banks are encouraged to issue unsecured, rupee-denominated bonds for infrastructure with a 7-year lock-in. These are excluded from CRR and SLR requirements, lowering the cost of capital for vital sectors.
- **Export Credit Realignment:** Export credit definitions are now strictly aligned with the *Credit Facilities Directions, 2025*. However, export credit to Agriculture and MSMEs continues to be classified under their respective primary categories rather than "Export Credit" alone.
- **Interest Rate Caps:** The RBI has reiterated caps on service charges for small-ticket PSL loans to ensure that the cost of credit remains affordable for the "bottom of the pyramid" borrowers.

### Conclusion

The 2026 PSL amendments represent a shift from mere "target-chasing" to "quality of credit." By introducing stringent audit trails for on-lending and clarifying the ANBC deduction formulas, the RBI is addressing long-standing issues of data inflation and systemic round-tripping. These measures are essential for ensuring that the banking sector contributes meaningfully to inclusive growth and the structural development of India's rural and MSME landscape.



## UPSC Relevance

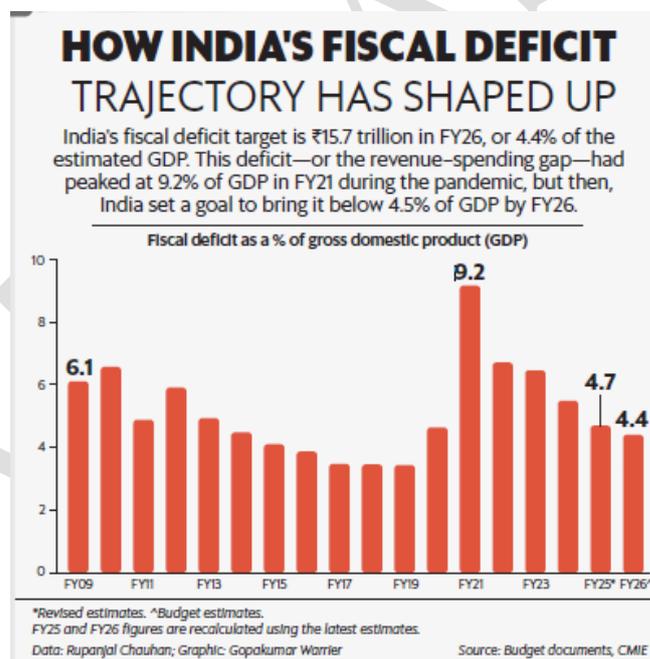
- **GS Paper III:** Indian Economy (Mobilization of Resources, Banking Sector Reforms, Inclusive Growth).
- **GS Paper II:** Statutory Bodies (Role and powers of RBI).
- **Prelims:** Specific targets for RRBs/SFBs, definitions of ANBC, CEOBSE, and the functioning of the PSLC market.

## 7. India's Fiscal Consolidation Path: Analyzing the FY26 Deficit Trajectory

The Union Budget has set a firm fiscal deficit target of ₹15.69 trillion for FY26, equivalent to 4.4% of the estimated GDP. This marks a critical milestone in India's post-pandemic fiscal consolidation roadmap, which aimed to transition from a record high of 9.2% in FY21 to below 4.5% by FY26.

### Executive Summary:

- **Target Achievement:** The government is on track to meet its medium-term fiscal consolidation target of 4.4% in FY26, a significant reduction from the 9.2% peak during the COVID-19 pandemic (FY21).
- **Consolidation Strategy:** The reduction is driven by a "double-track" approach: aggressive growth in tax receipts (projected at 11% for FY26) combined with moderate growth in total expenditure (7.4%).
- **Quality of Spending:** While containing the overall deficit, the government has pivoted toward "Productive Spending," with Capital Expenditure (Capex) earmarked at approximately ₹11.21 trillion (3.1% of GDP) to sustain long-term growth.
- **Revenue vs. Fiscal Deficit:** The Revenue Deficit is targeted at 1.5% of GDP for FY26, indicating that a smaller portion of borrowed funds is being used for day-to-day consumption compared to previous years.
- **Debt Sustainability:** Central Government debt is estimated to decline to 56.1% of GDP in FY26. The roadmap now shifts from annual deficit targets toward a medium-term debt-to-GDP anchor of 50% by FY31.
- **Borrowing Pattern:** To finance the ₹15.69 trillion gap, the government plans gross market borrowings of ₹14.82 trillion, relying heavily on dated securities while reducing dependence on short-term T-bills.



### Key Definitions

- **Fiscal Deficit:** The excess of total government expenditure over its total non-debt receipts (revenue receipts + non-debt capital receipts). It represents the total borrowing requirement of the government.
- **Revenue Deficit:** Occurs when the government's revenue expenditure (day-to-day expenses like salaries, interest) exceeds its revenue receipts (taxes, dividends).



- **Primary Deficit:** Fiscal Deficit minus interest payments. It shows the government's borrowing needs excluding the burden of past debt. For FY26, this is targeted at a low 0.8% of GDP.
- **Crowding Out Effect:** A situation where high government borrowing reduces the availability of funds for the private sector, potentially driving up interest rates.

### Constitutional and Legal Provisions

- **Article 112 (Annual Financial Statement):** Requires the President to lay before Parliament a statement of estimated receipts and expenditure for every financial year.
- **Article 266 & 267:** Pertaining to the Consolidated Fund of India and the Contingency Fund of India, governing how public money is stored and withdrawn.
- **FRBM Act, 2003:** The Fiscal Responsibility and Budget Management Act provides the legal framework for fiscal discipline. Although paused during the pandemic (using the "Escape Clause" under Section 4), the current trajectory aligns with its revamped objectives.
- **15th Finance Commission:** Recommended a fiscal consolidation path for the Union to reach a deficit of 4.0% by FY26; the government's target of 4.4% is slightly higher but remains broadly in line with the Commission's debt-sustainability intent.

### Key Factors Shaping the Trajectory

- **Buoyant Tax Collections:** Sustained GST collections (averaging over ₹1.7 trillion/month) and improved corporate tax compliance have provided the necessary fiscal cushion.
- **Subsidy Rationalization:** Lower global energy prices and the shift toward targeted "saturation-mode" social welfare have helped contain the subsidy outgo on fertilizers and food.
- **Nominal GDP Growth:** The FY26 calculations assume a nominal GDP growth of 10.1%. Any shortfall in this growth rate could mathematically increase the deficit-to-GDP ratio even if absolute borrowing stays the same.

### Conclusion and UPSC Relevance

The FY26 fiscal deficit target of 4.4% is not merely an accounting success but a signal of "Macroeconomic Stability" to global investors and rating agencies. By prioritizing Capex over Revenue expenditure, India is attempting to "grow out" of its debt. However, with interest payments still consuming nearly 25% of total expenditure, the transition toward a 50% debt-to-GDP ratio remains the most vital long-term challenge for Indian fiscal federalism.

### UPSC Relevance:

- **GS Paper III:** Indian Economy (Government Budgeting, Mobilization of Resources, and Growth).
- **GS Paper II:** Statutory Bodies (Finance Commission, GST Council).
- **Prelims:** Terms like Primary Deficit, Effective Revenue Deficit, and the components of the FRBM Act.

## 8. Credit Line on UPI: Democratizing Micro-Credit through Digital Public Infrastructure

The National Payments Corporation of India (NPCI) is set to expand the "Credit Line on UPI" facility, aiming to provide retail consumers with small-ticket credit—starting as low as ₹5,000. By integrating credit card-like features, such as interest-free periods, into the familiar UPI interface, this initiative seeks to bridge



the gap between formal banking credit and the millions of users currently reliant on informal lending or high-cost alternatives.

### Executive Summary:

- **Credit Card-Style Utility:** The feature allows users to access a pre-sanctioned credit limit for merchant payments. Crucially, it offers an interest-free "grace period," where interest is only charged if the balance is not cleared by the due date.
- **Micro-Credit Focus:** By lowering the entry barrier to as little as ₹5,000, NPCI is targeting "New-to-Credit" (NTC) customers and small-scale entrepreneurs who typically find traditional credit card eligibility criteria prohibitive.
- **Interoperable Ecosystem:** Unlike traditional credit cards that require a physical card and a PoS (Point of Sale) terminal, this credit line is entirely digital and works through QR code scans across the existing 65 million+ merchant UPI network.
- **Purpose-Bound Transactions:** To prevent systemic risk, NPCI guidelines (August 2025/2026) mandate that credit line usage must align with the "purpose" of the loan (e.g., business or personal) and is generally restricted to P2M (Person-to-Merchant) transactions.
- **Low Acquisition Cost:** Banks and Fintechs benefit from significantly lower customer acquisition costs (approx. 1/5th of traditional cards) by leveraging existing UPI user data and "digital footprints" for underwriting.
- **Financial Inclusion 2.0:** The move transitions UPI from a "Payments Rail" to a "Credit Rail," potentially bringing millions into the formal financial fold and improving the credit-to-GDP ratio.



### Key Definitions

- **Credit Line on UPI:** A pre-approved borrowing limit granted by a bank that can be used like a bank balance to make payments via UPI apps (e.g., BHIM, Google Pay, PhonePe).
- **Interest-Free Period:** A specific window (typically 30–45 days) during which the borrower can use the credit and repay it without incurring interest charges, similar to a credit card billing cycle.
- **P2M (Person-to-Merchant):** Transactions made by an individual to a business entity. Credit lines are primarily enabled for P2M to ensure funds are used for consumption or business needs rather than personal transfers.

### Constitutional and Legal Provisions

- **Article 246 (List I, Entry 45):** "Banking" is a Union List subject, giving the Central Government and RBI exclusive power to regulate credit products and digital lending.
- **Payment and Settlement Systems Act, 2007:** Provides the legal framework under which NPCI operates and introduces new payment instruments like Credit on UPI.
- **RBI Digital Lending Guidelines (2022/2023):** Mandate that all loan disbursements must flow directly between the bank account of the lender and the borrower/merchant, prohibiting "pool accounts" by third-party apps.



- **Data Privacy & Digital Personal Data Protection (DPDP) Act, 2023:** Regulates how banks and UPI apps use transaction history (digital footprints) to determine creditworthiness.

### Strategic Advantages & Risks

- **For Lenders:** Real-time data on spending patterns allows for "Dynamic Underwriting"—where credit limits can be increased or decreased instantly based on repayment behavior.
- **For Small Merchants:** Enables credit-based sales without the need for expensive card-swiping machines or high merchant discount rates (MDR) associated with premium credit cards.
- **Regulatory Concerns:** The RBI remains cautious about "Evergreening" of loans and the potential for impulsive over-spending among low-income groups, necessitating strict "Key Fact Statements" (KFS) for transparency

### Conclusion

Credit Line on UPI marks the evolution of India's Digital Public Infrastructure (DPI) from basic transactionality to complex financial intermediation. While it promises to revolutionize micro-lending, its success depends on maintaining the "Zero MDR" (Merchant Discount Rate) appeal for small shops while ensuring that banks have enough incentive to offer interest-free windows. For India, this is the "final frontier" in achieving total financial inclusion.

### UPSC Relevance

- **GS Paper III:** Indian Economy (Banking, Inclusive Growth, and Financial Markets), Technology (Digital Infrastructure).
- **GS Paper II:** Government Policies and Interventions for development in various sectors.
- **Prelims:** Difference between UPI, UPI Lite, and Credit Line on UPI; role of NPCI and RBI; and the mechanics of the "Grace Period."

## 9. Electricity (Amendment) Bill 2025: Transitioning from Monopoly to Market Competition

The Union Ministry of Power is set to introduce the Electricity (Amendment) Bill, 2025, during the upcoming Budget Session of Parliament. Building on the foundational Electricity Act, 2003, this legislative overhaul seeks to de-monopolize the power distribution sector, enforce fiscal discipline on loss-making DISCOMs, and provide consumers with the power to choose their electricity supplier.

### Executive Summary:

- **Retail Competition:** The Bill proposes a shift from the current "monopoly supply model" to a competitive market by allowing multiple distribution licensees to operate in the same area using a shared distribution network.
- **Cost-Reflective Tariffs:** It mandates State Electricity Regulatory Commissions (SERCs) to fix tariffs that strictly reflect the actual cost of supply, aiming to eliminate the current "debt-trap" cycle of state utilities.





- **Subsidy Rationalization:** The Bill targets the elimination of cross-subsidies for manufacturing industries, Railways, and Metros within five years, while protecting farmers and low-income households through transparent, budgeted direct subsidies under Section 65.
- **Universal Service Obligation (USO):** While promoting competition, it retains the USO for licensees but allows exemptions for large consumers (>1 MW) to procure power via Open Access, reducing the fixed-cost burden on DISCOMs.
- **Regulatory Oversight:** It introduces a high-level **Electricity Council**, chaired by the Union Power Minister, to foster policy consensus between the Centre and States, alongside empowering SERCs to determine tariffs *suo motu* if utilities delay filings.
- **Renewable Integration:** The Bill broadens Renewable Purchase Obligations (RPO) to "Non-fossil Purchase Obligations" and introduces stringent financial penalties for non-compliance, set between 35 and 45 paise per unit of shortfall.

### Key Definitions

- **Cross-Subsidy:** A pricing mechanism where one category of consumers (e.g., industrial) is charged higher rates to subsidize the consumption of another category (e.g., agricultural).
- **Open Access:** A regulatory provision that allows large consumers to buy electricity directly from power producers or the market, using the existing distribution/transmission wires of the local utility upon payment of "wheeling charges."
- **Wheeling Charges:** The regulated fees paid to a network owner (DISCOM) for using their infrastructure to transport electricity from a third-party producer to a consumer.

### Constitutional and Legal Provisions

- **Article 246 (Seventh Schedule):** Electricity is a **Concurrent List** subject (Entry 38, List III). This empowers both the Centre and States to legislate, with Central law prevailing in case of conflict (Article 254).
- **Section 65 of Electricity Act, 2003:** Governs the provision of subsidies by State Governments. The 2025 Bill emphasizes that subsidies must be budgeted and paid upfront to DISCOMs.
- **Statutory Body (CERC/SERC):** The Bill aims to strengthen these bodies under the original Act to ensure they function as independent adjudicators of tariffs and performance standards.

### Major Implications and Key Points

- **Infrastructure Sharing:** Unlike the 2003 Act, which required each licensee to build its own network, the 2025 amendment allows private players to use existing public-sector infrastructure, preventing wasteful capital duplication.
- **Energy Storage Systems (ESS):** For the first time, ESS (like large-scale batteries) are formally defined as part of the power ecosystem, facilitating the integration of intermittent solar and wind energy.
- **Market-Based Economic Dispatch:** The Bill encourages moving toward a centralized "One Nation, One Grid, One Price" logic to optimize the dispatch of the cheapest power available across India.

### Conclusion and UPSC Relevance

The Electricity (Amendment) Bill, 2025, is a seminal step toward achieving "Viksit Bharat @ 2047" by addressing the ₹6.9 trillion cumulative losses of the distribution sector. While it faces opposition from states



and unions over "backdoor privatization" and federal overreach, the Bill's focus on competition and cost-reflective pricing is essential for India's energy transition.

#### UPSC Relevance:

- **GS Paper II:** Federalism (Concurrent List disputes), Statutory and Regulatory Bodies (CERC/SERC), and Government Policies.
- **GS Paper III:** Infrastructure (Energy), Economic Reforms (Privatization/Competition), and Environment (Renewable energy mandates).
- **Prelims:** Provisions of Electricity Act 2003, RPO vs. Non-fossil obligations, and the role of the Electricity Council.

### 10. Odisha's Saltwater Crocodile Census 2026: Success of the 'Rear and Release' Model

The 2026 annual census of saltwater crocodiles (*Crocodylus porosus*) in Odisha has revealed a population of 1,858 individuals, marking an increase of 32 from the previous year. Conducted between January 8 and 10, the census highlights the continued success of Bhitarkanika National Park as the primary stronghold for this species in India. Notably, this year's survey integrated a pilot drone-based monitoring system to enhance accuracy and reduce observer bias.

#### Executive Summary:

- **Population Growth:** The estuarine crocodile population reached 1,858 in 2026, up from 1,826 in 2025. This growth is a testament to the "saturation" levels of the habitat in Bhitarkanika, which hosts nearly 76% of these reptiles.
- **Demographic Composition:** The census recorded a healthy distribution across age groups: 531 hatchlings, 442 yearlings, 365 juveniles, 167 sub-adults, and 353 adults. The presence of over 500 hatchlings indicates a robust and active breeding cycle.
- **Technological Innovation:** For the first time, a pilot drone-based survey was introduced alongside traditional boat-based counts. This move aims to standardize protocols for aerial monitoring in difficult-to-access mangrove terrains.
- **Geographic Hotspot:** The Kanika Wildlife Range remains the most densely populated area, accounting for 1,424 crocodiles. Other significant sightings occurred in the Rajnagar, Gahirmatha, and Mahakalpada ranges.
- **Success of Conservation:** Starting with just 95 individuals in 1975, the population has grown nearly 20-fold. This is credited to the 'Rear and Release' program launched in collaboration with the UNDP and FAO.
- **Habitat Indicator:** As apex predators, the rising number of saltwater crocodiles serves as a key indicator of the health and ecological integrity of the Bhitarkanika mangrove ecosystem, a designated Ramsar site.



#### Key Definitions

- **Saltwater Crocodile (Estuarine):** The largest living crocodylian species on Earth, capable of living in both saline and freshwater environments. They are apex predators and known as "flagship species" for mangrove conservation.



- **Rear and Release Technique:** A conservation method where eggs are collected from the wild, hatched in controlled environments to prevent predation, and the young are released back into the wild once they reach a size (approx. 1 meter) where they can survive on their own.
- **Census Methodology:** A combination of "Direct Sight" during the day (for adults/sub-adults) and "Spotlight Count" at night (for hatchlings/yearlings) to capture the total population across 54 designated segments.

### Constitutional & Legal Provisions

- **Wildlife (Protection) Act, 1972:** Saltwater crocodiles are listed under **Schedule I**, granting them the highest level of legal protection in India.
- **IUCN Red List Status:** Globally classified as "**Least Concern**" due to large populations in Australia and SE Asia, but in India, they are considered a high-priority conservation species due to restricted habitats.
- **CITES:** Listed under **Appendix I** in India, which prohibits international commercial trade in the species or its parts.
- **Article 48A:** Directs the State to protect and improve the environment and safeguard the wildlife of the country.

### Additional Keypoints & Challenges

- **Odisha's Unique Status:** Odisha is the only state in India to host all three species of crocodilians: the Saltwater Crocodile, the Mugger (Marsh Crocodile), and the Gharial.
- **Human-Crocodile Conflict (HCC):** With the population reaching its "carrying capacity" in Bhitarkanika, incidents of crocodiles straying into village ponds and rivers have increased, leading to fatal attacks and retaliatory killings.
- **Eco-tourism Impact:** Annual census periods involve temporary closures of the national park to tourists (e.g., Jan 8–10) to ensure a disturbance-free environment for the reptiles and the survey teams.

### Conclusion

The 2026 census results reaffirm Bhitarkanika's status as the "Galapagos of the East." While the marginal increase suggests the population is approaching its natural carrying capacity, the successful pilot of drone technology paves the way for a more scientific, data-driven approach to wildlife management. The future focus must shift from pure population growth to mitigating human-wildlife conflict and protecting the peripheral mangrove corridors.

### UPSC Relevance

- **GS Paper III:** Environment and Biodiversity (Species recovery programs, Ramsar sites, Conservation efforts).
- **GS Paper II:** Government Policies and Interventions (Implementation of Wildlife Act, role of PCCF).
- **Prelims:** IUCN status of the three Indian crocodilians, location of Bhitarkanika and Gahirmatha, and the "Rear and Release" project history.



## 11. India's Diplomatic 'White Spaces' in 2026: Navigating Small Tables for Big Dividends

On Republic Day 2026, the presence of the European Union's (EU) top leadership—Ursula von der Leyen and António Costa—marks a strategic pivot in Indian foreign policy. As bilateral ties with major powers face traditional frictions, India is increasingly looking toward "diplomatic white spaces"—gaps in global leadership where coalitions can shape rules and deliver public goods.

### Executive Summary:

- **The EU Shift:** Inviting the EU's institutional leadership (representing 27 nations) instead of a single head of state signals India's intent to conclude the India-EU FTA. This "de-risking compact" aims to secure market access, align data standards, and hedge against US-led trade protectionism.
- **Diplomatic White Spaces:** These are thematic areas where global leadership is fragmented. India's strategy in 2026 involves acting as a "convenor" in these spaces to deliver global public goods (e.g., climate finance, AI standards) through agile coalitions.
- **BRICS as a Functionality Test:** As the 2026 BRICS Chair, India faces the challenge of a widened but blurred 10-member bloc. India's priority is steering the New Development Bank (NDB) toward practical delivery while avoiding an anti-Western or "de-dollarization" narrative that could alienate Western capital.
- **The Quad and Maritime Security:** With a potential Quad summit in India involving US President Donald Trump, the focus is shifting to "capability as a service." Initiatives like Maritime Domain Awareness (MDA) and resilient ports aim to provide Indo-Pacific nations with non-coercive security options.
- **Neighborhood First & SAGAR:** "Operation Sagar Bandhu" (November 2025) in response to Cyclone Ditwah in Sri Lanka exemplified India's "First Responder" status. It demonstrated how Indian assets can be rapidly retasked for humanitarian assistance and disaster relief (HADR) without diplomatic friction.
- **The Rise of "Small Tables":** India is increasingly engaging in "capability clubs" like **Pax Silica** (a US-led AI and semiconductor supply chain initiative) and hosting the AI Impact Summit (February 2026), reflecting a preference for smaller, results-oriented forums over gridlocked multilateral institutions.

### Key Definitions

- **Diplomatic White Spaces:** Geopolitical areas where global rules are yet to be set or where leadership is vacant, allowing emerging powers like India to shape norms through "minilateral" coalitions.
- **Pax Silica:** A US-led strategic coalition focused on securing a resilient and trusted AI supply chain, spanning critical minerals, semiconductors, and advanced manufacturing.
- **Operation Sagar Bandhu:** A large-scale Indian HADR operation launched in late 2025 to assist Sri Lanka after Cyclone Ditwah, utilizing the **BHISHM** modular medical cubes and naval assets.
- **De-risking Compact:** A strategic economic approach (often used by the EU and India) to reduce excessive dependency on a single country (like China) without completely "decoupling" from global trade.



## Constitutional & Legal Provisions

- **Article 51 (DPSP):** Directs the State to promote international peace and security and maintain just and honorable relations between nations.
- **Seventh Schedule (Union List, Entry 10):** Gives the Union Parliament exclusive power over "Foreign Affairs; all matters which bring the Union into relation with any foreign country."
- **Article 253:** Empowers Parliament to make laws for implementing any treaty, agreement, or convention with any other country or countries.

## Strategic Institutional Context

- **New Development Bank (NDB):** Headquartered in Shanghai, it is the primary financial arm of BRICS. India seeks to enhance NDB's credit guarantees to fund sustainable infrastructure in the Global South.
- **UN Reform vs. Coalitions:** The UN's growing inability to deliver during major power conflicts has led India to prioritize forums like the G-20, Quad, and I2U2 for tangible outcomes.
- **Board of Peace:** A proposed US initiative under the Trump administration aimed at peace-building, where India's role as a "Vishwa Bandhu" (Global Friend) is considered vital.

## Conclusion

In 2026, India's diplomatic success will not be measured by the size of the tables it joins, but by the effectiveness of the smaller tables it helps build. By focusing on "white space" diplomacy—specifically in technology (AI), trade (EU FTA), and regional public goods (Quad)—India is positioning itself as an indispensable "bridge-builder" in a fragmented world order. The 2026 Republic Day is thus a signal of a more technocratic, delivery-oriented Indian foreign policy.

## UPSC Relevance

- **GS Paper II:** International Relations (Bilateral, regional and global groupings; Effect of policies of developed countries on India's interests).
- **GS Paper III:** Technology (Semiconductors/AI) and Disaster Management (HADR operations).
- **Mains Perspective:** Analyze the shift from "Non-Alignment" to "Multi-Alignment" and the role of "minilaterals" in modern Indian diplomacy.

## 12. Special Intensive Revision (SIR) 2026: Navigating the Intersection of Electoral Cleansing and Citizenship

The ongoing Special Intensive Revision (SIR) of electoral rolls by the Election Commission of India (ECI) has surfaced as a major flashpoint in Indian politics. Aimed at refining voter lists by removing deceased, shifted, and ineligible entries, the exercise has omitted nearly 6.5 crore electors from draft rolls across 12 States and Union Territories. While the government frames this as a necessary step for national security and electoral integrity, the Opposition characterizes the procedural discrepancies as a "manufactured" effort to influence electoral outcomes.

### Executive Summary:

- **The Scale of Revision:** The 2026 SIR is one of the most comprehensive voter list overhauls, involving house-to-house verification by Booth Level Officers (BLOs). It focuses on identifying



"logical discrepancies"—such as impossible age gaps between parents and children or duplicate entries across constituencies.

- **National Security vs. Inclusion:** The drive is heavily influenced by concerns over undocumented immigrants. In poll-bound states like West Bengal and border regions, the revision is seen through the lens of detecting "illegal infiltrators," echoing the intent behind the *Immigration and Foreigners Act, 2025*.
- **Judicial Safeguards:** On January 19, 2026, the Supreme Court (*Mostari Banu v. ECI*) intervened to ensure transparency. It mandated that names flagged for "logical discrepancies" must be publicly displayed at Gram Panchayats and allowed affected voters to submit objections through authorized representatives.
- **The "Presumption of Citizenship":** A critical legal debate has emerged over whether a voter who has survived multiple previous revisions should be presumed a citizen. The ECI maintains its role is limited to "identifying" eligible electors for registration, not "determining" citizenship for deportation.
- **Political Polarization:** The Opposition's "vote chori" (voter theft) campaign highlights procedural hardships faced by the poor, while the ruling dispensation leverages the "emotive potency" of border security to consolidate support in Northern and Eastern India.
- **Lessons from Global Trends:** The discourse mirrors global patterns where centrist and left-leaning parties face pressure from populist "anti-immigration" movements (e.g., in Germany and Hungary) when they are perceived as avoiding tough conversations on border control.

### Key Definitions

- **Special Intensive Revision (SIR):** A thorough, house-to-house enumeration process conducted by the ECI (under Article 324) to prepare a fresh electoral roll, distinct from the routine "Summary Revision."
- **Logical Discrepancy:** A technical category used by the ERONET portal to flag entries where data points are mathematically or biologically improbable (e.g., a voter being only 10 years younger than their parent).
- **Operation Kalnemi:** A 2025 Uttarakhand police campaign targeting imposters and undocumented individuals (including Bangladeshi nationals) residing under false identities.
- **Vishwa Bandhu:** A diplomatic stance of being a "Global Friend," often contrasted with the need for strict internal border management.

### Constitutional & Legal Provisions

- **Article 324:** Vests the superintendence, direction, and control of the preparation of electoral rolls in the Election Commission of India.
- **Article 326:** Establishes adult suffrage; only citizens of India, not less than 18 years of age, are entitled to be registered as voters.
- **Representation of the People Act, 1950:**
  - **Section 16:** Disqualifies non-citizens from registration.
  - **Section 22:** Empowers the Electoral Registration Officer (ERO) to delete names of persons who have died or ceased to be "ordinarily resident."



- **Immigration and Foreigners Act, 2025:** Replaced colonial-era laws to provide a tech-driven framework for tracking foreign entry and stay, shifting the burden of proof of legal status to the individual.

### Key Concerns & Emerging Narratives

- **Burden of Proof:** Under the *Lal Babu Hussain (1995)* precedent, the burden to prove non-citizenship lies on the state for those already on the rolls. However, current SIR protocols are pushing for stricter "legacy linkage" to older rolls (e.g., 2002).
- **Technological Disruption:** While the ERONET portal automates the detection of anomalies, the "soft-touch" approach often leads to mass notices that create panic among legitimate but undocumented citizens, such as Hindu refugees (Matua community).
- **Immigration Duality:** The government distinguishes between "legal immigrants" (who contribute to the economy) and "illegal infiltrators" (viewed as security threats), a distinction the 2025 Act codifies through stricter penalties and tracking.

### Conclusion

The 2026 SIR is more than a technical cleanup; it is a recalibration of India's electoral and citizenship landscape. For a successful outcome, the ECI must balance the "National Security" imperative of removing illegal entries with the "Universal Franchise" requirement of protecting every genuine citizen's right to vote. As observed by the Supreme Court, the process must be "transparent and non-arbitrary" to maintain the sanctity of Indian democracy.

### UPSC Relevance

- **GS Paper II:** Governance (Elections and the RP Acts), Constitutional Bodies (ECI), and Social Justice (Rights of marginalized/refugees).
- **GS Paper III:** Internal Security (Border management and illegal migration).
- **Mains Perspective:** Discuss the challenges of maintaining accurate electoral rolls in a country with high internal migration and porous borders.

## 13. Tamil Nadu Assured Pension Scheme (TAPS): A Hybrid Fiscal Solution

In January 2026, the Tamil Nadu government launched the **Tamil Nadu Assured Pension Scheme (TAPS)**, effective from January 1, 2026. This hybrid model aims to resolve the long-standing conflict between the fiscally unsustainable Old Pension Scheme (OPS) and the market-linked Contributory Pension Scheme (CPS/NPS). Designed based on the recommendations of the **Gagandeep Singh Bedi Committee**, TAPS serves as a middle path that guarantees income security while maintaining a contributory framework.

### Executive Summary:

- **Assured Benefit Model:** TAPS guarantees a monthly pension equal to **50% of the last drawn basic pay** plus Dearness Allowance (DA). This removes the market-linked volatility of the NPS and mirrors the security of the OPS.
- **Contributory Framework:** Unlike the fully state-funded OPS, TAPS retains the requirement for employees to contribute **10% of their basic pay and DA**, with a matching or higher contribution from the state government.



- **Superior to UPS:** While the Central Government's Unified Pension Scheme (UPS) calculates pension based on the average of the last 12 months' pay, TAPS uses the **last month's pay**, typically resulting in a higher payout for the retiree.
- **Inflation Protection:** Pensioners under TAPS receive **DA hikes twice a year** (January and July) at par with serving employees, ensuring their purchasing power remains protected against inflation.
- **Social Security Net:** The scheme provides a family pension equal to **60% of the last drawn pension** to nominees and includes a Death-cum-Retirement Gratuity (DCRG) with a ceiling of **₹25 lakh**.
- **Transition & Eligibility:** TAPS is mandatory for all new recruits from January 1, 2026. Existing CPS employees (approximately 6.24 lakh) are given a one-time option at retirement to choose between their CPS corpus or switching to TAPS.

### Key Definitions

- **Pension Reset:** A feature of the OPS where the pension amount is revised upward whenever a new Pay Commission's recommendations are implemented. Notably, TAPS **does not** include a pension reset.
- **Annuity:** A financial product that provides a fixed stream of payments for a person's lifetime. In the NPS, retirees were forced to buy annuities, whereas TAPS provides the pension directly from the state exchequer.
- **Defined Benefit vs. Defined Contribution:** OPS is a "Defined Benefit" (payout is fixed), whereas NPS is a "Defined Contribution" (payout depends on market returns). TAPS is an "Assured Benefit" (payout is guaranteed but funded through contributions).

### Constitutional & Legal Provisions

- **Article 309:** Empowers the State Legislature to regulate the recruitment and conditions of service of persons appointed to public services in connection with the affairs of the State.
- **Article 246 (Seventh Schedule):** "State pensions" (pensions payable by the State or out of the Consolidated Fund of the State) falls under the **State List (Entry 42)**.
- **PFRDA Act, 2013:** The statutory framework for the National Pension System. Tamil Nadu's move to invest TAPS funds through PFRDA instead of LIC marks a shift toward professional fund management.
- **Article 203:** Relates to the procedure in the Legislature with respect to estimates (Budgeting), under which the ₹13,000 crore one-time expenditure for TAPS must be cleared.

### Fiscal Comparison: OPS vs. NPS vs. TAPS

Feature	Old Pension Scheme (OPS)	National Pension System (NPS)	TN Assured Pension (TAPS)
Contribution	Zero (Fully State-funded)	10% Employee + 14% Govt	10% Employee + Matching Govt
Pension Amount	50% of Last Pay	Market Linked (Variable)	<b>50% of Last Pay</b>



Feature	Old Pension Scheme (OPS)	National Pension System (NPS)	TN Assured Pension (TAPS)
<b>Inflation Adj.</b>	DA Hikes included	None (unless via Annuity)	<b>DA Hikes included</b>
<b>Gratuity</b>	Available	Corpus-linked	<b>Up to ₹25 Lakh</b>
<b>Pension Reset</b>	Yes (Every 10 years)	No	<b>No</b>

### Conclusion and UPSC Relevance

The Tamil Nadu Assured Pension Scheme (TAPS) represents a pragmatic evolution in India's fiscal federalism. By combining the "assurance" of the OPS with the "funding" mechanism of the NPS, it seeks to avoid the inter-generational inequity of the old system where future taxpayers bear the total burden of current retirees. However, the success of TAPS depends on the state's ability to manage its Own Tax Revenue (SOTR), as pension liabilities are projected to consume nearly 20% of tax receipts by 2035.

### UPSC Relevance:

- **GS Paper II:** Governance and Social Justice (Welfare schemes for vulnerable sections; Role of civil services).
- **GS Paper III:** Indian Economy (Fiscal policy, Government budgeting, and Resource mobilization).
- **Mains Perspective:** Analyze the challenges of "Pension Reforms" in India and the sustainability of reverting to assured-pension models in a growing economy.