



“ We help you reach for the star ”

**VIDHVATH IAS KAS ACADEMY**  
&  
**STUDY CENTRE**

# DAILY CURRENT AFFAIRS

FOR UPSC CIVIL SERVICE EXAMINATION

**DATE: 27/03/2026 (FRIDAY)**



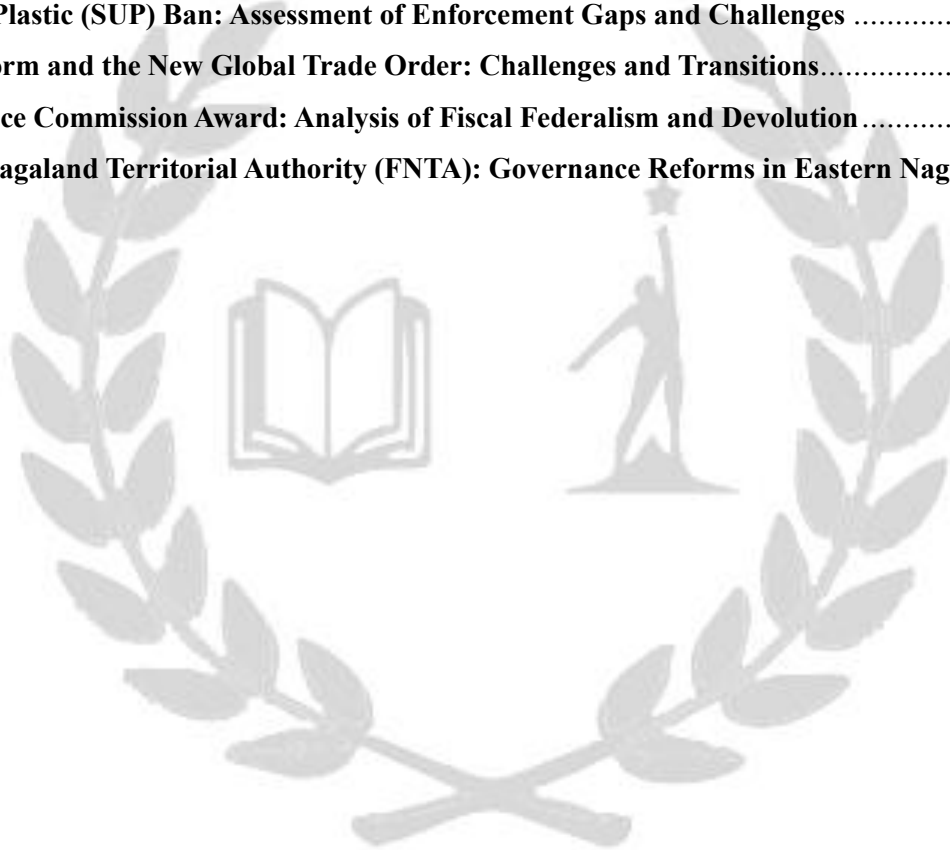
 **9972258970 & 9740702455**

**#317/A SKB Arcade, D. Subbaiah Road,  
Ramaswamy Circle, Mysuru-570004**



## **Table of Contents**

1. Strait of Hormuz: Iran Grants Passage to India Amid West Asian Conflict.....	2
2. India's Climate Targets 2035: Advancing the Decarbonisation Roadmap.....	3
3. OECD Economic Outlook: India's Growth Trajectory and Global Headwinds .....	5
4. India's Decarbonisation Milestone: Record Low Emission Growth in 2025.....	6
5. Gruh Sugam Portal: Digital Transformation in Housing Finance for Public Servants .....	8
6. Health Insurance Sector in India: Accelerated Growth and Consumer-Centric Reforms .....	9
7. S-400 Triumf Delivery: Strengthening India's Air Defence Umbrella .....	10
8. Geopolitical Volatility and the NBFC Sector: Impact of the West Asian Conflict .....	12
9. Single-Use Plastic (SUP) Ban: Assessment of Enforcement Gaps and Challenges .....	13
10. WTO Reform and the New Global Trade Order: Challenges and Transitions.....	15
11. 16th Finance Commission Award: Analysis of Fiscal Federalism and Devolution.....	16
12. Frontier Nagaland Territorial Authority (FNTA): Governance Reforms in Eastern Nagaland .....	17



**VIDHVATH IAS ACADEMY**



## 1. Strait of Hormuz: Iran Grants Passage to India Amid West Asian Conflict

- **Strategic Access Accord:** Iran has officially permitted vessels from five "friendly nations"—India, China, Russia, Iraq, and Pakistan—to navigate the Strait of Hormuz, a move aimed at maintaining trade flows for partners despite the ongoing conflict with U.S. and Israeli forces.
- **Assertion of Maritime Sovereignty:** Iranian Foreign Minister Abbas Araghchi emphasized that the Strait lies within the territorial waters of Iran and Oman, asserting Tehran's legal sovereignty over the waterway which connects the Persian Gulf to the Gulf of Oman.
- **Maritime Diplomacy and Humanitarian Assistance:** Iran expressed gratitude to India and Sri Lanka for their "significant help" in transferring naval ships (IRIS Lavan and IRIS Bushehr) to safe locations in Kochi and Trincomalee following the sinking of the Iranian frigate IRIS Dena by U.S. forces.
- **India's Energy Buffer:** To mitigate supply chain disruptions, the Ministry of Petroleum and Natural Gas (MoPNG) confirmed that India holds a cumulative fuel reserve capacity of 74 days, including 60 days of crude oil stocks and a 40% increase in domestic LPG production.
- **Shift Toward De-dollarization:** In a bid to counter currency volatility and high conversion costs, India is experimenting with local currency trade mechanisms with Gulf Cooperation Council (GCC) countries, potentially shifting 80% of oil import payments away from the U.S. dollar.
- **Diplomatic Backchannels:** While official talks between Tehran and Washington remain suspended, indirect negotiations are reportedly being facilitated by Pakistan, Turkiye, and Egypt to prevent further escalation in the region.



### Key Definitions

- **Strait of Hormuz:** A narrow chokepoint between the Persian Gulf and the Gulf of Oman; it is the world's most important oil transit passage, through which approximately 1/5 of the world's total oil consumption passes.
- **Strategic Petroleum Reserves (SPR):** Emergency fuel storage maintained by a country to ensure economic stability and national security during an energy crisis or supply disruption.
- **De-dollarization:** A process where countries reduce their reliance on the U.S. dollar as a reserve currency, medium of exchange, or unit of account in international trade.

### Constitutional and Legal Provisions

- **Article 51 (Directive Principles of State Policy):** The Indian Constitution mandates the State to promote international peace and security, maintain just and honorable relations between nations, and foster respect for international law and treaty obligations.
- **UNCLOS (United Nations Convention on the Law of the Sea):** The legal framework governing maritime rights. While Iran asserts sovereignty, UNCLOS generally provides for "Transit Passage" through international straits, a point often contested when territorial waters are involved.
- **Territorial Waters:** Under international law, a belt of coastal waters extending at most 12 nautical miles (22 km; 14 miles) from the baseline of a coastal state.



### Additional Key Insights

- **Trade Diversification:** India is sourcing LPG from diverse origins including the U.S., Russia, and Australia to ensure a "month of supply" is always en route, reducing vulnerability to single-region shocks.
- **Fiscal Protection:** Trading in local currencies helps India manage the "fiscal double-hit"—the simultaneous impact of rising global crude prices and the depreciation of the Indian Rupee against the Dollar.
- **Regional Stability:** The involvement of Pakistan and Sri Lanka in assisting Iranian interests highlights the complex, multi-aligned nature of South Asian foreign policy during West Asian crises.

### Conclusion

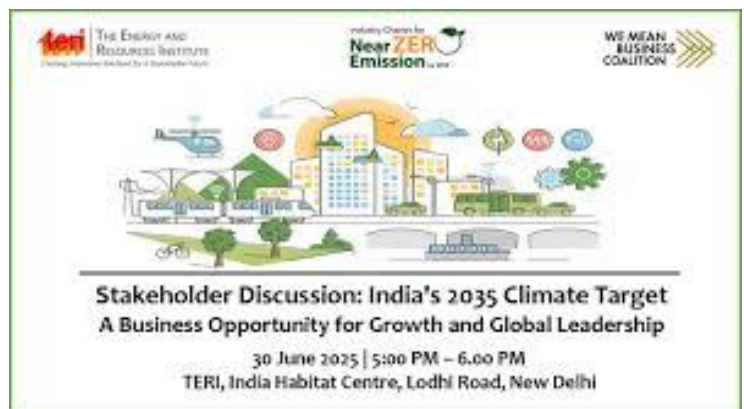
Iran's decision to grant India preferential access to the Strait of Hormuz underscores the strength of bilateral ties and India's successful "Look West" diplomacy. However, the region remains a geopolitical tinderbox. For India, the twin strategy of building robust domestic energy reserves and pioneering local currency trade with the GCC provides a critical safety net against external volatility.

### UPSC Relevance

- **Prelims:** Mapping (Strait of Hormuz, Persian Gulf, Gulf of Oman, Kochi, Trincomalee), UNCLOS provisions, and Strategic Petroleum Reserve locations in India (Visakhapatnam, Mangaluru, Padur).
- **Mains (GS Paper II & III):** Effect of policies and politics of developed and developing countries on India's interests; Energy Security; Indian Economy (Exchange rate and Trade balance); and Maritime Security in the Indian Ocean Region.

## 2. India's Climate Targets 2035: Advancing the Decarbonisation Roadmap

- **NDC Progression:** In alignment with the 2015 Paris Agreement's mandate for periodic updates, India has submitted its Nationally Determined Contributions (NDCs) for 2035, marking a significant step beyond its 2030 commitments.
- **Enhanced Energy Transition:** India has pledged to ensure that at least 60% of its total electricity installed capacity will be derived from non-fossil fuel sources by 2035, an increase from the 50% target previously set for 2030.
- **Emission Intensity Reduction:** The new targets aim for a 47% reduction in emissions intensity per unit of GDP relative to 2005 levels by 2035; this represents a 2% enhancement over the 45% goal established for the 2030 timeline.
- **Carbon Sink Expansion:** The government has committed to creating an additional carbon sink of 3.5 to 4 billion tonnes of CO<sub>2</sub>-equivalent through expanded forest and tree cover, surpassing the previous 2030 target of 2.5 to 3 billion tonnes.
- **Strategic Autonomy in Energy:** By reaffirming its clean energy pathway amidst global volatility—including the US shift toward fossil fuels and conflicts





in West Asia affecting the Strait of Hormuz—India is positioning renewable energy as a pillar of national security.

- **Caution Over Climate Finance:** Despite domestic projections suggesting a potential 70% non-fossil share by 2035, India has opted for a conservative 60% formal target, reflecting disappointment over the lack of adequate financial support from developed nations.

### Key Definitions

- **Nationally Determined Contributions (NDCs):** Climate action plans to cut emissions and adapt to climate impacts, which each party to the Paris Agreement is required to establish and update every five years.
- **Emissions Intensity:** The volume of greenhouse gas emissions emitted per unit of economic output (GDP), allowing for a comparison of environmental efficiency across different scales of economic activity.
- **Carbon Sink:** A natural or artificial reservoir that absorbs and stores more carbon dioxide from the atmosphere than it releases, such as forests, oceans, or soil.

### Constitutional and Legal Provisions

- **Article 48A (DPSP):** Directs the State to protect and improve the environment and to safeguard the forests and wildlife of the country.
- **Article 51A(g) (Fundamental Duties):** Mandates every citizen to protect and improve the natural environment including forests, lakes, rivers, and wildlife.
- **Environment Protection Act, 1986:** The umbrella legislation providing a framework for coordination of central and state authorities for environmental protection.
- **Paris Agreement (Article 4.9):** Requires each Party to communicate a nationally determined contribution every five years, with each successive NDC representing a progression beyond the previous one.

### Important Keypoints for Analysis

- **Global Energy Shift:** While the US under the Trump administration has prioritised oil and gas, India's commitment provides a crucial counter-signal to the global market, maintaining momentum for the green transition.
- **Economic Advantage:** Shift to renewables reduces dependency on volatile global oil prices and vulnerable maritime trade routes, effectively shielding the Indian economy from external supply shocks.
- **Internal Capacity vs. International Commitment:** India's 60% target vs. the CEA's 70% projection indicates a "policy of realism," where India retains a buffer to avoid international legal friction while striving for higher domestic performance.

### Conclusion and UPSC Relevance

India's 2035 climate targets reflect a mature "dual-track" approach: maintaining high-growth economic aspirations while incrementally raising the bar for environmental sustainability. By anchoring its energy security in renewables rather than volatile fossil fuel imports, India is leveraging climate action as a tool for strategic sovereignty.



### 3. OECD Economic Outlook: India's Growth Trajectory and Global Headwinds

- **Growth Projections:** The Organisation for Economic Co-operation and Development (OECD), in its latest interim Economic Outlook report, has projected India's Gross Domestic Product (GDP) to expand by 7.6% in the current fiscal year (2025-26), making it the fastest-growing major economy globally.
- **Future Moderation:** For the subsequent fiscal year (2026-27), the growth rate is expected to moderate to 6.1%, reflecting a normalization of base effects and the lingering impact of global monetary tightening and geopolitical uncertainties.
- **West Asian Conflict Impact:** The OECD highlights that the escalating conflict in West Asia poses significant "human and economic costs," specifically testing the resilience of the global economy through potential energy price volatility and maritime trade disruptions.
- **Domestic Drivers:** India's robust performance is attributed to strong domestic demand, sustained government emphasis on infrastructure capital expenditure (Capex), and a resilient financial sector, which have helped decouple the nation from some global slowdown trends.
- **Global Resilience Under Pressure:** While the global economy has shown surprising durability, the OECD warns that persistent geopolitical tensions could trigger inflationary shocks, forcing central banks to maintain higher interest rates for longer periods.
- **Strategic Risk Assessment:** The report underscores the necessity for emerging economies like India to maintain fiscal buffers and diversify supply chains to mitigate the external shocks emanating from the Persian Gulf and Red Sea corridors.



#### Key Definitions

- **Gross Domestic Product (GDP):** The total monetary value of all finished goods and services produced within a country's borders in a specific time period, serving as a comprehensive scorecard of a country's economic health.
- **OECD (Organisation for Economic Co-operation and Development):** An intergovernmental economic organization with 38 member countries, founded in 1961 to stimulate economic progress and world trade. India is a "Key Partner" of the OECD, not a full member.
- **Interim Economic Outlook:** A periodic assessment by the OECD that provides high-level updates on the global economic environment and growth forecasts for G20 economies between full report cycles.

#### Constitutional and Legal Provisions

- **Article 280 (Finance Commission):** While the OECD provides external projections, the Finance Commission of India uses such growth data to recommend the distribution of net proceeds of taxes between the Union and the States.
- **Fiscal Responsibility and Budget Management (FRBM) Act, 2003:** High growth projections like 7.6% provide the government with the fiscal space necessary to adhere to the glide path of reducing the fiscal deficit toward the target of 4.5% of GDP.



- **Article 112 (Annual Financial Statement):** External benchmarks from organizations like the OECD serve as vital inputs for the Ministry of Finance when drafting the Union Budget and estimating revenue receipts based on nominal GDP growth.

### Additional Keypoints

- **Inflationary Pressures:** Despite high growth, the OECD notes that food and energy inflation remains a sensitivity for India, requiring vigilant "calibrated" monetary policy from the Reserve Bank of India (RBI).
- **Investment Climate:** The 7.6% projection is expected to bolster investor confidence, potentially increasing Foreign Direct Investment (FDI) inflows in the manufacturing and green energy sectors.
- **Global Trade Dynamics:** The report suggests that as global growth remains uneven, India's focus on bilateral trade agreements and "Local Currency Settlement" systems will be crucial for maintaining export momentum.

### Conclusion

The OECD's projection of 7.6% growth reaffirms India's position as a relative "bright spot" in a fragmented global landscape. However, the anticipated slowdown to 6.1% in the following year and the looming shadow of West Asian instability suggest that India must continue its structural reforms—particularly in land, labor, and logistics—to ensure long-term sustainable growth above the 7% threshold.

### UPSC Relevance

- **Prelims:** Specific growth percentages (7.6% vs 6.1%), reports and indices published by the OECD (e.g., PISA, Revenue Statistics, Services Trade Restrictiveness Index), and the status of India's membership in international economic blocks.
- **Mains (GS Paper III):** Indian Economy and issues relating to planning, mobilization of resources, growth, development, and employment. The impact of external geopolitical shocks on domestic macro-economic stability and the role of international organizations in economic forecasting.

## 4. India's Decarbonisation Milestone: Record Low Emission Growth in 2025

- **Historic Deceleration:** According to an analysis by the Centre for Research on Energy and Clean Air (CREA), India's carbon dioxide (CO<sub>2</sub>) emissions grew by just 0.7% in 2025, marking the slowest growth rate in over two decades.
- **Mid-Year Stability:** The report highlights that in the second half of 2025, emission growth further dipped to a mere 0.5%, signaling a potential peaking or significant stabilization of carbon output despite continued economic expansion.
- **Decoupling Growth from Emissions:** This trend indicates a successful "decoupling" where India's GDP continues to rise while the carbon intensity of its energy mix decreases, a critical requirement for sustainable development.
- **Renewable Energy Integration:** The slowdown is largely attributed to the massive scale-up of non-fossil fuel power capacity, particularly solar and wind, which has started to displace coal's dominance in the incremental power demand.
- **Energy Efficiency Gains:** Sustained efforts under the Perform, Achieve and Trade (PAT) scheme and the adoption of green hydrogen in heavy industries have contributed to lower emission trajectories across the manufacturing sector.



- **Global Climate Leadership:** By curbing emission growth to sub-1% levels, India strengthens its position in international climate negotiations, demonstrating that large developing economies can transition toward low-carbon pathways effectively.

### Key Definitions

**Carbon Intensity:** The amount of carbon by weight emitted per unit of energy consumed or per unit of GDP; reducing this is central to India's climate strategy. **Decoupling:** An economic phenomenon where the growth of a country's economy (GDP) occurs without a corresponding increase in environmental pressure or carbon emissions. **Carbon Peaking:** The point at which a country's greenhouse gas emissions reach their maximum level before starting a permanent decline.



### Constitutional and Legal Provisions

**Article 48A (DPSP):** Mandates that the State shall endeavor to protect and improve the environment and safeguard the forests and wildlife of the country. **Article 51A(g) (Fundamental Duties):** It is the duty of every citizen of India to protect and improve the natural environment including forests, lakes, rivers, and wildlife. **Energy Conservation Act, 2001 (Amended 2022):** Provides the legal framework for the carbon credit trading scheme and mandates the use of non-fossil energy sources for designated consumers.

**Environment Protection Act (1986):** Serves as the "umbrella" legislation for coordinating the activities of various central and state authorities established under previous laws.

### Additional Keypoints

The CREA report underscores that while power sector emissions are stabilizing, the transport and agricultural sectors remain areas requiring deeper structural reforms. The 0.7% growth rate is significantly lower than the pre-pandemic average of 5% to 6%, suggesting that the "National Action Plan on Climate Change (NAPCC)" is yielding tangible results. Furthermore, the rapid electrification of the railway network (approaching 100%) and the proliferation of electric vehicles (EVs) have played a secondary but vital role in this emission slowdown.

### Conclusion

The 2025 emission data represents a watershed moment for India's energy transition. Achieving the slowest growth in twenty years confirms that the shift toward renewables is no longer just a policy goal but a functional reality. However, maintaining this momentum will require continued investment in battery storage and grid modernization to manage the intermittency of clean energy as coal's share continues to plateau.

### UPSC Relevance

**General Studies Paper III:** Conservation, environmental pollution and degradation, environmental impact assessment, and the link between economic growth and energy security. **General Studies Paper II:** Government policies and interventions for development in various sectors and issues arising out of their design and implementation. **Preliminary Examination:** Focus on the "Centre for Research on Energy and Clean Air (CREA)," emission growth percentages (0.7%), and specific constitutional articles related to the environment.



## 5. Gruh Sugam Portal: Digital Transformation in Housing Finance for Public Servants

- **Digital Integration Hub:** The National Housing Bank (NHB) has launched the "Gruh Sugam Portal," a specialized digital platform designed to simplify the home loan lifecycle for India's Defence, Paramilitary, and Government personnel.
- **Administrative Unit Facilitation:** Unlike traditional models, the portal allows personnel to apply for housing loans directly through their respective administrative units, eliminating the need for physical visits to financial institutions, which is critical for those in remote postings.
- **Unified Digital Marketplace:** It functions as a transparent marketplace where multiple lending institutions provide competing offers, allowing government employees to compare interest rates and terms to discover the most affordable options.
- **Enhanced Financial Inclusion:** By streamlining access for security forces and civil servants, the portal accelerates the adoption of digital lending and supports the broader national objective of promoting sustainable and affordable housing.
- **Operational Efficiency & Redressal:** The platform features seamless integration between the NHB and various lending institutions, coupled with a dedicated grievance redressal mechanism and an online chat facility for real-time query resolution.
- **Strategic Security Focus:** The initiative specifically addresses the unique logistical challenges faced by personnel stationed at borders or remote locations, ensuring that their service to the nation does not hinder their personal aspirations for home ownership.



### Key Definitions

**National Housing Bank (NHB):** The apex regulatory body for housing finance in India, established under the National Housing Bank Act, 1987, to operate as a principal agency to promote housing finance institutions. **Digital Lending:** The process of offering loans through web platforms or mobile apps, utilizing automated technologies for credit assessment and loan disbursement. **Financial Inclusion:** The delivery of financial services at affordable costs to sections of disadvantaged and low-income segments of society.

### Constitutional and Legal Framework

**Article 21 (Right to Life):** The Supreme Court of India has interpreted the "Right to Housing" as an integral part of the Right to Life, emphasizing the State's role in providing adequate shelter. **National Housing Bank Act, 1987:** The statutory basis for the NHB, providing it with the mandate to regulate and refinance housing finance companies. **Digital India Mission:** This portal aligns with the governance pillar of the Digital India campaign, focusing on "e-Kranti" or electronic delivery of services. **Article 46 (DPSP):** While focusing on weaker sections, the spirit of the Directive Principles encourages the State to promote the economic interests of all citizens through equitable resource distribution.

### Additional Insights for Analysis

The Gruh Sugam Portal acts as a "Single Window Clearance" system for housing credit, reducing the turnaround time (TAT) significantly for applicants. It leverages the verified data available with government administrative units to simplify the "Know Your Customer" (KYC) and income verification processes. From a macroeconomic perspective, such initiatives stimulate the construction sector—a major contributor to India's GDP—by boosting credit flow to the housing market. Furthermore, it fosters a competitive



environment among banks to offer better rates to the "stable-income" government segment, indirectly influencing overall market transparency.

### Conclusion and UPSC Relevance

The launch of the Gruh Sugam Portal represents a shift from "physical-to-digital" governance in the niche sector of public service housing. By addressing the specific mobility and accessibility constraints of the armed forces and government staff, the NHB is reinforcing the social security net for those in national service.

## 6. Health Insurance Sector in India: Accelerated Growth and Consumer-Centric Reforms

- **Stellar Market Performance:** India's health insurance sector has maintained a robust growth trajectory, expanding at a rate of approximately 9% in the 2024-25 fiscal year, with total premium volumes surpassing the significant milestone of ₹1.2 lakh crore.
- **Strict Regulatory Timelines:** To prioritize patient care, the Insurance Regulatory and Development Authority of India (IRDAI) has mandated strict windows for cashless claims: pre-authorization must now be processed within one hour, while final authorization must be completed within three hours.
- **Rising Claims Efficiency:** The claims paid ratio (by number of claims) has seen a steady recovery, reaching 87.50% in FY 2024-25, up from 82.46% in the previous year, reflecting improved operational efficiency across the industry.
- **Effective Grievance Redressal:** Utilizing the Bima Bharosa portal, the regulator successfully disposed of 93% of the 1,37,361 reported grievances within the same fiscal year, significantly strengthening policyholder trust and accountability.
- **Dynamic Pricing Mechanisms:** Under the 2024 regulations, insurance premiums are now subject to periodic review by an Appointed Actuary to ensure they remain "value-driven" and "fair," accounting for factors like aging demographics and enhanced coverage features.
- **Clarity on Disallowance:** The regulator has highlighted that claim repudiations are primarily tied to specific policy limitations such as co-payment clauses, sub-limits on room rents, and non-medical expenses, urging better consumer awareness.

### Key Definitions

**Cashless Settlement:** A facility where the insurer directly settles the medical bills with the network hospital, sparing the policyholder from out-of-pocket expenses at the time of treatment. **Claims Paid Ratio:** The percentage of claims settled by an insurance company against the total number of claims received during a specific period. **Appointed Actuary:** A high-level professional certified by the Institute of Actuaries of India, responsible for ensuring the financial health and fair pricing of insurance products. **Bima Bharosa:** An online platform established by IRDAI for policyholders to lodge and track grievances against insurance companies and intermediaries.



### Constitutional and Legal Provisions

**Article 21 (Right to Life):** The judiciary has expanded this right to include the "Right to Health," making affordable healthcare financing a matter of fundamental importance. **Article 47 (DPSP):** Directs the State to regard the improvement of public health as among its primary duties. **Insurance Regulatory and**



**Development Authority Act, 1999:** The primary legislation that established IRDAI to protect the interests of policyholders and regulate the insurance industry. **Insurance Act, 1938:** The parent legislation governing the operations of insurance companies in India, providing the legal foundation for claim settlements and solvency norms.

### Additional Important Keypoints

The surge in premium volume is not merely a result of rising costs but also reflects a "behavioral shift" in post-pandemic India, where health insurance is viewed as a mandatory financial tool rather than a discretionary spend. The IRDAI's focus on the "one-hour pre-authorization" is a direct intervention in the "Golden Hour" of medical emergencies, ensuring that financial paperwork does not delay life-saving treatment. Furthermore, the 93% grievance disposal rate marks a significant improvement in "Ease of Doing Business" within the financial services sector. However, the industry still faces challenges regarding "Out-of-Pocket Expenditure" (OOPE), which remains high in India compared to global averages, necessitating even deeper penetration of health covers in Tier-II and Tier-III cities.

### Conclusion

The transition of the health insurance sector from a purely commercial enterprise to a highly regulated social security tool is evident in the 2024-25 data. While the ₹1.2 lakh crore premium mark demonstrates scale, the real victory lies in the "three-hour authorization" and high grievance disposal rates, which align the sector with the principles of consumer protection. Moving forward, balancing the "Actuarial Viability" of premiums with "Universal Health Coverage" goals will be the defining challenge for Indian policymakers.

### UPSC Relevance

**General Studies Paper II:** Governance and Social Sector issues relating to Health; Government policies and interventions for development. **General Studies Paper III:** Indian Economy and issues relating to planning, mobilization of resources, and growth; Development in infrastructure and financial services.

**Preliminary Examination:** Focus on IRDAI's new timelines (1-hour/3-hour), Bima Bharosa portal, and current trends in health insurance premiums and claims paid ratios (87.50%).

## 7. S-400 Triumph Delivery: Strengthening India's Air Defence Umbrella

- **Final Delivery Timeline:** India is scheduled to receive the remaining two units of the S-400 Triumph surface-to-air missile (SAM) systems from Russia within the current calendar year. The first of these is expected by next month, with the final squadron delivery slated for November.
- **Strategic Induction:** Out of the five squadrons contracted under a 5.43 billion dollar deal signed in 2018, three have already been deployed at strategic locations along the northern and western borders to counter aerial threats from long ranges.
- **Technical Superiority:** The S-400 is considered one of the world's most advanced long-range SAM systems, capable of engaging multiple targets—including stealth fighters, ballistic missiles, and cruise missiles—at distances up to 400km and altitudes of 30km.
- **Geopolitical Resilience:** Despite the ongoing Russia-Ukraine conflict and the associated global supply chain disruptions, the Ministry of Defence has maintained close coordination with Russian counterparts to ensure the fulfillment of the contract.





- **Integrated Air Defence:** The induction of the S-400 is a critical component of India's multi-layered air defence grid, working in tandem with indigenous systems like Akash (short-range) and MRSAM (medium-range) to provide comprehensive airspace protection.
- **Sanctions Management:** India has navigated complex international pressure, particularly the United States' CAATSA (Countering America's Adversaries Through Sanctions Act) legislation, by asserting its "strategic autonomy" and specific national security requirements.

### Key Definitions

**Surface-to-Air Missile (SAM):** A missile designed to be launched from the ground to destroy aircraft or other missiles. **Strategic Autonomy:** A foreign policy doctrine where a nation makes decisions based on its own national interests without being unduly influenced by other states or alliances. **Air Defence Grid:** A multi-layered network of sensors, radars, and interceptor missiles designed to detect and neutralize incoming aerial threats at various ranges and altitudes.

### Constitutional and Legal Provisions

**Article 51 (Directive Principles):** Encourages the State to promote international peace and security and maintain just and honourable relations between nations, providing the philosophical basis for diverse defence partnerships. **Union List (Schedule VII):** "Defence of India" and "Arms, firearms, ammunition and explosives" fall under the exclusive legislative domain of the Parliament, empowering the Central Government to enter into international arms contracts. **CAATSA (US Law):** A US federal law that imposes sanctions on countries that engage in "significant transactions" with Russian, Iranian, or North Korean defence sectors. India has sought a waiver from this law citing its long-standing ties with Russia.

### Additional Keypoints

The S-400 system utilizes four different types of missiles to create a tiered defence shield, effectively countering "Anti-Access/Area Denial" (A2/AD) strategies by adversaries. Beyond the hardware, the deal includes extensive training for Indian Air Force (IAF) personnel and the integration of the system into the Integrated Air Command and Control System (IACCS). The timely completion of this delivery is also seen as a test of the "Rupee-Rouble" payment mechanism, which was activated to bypass SWIFT-related sanctions on Russian financial institutions.

### Conclusion

The completion of the S-400 deliveries by November will mark a significant milestone in India's military modernization. By successfully balancing its relationship with Washington while maintaining its deep-rooted defence ties with Moscow, New Delhi has demonstrated a sophisticated level of diplomatic maneuvering. This acquisition ensures that India maintains a credible "deterrence-by-denial" capability in an increasingly volatile regional security environment.

### UPSC Relevance

**General Studies Paper II:** Effect of policies and politics of developed and developing countries on India's interests; Indian Diaspora; and Bilateral, regional, and global groupings and agreements involving India.

**General Studies Paper III:** Indigenization of technology and developing new technology; Security challenges and their management in border areas; and various Security forces and agencies and their mandate.



## 8. Geopolitical Volatility and the NBFC Sector: Impact of the West Asian Conflict

- **Rising Lending Caution:** Non-Banking Financial Companies (NBFCs) have adopted a "wait-and-watch" approach, tightening credit supply as the US-Iran conflict raises fears of spiked funding costs and deteriorating asset quality among vulnerable borrower segments.
- **Vulnerability of MSMEs:** Small businesses, particularly those reliant on gas for production and global trade routes for exports (e.g., auto components, engineering, and gems/jewellery), are showing early signs of financial stress due to supply chain disruptions and rising shipping costs.
- **Impact on Funding Costs:** Elevated bond yields and repricing of risk by commercial banks—who are primary lenders to NBFCs—have already led to earnings cuts of 2% to 7% for non-bank lenders since the conflict began on February 28.
- **Sector-Specific Resilience:** While vehicle financing and unsecured MSME loans face higher risks of default if industrial output slows, gold loan companies remain relatively insulated, serving as a safe haven during periods of economic uncertainty.
- **Secondary Inflationary Pressures:** Lenders warn that while government intervention has temporarily shielded fuel prices ahead of state elections, a prolonged war into June 2026 will inevitably trigger permanent price escalations and credit cycle disruptions.
- **Shift in Underwriting Standards:** NBFCs are increasingly favoring longer-tenure loan books and reducing exposure to unsecured personal and housing loans to buffer against the cascading impact of a potential ground offensive in West Asia.



### Key Definitions

**NBFC (Non-Banking Financial Company):** A company registered under the Companies Act engaged in the business of loans, advances, and acquisition of shares/bonds, but which does not possess a full banking license and cannot accept demand deposits. **Asset Quality:** An evaluation of a financial institution's credit risk associated with its assets (loans), typically measured by the proportion of Non-Performing Assets (NPAs). **Second-Order Effects:** The indirect, delayed, or downstream consequences of an event (e.g., war causing high fuel prices, which then reduces a small business's ability to repay a loan). **Bond Yield:** The return an investor realizes on a bond, which rises when perceived market risk increases, thereby increasing the borrowing cost for NBFCs.

### Constitutional and Legal Provisions

**Article 246 (Schedule VII):** Banking and Finance fall under the Union List, giving the Central Government and the RBI exclusive powers to regulate the financial health of NBFCs during global crises. **RBI Act, 1934 (Chapter III-B):** Provides the Reserve Bank of India with the legal authority to regulate and supervise NBFCs to ensure financial stability and protect depositor interests. **MSME Development (MSMED) Act, 2006:** Legal framework aimed at the promotion and development of small enterprises; current disruptions may necessitate the invocation of its "distress" provisions for credit restructuring. **Emergency Credit Line Guarantee Scheme (ECLGS):** A government-backed scheme (often revived during crises) that provides 100% guarantee cover to banks and NBFCs for lending to MSMEs.



### Additional Keypoints

The closure of the Strait of Hormuz has created a critical energy bottleneck, as India relies heavily on this route for nearly 1/5 of its oil and gas imports. Unlike the COVID-19 pandemic, where the government provided immediate "regulatory forbearance" (moratoriums), the current crisis is driven by supply-side shocks and geopolitical inflation, making a similar fiscal rescue more complex. The RBI's recent report highlights that NBFC credit to MSMEs reached 10% of their total portfolio by March 2025, meaning any systemic failure in this sector could have a significant "contagion effect" on the broader Indian banking system.

### Conclusion

The cautious stance of NBFCs serves as a leading indicator of the economic anxiety permeating India's credit markets. While the immediate impact is manageable, the confluence of high shipping costs, gas shortages, and rising interest rates creates a "triple threat" for small-scale industries. For the financial sector to remain resilient, a balance must be struck between prudent risk management and ensuring that the "credit tap" does not run dry for the MSME sector, which remains the backbone of Indian employment.

### UPSC Relevance

**General Studies Paper III:** Indian Economy and issues relating to planning, mobilization of resources, growth, development, and employment; Effects of liberalization on the economy; Investment models.

**General Studies Paper II:** Effect of policies and politics of developed and developing countries on India's interests (West Asian Conflict).

## 9. Single-Use Plastic (SUP) Ban: Assessment of Enforcement Gaps and Challenges

- **Persistent Non-Compliance:** A field study by the environmental group 'Toxics Link' across four major Indian cities (Bhubaneswar, Delhi, Mumbai, and Guwahati) reveals that approximately 84% of surveyed locations continue to use banned single-use plastic items despite the national ban being in effect for over three years.
- **Regional Disparities in Enforcement:** The study indicates varying levels of availability of banned items, with Bhubaneswar recording the highest at 89%, followed by Delhi (86%), Mumbai (85%), and Guwahati (76%), suggesting inconsistent state-level implementation.
- **Informal Sector Dominance:** High availability is concentrated in informal markets, street vendors, and small commercial establishments, whereas organized retail spaces and malls showed significantly higher adherence to the regulatory framework.
- **Consumer-Driven Demand:** Nearly 91% of vendors reported that customers actively demand plastic carry bags, and many perceive disposable plastic cutlery as more "hygienic" than reusable alternatives, creating a behavioral barrier to the transition.
- **Economic Constraints:** Small-scale vendors cite the high cost of sustainable alternatives (such as wooden cutlery, bagasse plates, or thicker 120-micron bags) and the inherent convenience of SUPs as the primary reasons for continued usage.





- **Urgent Policy Recommendations:** The report advocates for robust monitoring mechanisms, regular inspections, and coordinated action among regulatory agencies, aligning with global discussions held at the 2025 Intergovernmental Negotiating Committee on Plastic Pollution in Geneva.

### Key Definitions

**Single-Use Plastic (SUP):** Plastic items intended to be used only once for the same purpose before being disposed of or recycled. These are often non-biodegradable and break down into microplastics.

**Microplastics:** Small plastic pieces less than 5mm long which can be harmful to our ocean and aquatic life.

**Bagasse:** The dry pulpy fibrous residue that remains after sugarcane stalks are crushed to extract their juice; it is used as a sustainable alternative for making disposable plates and bowls. **Extended Producer**

**Responsibility (EPR):** A policy approach under which producers are given a significant responsibility—financial and/or physical—for the treatment or disposal of post-consumer products.

### Constitutional and Legal Provisions

**Article 48A (DPSP):** Mandates that the State shall endeavor to protect and improve the environment.

**Article 51A(g) (Fundamental Duties):** It is the duty of every citizen to protect and improve the natural environment. **Plastic Waste Management (Amendment) Rules, 2021:** The specific legal instrument that prohibited the manufacture, import, stocking, distribution, sale, and use of identified single-use plastic items with low utility and high littering potential. **Environment Protection Act, 1986:** Provides the central government the power to take all such measures as it deems necessary for the purpose of protecting and improving the quality of the environment.

### Additional Important Keypoints

The ban specifically targets 19 items including plastic sticks for balloons, earbuds, candy sticks, thermocol for decoration, and thin carry bags. While the supply side (manufacturing) has seen some regulation, the "last-mile" retail presence remains the weakest link in the chain. The Toxics Link report emphasizes that without controlling the supply at the source and providing subsidies for eco-friendly alternatives, the informal market will continue to rely on cheap, illegal stocks. Furthermore, the role of Urban Local Bodies (ULBs) is critical, as they are the primary agencies responsible for on-ground inspections and imposing penalties.

### Conclusion

The 2025 survey serves as a reality check for India's environmental policy, highlighting that a "legislative ban" is insufficient without "behavioral change" and "economic viability" of alternatives. The continued prevalence of SUPs in 84% of sites suggests that the environmental cost of plastic is not yet reflected in market prices, necessitating a shift from mere prohibition to a circular economy model that incentivizes reuse and sustainable packaging.

### UPSC Relevance

**General Studies Paper III:** Environmental pollution and degradation; Conservation; Challenges of solid waste management in urban areas. **General Studies Paper II:** Government policies and interventions for development in various sectors and issues arising out of their design and implementation. **Preliminary Examination:** Knowledge of the Plastic Waste Management Rules, the role of the Central Pollution Control Board (CPCB), and international conventions like the UNEA resolutions on plastic pollution.



## 10. WTO Reform and the New Global Trade Order: Challenges and Transitions

- **Call for Structural Overhaul:** WTO Director-General Ngozi Okonjo-Iweala, at the ministerial meeting in Cameroon, asserted that the "old world order" has irrevocably vanished, necessitating a fundamental overhaul of global trade rules to stay relevant in a fragmented geopolitical landscape.
- **Dispute Settlement Paralysis:** A primary concern highlighted is the ongoing crisis in the WTO's dispute-settlement mechanism, which remains largely non-functional, leading to fears that nations may abandon the rules-based system in favor of unilateral regulations.
- **Consensus vs. Plurilateralism:** The Director-General criticized the current consensus-based decision-making model for causing frequent stalemates; consequently, there is a growing push for "plurilateral agreements" where groups of members can form pacts without requiring total unanimity.
- **Subsidy Transparency Crisis:** The WTO chief identified a critical lack of transparency regarding industrial subsidies as a major source of global mistrust, fueling suspicions of unfair competition and preventing the formulation of new trade rules.
- **E-commerce Moratorium Dispute:** A significant friction point has emerged as India and other developing nations oppose the US effort to permanently ban cross-border e-commerce duties, arguing that such taxes are essential for domestic revenue and policy space.
- **Impact of Geopolitical Turmoil:** The meeting takes place against a backdrop of severe trade disruptions caused by the US-Israeli conflict with Iran and rising protectionist tariffs, highlighting the vulnerability of global supply chains to regional wars.



World ▾ Business ▾ Markets ▾ Sustainability ▾ Legal ▾ Commentary ▾ Technology ▾

### WTO chief calls for trade overhaul to meet new world order

By Olivia Le Poidevin

March 26, 2026 9:33 AM GMT+5:30 · Updated 15 hours ago



### Key Definitions

**Nationally Determined Contributions (NDCs):** While primarily a climate term, in trade contexts, it refers to the individual commitments countries make toward global goals. **Moratorium on E-commerce Duties:** A long-standing, temporary agreement among WTO members not to impose customs duties on electronic transmissions (e.g., software, music, digital files). **Plurilateral Agreement:** A trade pact between a subset of WTO members that applies only to the signatories, unlike multilateral agreements which apply to all 164 members. **Dispute Settlement Body (DSB):** The branch of the WTO responsible for resolving trade conflicts between member states, currently hampered by the vacancy of its Appellate Body.

### Constitutional and Legal Provisions

**Article 253:** Empowering the Indian Parliament to make any law for the whole or any part of the territory of India for implementing any treaty, agreement, or convention with any other country or countries or any decision made at any international conference. **Union List (Schedule VII):** "Trade and commerce with foreign countries; import and export across customs frontiers" falls under Entry 41, granting the Central Government exclusive jurisdiction over WTO-related negotiations. **Marrakesh Agreement (1994):** The foundational treaty that established the WTO, replacing the General Agreement on Tariffs and Trade (GATT). **Article 51 (DPSP):** Mandates the State to foster respect for international law and treaty obligations in the dealings of organized peoples with one another.



### Additional Important Keypoints

The shift in the US stance—demanding a permanent e-commerce tax ban while resisting detailed reform work plans—reflects a shift toward "managed trade" rather than "free trade." India's opposition is rooted in the "Digital Divide," as losing the right to tax digital imports could result in significant revenue loss for developing economies. Furthermore, the "vicious cycle of mistrust" mentioned by the DG refers to the "tit-for-tat" subsidies in green energy and semiconductor sectors (e.g., the US Inflation Reduction Act) which the WTO currently lacks the tools to regulate. The Cameroon meeting (MC-14/Interim) is seen as a "make-or-break" moment for the Multilateral Trading System (MTS).

### Conclusion

The WTO stands at a historic crossroads where the push for modernization clashes with a resurgence of protectionism and geopolitical rivalry. For India, the challenge lies in defending the interests of the Global South—particularly regarding food security and digital sovereignty—while simultaneously advocating for a functional dispute-redressal system that protects smaller players from the unilateral actions of major powers.

### UPSC Relevance

**General Studies Paper II:** Important International institutions, agencies and fora - their structure, mandate; Effect of policies and politics of developed and developing countries on India's interests. **General Studies Paper III:** Issues relating to intellectual property rights; Indian Economy and issues relating to planning, mobilization of resources, and growth. **Preliminary Examination:** Fact-based questions on the WTO Director-General, the e-commerce moratorium, the location of ministerial meetings (Yaoundé, Cameroon), and the structure of the Dispute Settlement Body.

## 11. 16th Finance Commission Award: Analysis of Fiscal Federalism and Devolution

- **Shift in Vertical Devolution:** While the 16th Finance Commission (FC) maintained the states' share at 41% of the shareable pool, critics argue the actual "divisible pool" has shrunk due to the Centre's increased reliance on cesses and surcharges, which are not shared with states.
- **Elimination of Revenue Deficit Grants (RDG):** The 16th FC has notably moved away from providing RDGs. This traditionally served as a critical non-discretionary channel to bridge the gap between a state's fiscal capacity and its normative expenditure needs for essential public services.
- **Rise of Discretionary Transfers:** With a reduction in unconditional FC transfers, the share of Centrally Sponsored Schemes (CSS) has risen to nearly 50% of total transfers. This requires states to match 40% of costs, often diverting their resources from state-list subjects to central priorities.
- **New Horizontal Formula:** The commission introduced "Contribution to GDP" with a 10% weight. Experts suggest this favors larger, economically stronger states over poorer ones, potentially undermining the principle of "equity" that balanced previous commission awards.
- **Focus on State 'Freebies':** The report is critical of state-level subsidies and populist schemes (non-merit subsidies) but has been noted for its silence regarding similar central government bailouts or centrally funded welfare schemes, indicating a perceived centrist bias.





- **Impact on Poorer States:** The cumulative effect of the new formula and the removal of grants has led to a projected decline in the share of central revenues for states like Bihar, Uttar Pradesh, Odisha, and the Northeastern hilly states.

### Key Definitions

**Vertical Devolution:** The division of the shareable pool of central taxes between the Union government and the State governments. **Horizontal Devolution:** The formula-based distribution of the states' share of central taxes among the various states based on criteria like population, income distance, and area. **Divisible Pool:** The portion of central taxes that is constitutionally mandated to be shared with states, excluding cesses, surcharges, and cost of collection. **Revenue Deficit Grant (RDG):** A grant provided under Article 275 to states that still face a deficit on their revenue account after the tax devolution process.

### Constitutional and Legal Provisions

**Article 280:** Mandates the President to constitute a Finance Commission every five years to recommend the distribution of net tax proceeds and the principles governing grants-in-aid. **Article 270:** Governs the distribution of net proceeds of taxes between the Union and the States. **Article 271:** Empowers the Centre to levy cesses and surcharges for specific purposes; these do not form part of the divisible pool shared with states. **Seventh Schedule:** Defines the legislative jurisdictions of the Union and States. The rise in CSS is often debated as an encroachment on the State List (List II).

### Additional Important Keypoints

The 16th FC award covers the five-year period from 2026-27 to 2030-31. A significant point of contention is the "Contribution to GDP" metric; unlike "Fiscal Discipline," it measures economic size rather than fiscal efficiency. Experts like Dr. C. Rangarajan estimate that the effective transfer of Gross Tax Revenue (GTR) to states has dipped to 32.7% under the current award, compared to a peak of 35.6% during the 14th FC period. This reduction limits the fiscal space for states to invest in human capital (Health and Education), which are primarily state responsibilities.

### Conclusion

The 16th Finance Commission marks a departure from the "impartiality" of past awards by emphasizing economic efficiency over regional equity. By shrinking the non-discretionary pool and removing revenue deficit safety nets, the award forces states into greater dependence on central discretionary schemes. For a diverse federation like India, restoring the balance between the Centre's fiscal control and the States' developmental autonomy remains essential for long-term macroeconomic stability.

### UPSC Relevance

**GS Paper II:** Federal structure, devolution of powers and finances up to local levels, and challenges therein; Appointment to various constitutional posts. **GS Paper III:** Indian Economy and issues relating to planning, mobilization of resources, growth, and development. **Preliminary Examination:** Criteria for horizontal devolution (Population, Forest Cover, Income Distance, etc.), Article 280, and the difference between tax devolution and grants-in-aid.

## 12. Frontier Nagaland Territorial Authority (FNTA): Governance Reforms in Eastern Nagaland

- **Legislative Introduction:** Nagaland Deputy Chief Minister Yanthungo Patton has introduced a landmark Bill in the State Assembly to establish the Frontier Nagaland Territorial Authority (FNTA), a specialized administrative body for the state's eastern districts.



- **Interim Administrative Structure:** The FNTA is designed as an interim administrative authority aimed at providing greater autonomy and targeted governance to address the long-standing developmental and political grievances of the eastern region.
- **Memorandum of Agreement (MoA):** The Bill follows a historic tripartite agreement involving the Union Government, the Nagaland State Government, and eastern Nagaland stakeholders, reflecting a consensus-based approach to regional aspirations.
- **Commitment to Decentralization:** Chief Minister Neiphiu Rio highlighted that the FNTA reflects the government's commitment to increasing local participation in governance and ensuring measurable developmental outcomes for the people of the eastern districts.
- **Role of ENPO:** The Eastern Nagaland People's Organisation (ENPO), which has long spearheaded the demand for a separate entity, has urged the State Government to ensure that the final legislation strictly adheres to the provisions of the signed MoA.
- **Socio-Political Significance:** The formation of the FNTA is seen as a strategic move to maintain the territorial integrity of Nagaland while satisfying the demands for administrative self-determination within the existing state framework.



## Key Definitions

**Frontier Nagaland Territorial Authority (FNTA):** A proposed administrative body with specific executive and legislative powers carved out to manage the affairs of the eastern districts of Nagaland. **Eastern Nagaland People's Organisation (ENPO):** The apex tribal body representing the six eastern districts of Nagaland, which has been the primary advocate for the "Frontier Nagaland" demand. **Territorial Authority:** A decentralized governance model that allows a specific sub-region to manage its local affairs, often used in tribal or ethnically distinct areas to provide autonomy without full statehood.

## Constitutional and Legal Provisions

**Article 371A:** A special provision in the Indian Constitution for Nagaland which mandates that no Act of Parliament regarding religious or social practices, customary law, or ownership of land shall apply to the state unless the Legislative Assembly so decides. **Sixth Schedule:** Though Nagaland is not a Sixth Schedule state, the FNTA model draws inspiration from Autonomous District Councils (ADCs) which provide for self-governance in tribal areas of the Northeast. **Article 3:** Grants Parliament the power to form new states and alter areas, boundaries, or names of existing states; the FNTA acts as a middle-path solution to prevent the invocation of Article 3 for a separate state. **Entry 5, State List (Schedule VII):** Local government, that is to say, the constitution and powers of municipal corporations, improvement trusts, and district councils.

## Additional Important Keypoints

The demand for Frontier Nagaland is rooted in perceived "developmental negligence" and "political underrepresentation" of the eastern tribes compared to the central and western parts of the state. The FNTA is expected to have its own budget head and administrative control over certain subjects, reducing its dependence on the state capital, Kohima. This move is also a significant step toward resolving internal friction within the Naga peace process, as it addresses the "internal" Naga issue while the "external" talks with groups like the NSCN-IM continue at the central level.



## Conclusion

The tabling of the FNTA Bill marks a pivotal moment in Nagaland's political history. By opting for a "Territorial Authority" instead of a full-fledged separate state, the government has attempted to balance regional aspirations with administrative cohesion. The success of this interim body will depend on the degree of financial and legislative power actually devolved to the FNTA and how effectively it can bridge the developmental divide in the state.

## UPSC Relevance

**General Studies Paper II:** Federalism and challenges to the federal structure; Devolution of powers and finances up to local levels; Government policies for the development of sensitive border states. **General Studies Paper III:** Internal security challenges in Northeast India; Role of non-state actors in demanding regional autonomy. **Preliminary Examination:** Features of Article 371A, the geography of Eastern Nagaland districts, and the functions of Territorial/District Councils in the Northeast.

