



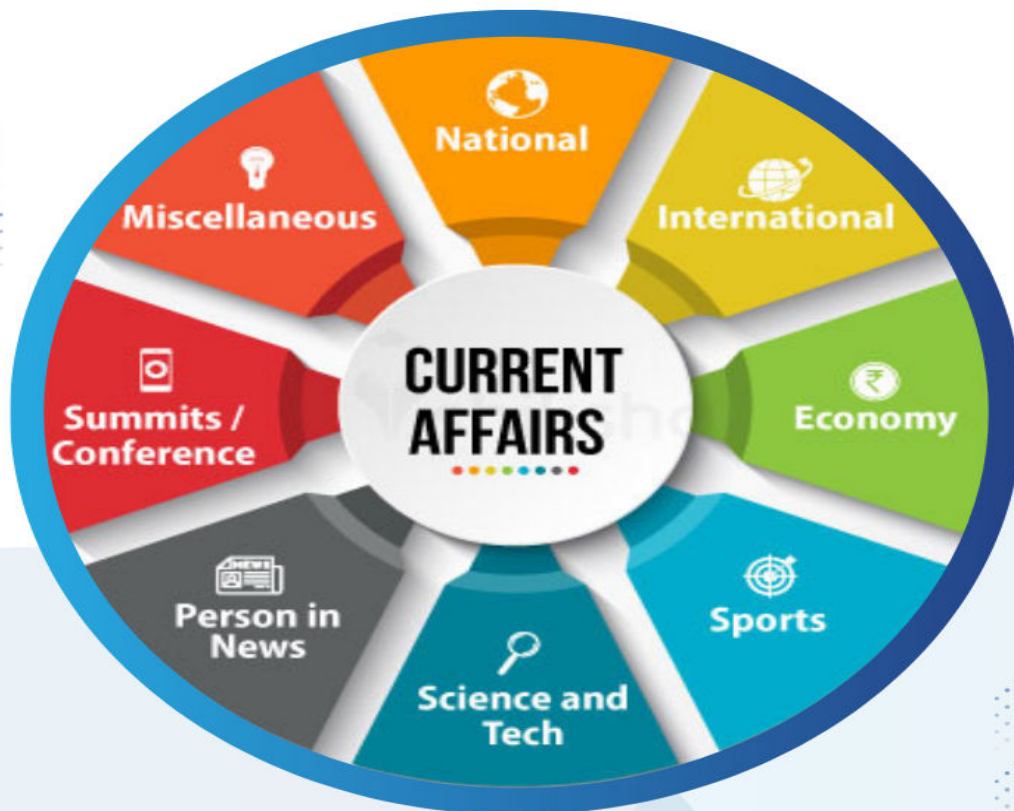
“ We help you reach for the star ”

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

## **DAILY CURRENT AFFAIRS**

**FOR UPSC CIVIL SERVICE EXAMINATION**

**DATE: 14/04/2026 (TUESDAY)**



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VIDHVATH IAS ACADEMY



## 1. SC Scrutiny of Special Intensive Revision (SIR) and Electoral Rights

The Supreme Court of India recently reprimanded the Election Commission (EC) regarding "logical discrepancies" discovered during the Special Intensive Revision (SIR) in West Bengal. The Court emphasized that the right to be on the electoral roll is not merely a legal formality but a profound expression of nationality and patriotism.

- **Sentimental Nature of Voting:** The Court characterized the right to vote as a "sentimental right" and the "biggest expression of nationality," highlighting its role in the participatory democratic process.
- **Deviation from Benchmarks:** The EC reportedly breached its own commitment to leave the 2002 electoral rolls untouched, using the new category of "logical discrepancy" to purge names without adhering to established benchmarks.
- **Unique Categorization:** The Bench noted that the "logical discrepancy" category appeared unique to West Bengal, as similar exercises in states like Bihar did not utilize such a metric to flag or exclude voters.
- **Burden of Proof:** While the EC argued that voters were retained upon proving credentials, the Court noted that voters from the 2002 list should not have been subjected to an "inquisitorial" process requiring fresh documentation.
- **Administrative Strain:** The purging led to a massive legal bottleneck, with 34 lakh appeals filed before 19 appellate tribunals, resulting in over a lakh pending cases per tribunal just days before the Assembly elections.
- **Fairness vs. Purification:** The Court clarified that while the EC has the mandate to "purify" rolls, the process must remain fair and inclusive, ensuring that the atmosphere of uncertainty does not disenfranchise legitimate citizens.



### Key Definitions

- **Special Intensive Revision (SIR):** A thorough process conducted by the Election Commission to update electoral rolls by door-to-door verification to ensure accuracy and remove duplicates or deceased voters.
- **Logical Discrepancy:** A technical category used by the EC to flag inconsistencies in voter data (e.g., age-name mismatches), which in this case led to large-scale exclusions from the rolls.
- **Inquisitorial Exercise:** A process where the authority (EC) takes an active role in investigating the facts of a case, often placing a high burden of verification on the subject (the voter).

### Constitutional and Legal Provisions

- **Article 324:** Grants the Election Commission the power of superintendence, direction, and control of elections, including the preparation of electoral rolls.
- **Article 325:** Mandates that no person shall be ineligible for inclusion in the electoral roll on grounds only of religion, race, caste, or sex.
- **Article 326:** Establishes adult suffrage as the basis for elections to the Lok Sabha and State Legislative Assemblies.



- **Representation of the People Act, 1950:** Governs the preparation and revision of electoral rolls and the qualifications for registration as a voter.
- **Section 21 of RPA 1950:** Details the manner in which electoral rolls are to be revised and the powers of the Electoral Registration Officer (ERO).

## Conclusion

The Supreme Court's intervention serves as a critical check on the discretionary powers of the Election Commission. By defining voting as a "sentimental right" linked to nationality, the judiciary has elevated the status of the electoral roll from a mere administrative list to a fundamental instrument of citizenship. Any exercise aimed at "purification" must balance accuracy with the constitutional imperative of ensuring no genuine voter is disenfranchised through arbitrary technical categories or hasty administrative processes.

## UPSC Relevance

- **GS Paper II (Polity):** Important for topics related to the Structure, Organization, and Functioning of the Election Commission; Constitutional Bodies; and the Evolution of Voting Rights in India.
- **Judicial Activism:** Demonstrates the Court's role in protecting the democratic rights of citizens against administrative overreach.

## 2. Retail Inflation Trends: Analysis of March 2026 Data

India's retail inflation, as measured by the Consumer Price Index (CPI), showed a marginal increase in March 2026. While the movement indicates a slight upward pressure, the overall figures remain well within the regulatory comfort zone established by the central bank.

- **Sequential Increase:** Retail inflation rose to **3.4%** in March from **3.21%** in February 2026. This modest uptick marks a multi-month high but remains significantly below the Reserve Bank of India's (RBI) medium-term target.
- **Food Price Dynamics:** The primary driver for this increase was food inflation, which climbed to **3.87%** from **3.47%** in the previous month. Specific items like tomatoes, cauliflower, and certain jewelry items saw price spikes, while staples like onions and potatoes recorded negative inflation.
- **Target Alignment:** Despite the rise, the headline inflation rate remains below the RBI's median target of **4%**. It has now stayed within the mandated tolerance band of **2% to 6%** for an extended period, indicating macroeconomic stability.
- **Regional and Sectoral Variance:** Inflationary pressures were higher in rural areas (**3.63%**) compared to urban centers (**3.11%**). Regionally, Telangana reported the highest inflation at **5.83%**, while Mizoram recorded the lowest at **0.66%**.
- **Global Headwinds:** The data reflects emerging risks from the **West Asia crisis**, which has begun to impact the "electricity, gas, and other fuels" segment (rising to **1.65%**). However, government interventions, such as stable domestic fuel prices despite high global crude, have mitigated a sharper spike.
- **Core Inflation Stability:** Core inflation—which strips out volatile food and fuel components—remains steady between **3.3% and 4%**, suggesting that underlying demand-side inflation is not currently overheating the economy.





## Key Definitions

- **Consumer Price Index (CPI):** A measure that examines the weighted average of prices of a basket of consumer goods and services. It is the primary tool used by the RBI to monitor retail inflation.
- **Food Inflation (CFPI):** A specific sub-component of the CPI that tracks changes in the retail prices of food products consumed by the population.
- **Core Inflation:** Headline inflation minus the volatile components of food and fuel. It reflects the long-term trend in the price level.
- **Headline Inflation:** The total inflation within an economy, including commodities such as food and energy prices, which tend to be much more volatile.

## Constitutional and Legal Provisions

- **RBI Act, 1934 (Section 45-ZA):** Mandates that the Central Government, in consultation with the RBI, shall determine the inflation target in terms of the Consumer Price Index once in every five years.
- **Flexible Inflation Targeting (FIT):** The framework adopted in 2016 which sets the target at 4% with a tolerance band of +/- 2% (i.e., 2% to 6%). The government recently extended this target for the 2026–2031 period.
- **Monetary Policy Committee (MPC):** A statutory body under the RBI Act that meets at least four times a year to decide the policy repo rate required to achieve the inflation target.

## Conclusion

The March inflation data suggests a "calibrated" increase. While supply-side shocks from global geopolitical tensions and localized food price volatility remain active threats, the current trajectory is manageable. The stability of the headline print below the 4% mark provides the RBI with the necessary policy space to support economic growth while remaining vigilant against external energy shocks.

## UPSC Relevance

- **GS Paper III (Economy):** Direct relevance to "Issues relating to planning, mobilization of resources, growth, development, and employment" and "Monetary Policy."
- **Prelims Focus:** Understanding the difference between CPI and WPI, the weightage of food in CPI (approx. 46%), and the statutory basis of the MPC.

## 3. Legislative Stringency Against Sacrilege: The Punjab Assembly Bill 2026

The Punjab Legislative Assembly has unanimously passed the **Jaagat Jot Sri Guru Granth Sahib Satkar (Amendment) Bill, 2026**. This legislative move seeks to provide a robust legal framework to deter and punish acts of sacrilege, addressing a deeply sensitive socio-religious issue in the state.

- **Enhanced Punishments:** The Bill proposes stringent penalties for sacrilege against the Sri Guru Granth Sahib, including **life imprisonment** and a maximum fine of **₹25 lakh**.
- **Non-Bailable Offenses:** To ensure the gravity of the crime is maintained during legal proceedings, the draft law aims to make offenses related to sacrilege **non-bailable**, facilitating swifter investigations.



- **Plugging Legal Loopholes:** Chief Minister Bhagwant Mann emphasized that the 2026 Amendment is designed to close administrative and legal gaps that previously allowed perpetrators to escape rigorous conviction.
- **Universal Significance:** The legislation frames the Sri Guru Granth Sahib not just as a religious scripture but as a "repository of universal brotherhood, secularism, and socialism," emphasizing its global relevance in fostering peace.
- **Procedural Debate:** While the Bill received bipartisan support, discussions arose regarding whether it requires **Presidential Assent** (under Article 254) or can be finalized with the **Governor's nod**, given that "Criminal Law" falls under the Concurrent List.
- **Demand for Implementation:** Stakeholders, including the Shiromani Gurdwara Parbandhak Committee (SGPC), have welcomed the move but stressed that the efficacy of the law depends on its grassroots implementation and decisive resolution of pending cases.



### Key Definitions

- **Sacrilege (Beadbi):** The violation or injurious treatment of a sacred object or scripture. In the context of Punjab, it refers to the disrespectful handling or desecration of the Sri Guru Granth Sahib.
- **Non-Bailable Offense:** An offense where the grant of bail is a matter of judicial discretion rather than a right of the accused; usually reserved for serious crimes.
- **Concurrent List:** A list of 52 items (List III in the Seventh Schedule) on which both the Central and State governments can legislate.

### Constitutional and Legal Provisions

- **Article 25:** Guarantees the freedom of conscience and the right to freely profess, practice, and propagate religion, subject to public order, morality, and health.
- **Section 295A of the IPC (and corresponding BNS sections):** Deals with deliberate and malicious acts intended to outrage religious feelings of any class by insulting its religion or religious beliefs.
- **Article 200 & 201:** Pertains to the Governor's power to assent to a Bill or reserve it for the consideration of the President, especially if it conflicts with existing Central laws.
- **Article 254(2):** Specifies that a State law on a Concurrent subject that is repugnant to a Central law can prevail in that State if it has received Presidential Assent.

### Conclusion

The passage of the Jaagat Jot Sri Guru Granth Sahib Satkar (Amendment) Bill, 2026, reflects the state's commitment to maintaining communal harmony and respecting religious sentiments. However, the legislative journey may face constitutional scrutiny regarding the severity of the punishment and its alignment with federal criminal statutes. For the law to be truly effective, it must balance the protection of religious sanctity with the principles of natural justice and fair trial.

### UPSC Relevance

- **GS Paper II (Polity):** Important for topics related to Centre-State relations, the Seventh Schedule, and the legislative powers of the State Assembly.



- **GS Paper IV (Ethics):** Relevant for discussions on religious tolerance, communal harmony, and the ethical responsibility of the state in protecting diverse cultural identities.
- **Current Affairs:** Understanding the nuances of "repugnancy" between State and Central laws in the context of criminal justice reforms.

#### 4. Corporate Climate Action in India: Ambition vs Execution Gap

A recent review by IiAS Sustainability Solutions (IiAS Sustain) highlights that while Indian corporations are increasingly adopting climate targets, there remains a significant disparity between pledging goals and implementing actionable roadmaps.

- **Concentrated Commitments:** Climate target adoption is largely skewed toward large-cap companies; while 70% of Nifty 50 firms have set goals, only 213 out of the top 500 listed entities have formal net-zero or carbon-neutrality disclosures.
- **Shift to Net Zero:** Major players are upgrading their ambitions, such as the State Bank of India transitioning from "carbon neutrality" to a more comprehensive "net zero" target, signaling a deeper integration of sustainability in the financial sector.
- **The 2030 vs 2070 Paradox:** Most firms have set 2050 as the median target year, aligning with global trends, while others utilize India's 2070 national goal. However, targets clustered around 2030 are deemed more "credible" as they require immediate, actionable business planning.
- **Sectoral Disparity:** Service-oriented sectors like IT and FMCG lead in adoption due to lower emission intensity. In contrast, "hard-to-abate" sectors like cement, mining, and metals face longer timelines due to their reliance on fossil fuels and emerging technologies.
- **Execution Deficit:** Investors are increasingly scrutinizing the "execution gap," demanding specific roadmaps that include switching to renewables, upgrading emission technology, and measuring Scope 3 (supplier) emissions.
- **Financial Transparency:** There is a growing push for climate goals to be backed by capital expenditure (CapEx) allocations and detailed disclosures in annual reports to move beyond "greenwashing" toward tangible evidence.

#### Key Definitions

- **Net Zero:** A state where the greenhouse gases going into the atmosphere are balanced by removal out of the atmosphere.
- **Carbon Neutrality:** Achieving a balance between emitting carbon and absorbing carbon from the atmosphere in carbon sinks.
- **Scope 3 Emissions:** Indirect emissions that occur in the upstream and downstream value chain of a reporting company, including suppliers and end-users.
- **Hard-to-Abate Sectors:** Industries such as heavy manufacturing (steel, cement) where reducing carbon emissions is technically difficult or prohibitively expensive with current technology.





## 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 shall be the duty of every citizen to protect and improve the natural environment.
- **Business Responsibility and Sustainability Reporting (BRSR):** A mandatory reporting framework introduced by SEBI for the top 1,000 listed companies to disclose their ESG (Environmental, Social, and Governance) performance.
- **Energy Conservation (Amendment) Act, 2022:** Provides a legal framework for a carbon credit trading market in India to incentivize industries to reduce emissions.

## Conclusion

The transition of "India Inc" toward a green economy is underway, but the quality of commitments varies. For India to meet its "Panchamrit" targets pledged at COP26, corporate India must bridge the gap between long-term vision and short-term execution. Enhancing the credibility of these pledges through interim milestones and transparent CapEx tracking will be essential to attract global sustainable finance and ensure long-term industrial resilience.

## UPSC Relevance

- **GS Paper III (Environment & Economy):** Relevant for topics on Conservation, Environmental Pollution and Degradation, and Environmental Impact Assessment. Also touches upon "Corporate Governance."
- **Mains Focus:** The role of the private sector in achieving India's Intended Nationally Determined Contributions (INDCs) and the challenges of the "Green Transition" in capital-intensive industries.
- **Ethics (GS IV):** Corporate Social Responsibility (CSR) and the ethical implications of "Greenwashing" versus genuine environmental stewardship.

## 5. Monsoon Forecasting Accuracy and Economic Implications for 2026

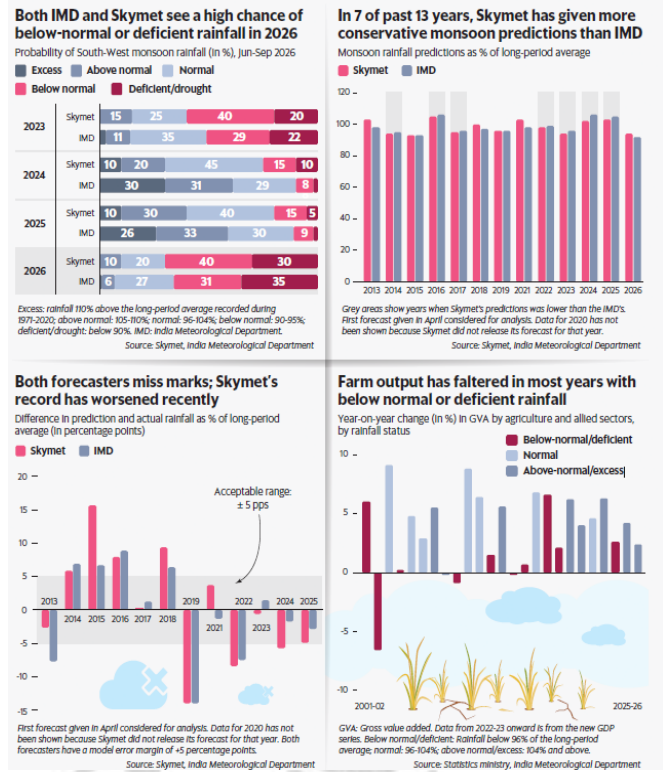
The 2026 monsoon forecasts by the India Meteorological Department (IMD) and Skymet indicate a significant risk of below-normal rainfall, primarily driven by the El Niño phenomenon. Given India's structural reliance on the monsoon for food security and macroeconomic stability, the accuracy of these predictions is a critical concern for policymakers.

- **Forecast Convergence for 2026:** For the first time since 2021, the IMD has issued a more pessimistic forecast than Skymet, projecting rainfall at 92% of the Long Period Average (LPA), while Skymet predicts 94%. Both figures fall into the "below-normal" category, with a high cumulative probability (66-70%) of poor rainfall.
- **Structural Dependency:** The monsoon contributes 75-80% of India's annual precipitation. With 50% of the net sown area being rainfed—accounting for 40% of food production and employing 40% of the workforce—any deviation in rainfall directly impacts Agricultural Gross Value Added (GVA).
- **Predictive Challenges:** Accurate forecasting remains difficult, with agencies missing the mark by more than the 5% error margin approximately 60% of the time. While Skymet was historically more accurate in the early 2010s, its track record has recently lagged behind the IMD's official Dynamic and Statistical models.



- **Macroeconomic Risks:** A deficient monsoon in 2026 poses a "double whammy" alongside geopolitical tensions in West Asia. The combination of rainfall deficit and fertilizer shortages could trigger supply-side inflation (CPI) and threaten the FY27 GDP growth trajectory.
- **Historical Correlation:** Data since 2001 reveals that whenever rainfall falls below 90% of the LPA (e.g., 2002, 2009, 2014), agricultural GVA either contracts or stagnates. Even "below-normal" years like 2023 saw farm growth drop to 2.6% from a previous high of over 6%.
- **Policy Response Mechanism:** Inaccurate forecasts can lead to sub-optimal planning. Conversely, directionally correct forecasts allow the government to preemptively manage buffer stocks, impose export restrictions (as seen with wheat and rice in 2023), and calibrate monetary policy.

With the IMD and private forecaster Skymet predicting a below-normal monsoon this year, here's a look at how accurate their forecasts have been in the past and why the predictions matter.



### Key Definitions

- **Long Period Average (LPA):** The average rainfall recorded over a particular region for a long period (usually 30 or 50 years). The current LPA for the country is based on the 1971-2020 average.
- **El Niño:** A climate pattern describing the unusual warming of surface waters in the central and eastern tropical Pacific Ocean, which typically suppresses the Indian monsoon.
- **Agricultural GVA:** A measure of the value of goods and services produced by the agriculture and allied sectors, adjusted for subsidies and taxes on products.
- **Deficient Rainfall:** A scenario where the actual rainfall is less than 90% of the LPA.

### Constitutional and Legal Provisions

- **Article 246 (Seventh Schedule):** While "Meteorology" is a Union List subject (Entry 68), "Agriculture" (Entry 14) and "Water" (Entry 17) are State List subjects, necessitating Centre-State coordination during droughts.
- **Disaster Management Act, 2005:** Provides the legal framework for managing drought-like situations, including the declaration of calamity and the release of funds from the NDRF/SDRF.
- **Essential Commodities Act, 1955:** Empowering the government to regulate the supply and price of food items in the event of monsoon failure to prevent hoarding.

### Conclusion

While technology has improved weather modeling, the increasing frequency of "extreme weather events" and shifting patterns due to climate change make 100% accuracy elusive. For a country where the monsoon is effectively the "real Finance Minister," enhancing the reliability of the IMD's forecasts is not just a scientific endeavor but a prerequisite for shielding the economy from climate-induced volatility.



## UPSC Relevance

- **GS Paper I (Geography):** Important for understanding the mechanisms of the Indian Monsoon, El Niño, and the impact of climate change on precipitation patterns.
- **GS Paper III (Economy & Agriculture):** Relevant for topics on Indian Economy (Inflation, GDP), Agriculture (Rainfed farming, Food security), and Disaster Management (Drought).

## 6. Judicial Scrutiny on MSP Determination: The "Cost of Cultivation" Plea

The Supreme Court of India has issued notice to the Central Government regarding a petition seeking to modify the methodology used for fixing the Minimum Support Price (MSP). The plea specifically advocates for giving higher weightage to state-specific proposals on the cost of cultivation, highlighting the regional variations in agricultural expenses.

- **Core Demand of the Petition:** The plea seeks a judicial direction to ensure that the "exact cost of cultivation" as proposed by individual states is considered a primary benchmark when the Centre fixes MSP for crops.
- **Regional Disparities:** Petitioners argue that the current centralized fixing of MSP often overlooks the varying costs of labor, irrigation, and land rentals across different states, leading to an "unremunerative" price for many farmers.
- **Methodological Reform:** The petition aims to bridge the gap between the Commission for Agricultural Costs and Prices (CACP) estimates and the actual ground-level expenditures reported by State Agriculture Departments.
- **The Swaminathan Formula Nexus:** Though not explicitly mentioned in the brief, the plea aligns with long-standing demands for the "C2+50%" formula (Comprehensive Cost plus 50% profit) recommended by the National Commission on Farmers.
- **Judicial Role in Policy:** By seeking a response from the Centre, the Supreme Court is examining whether the current MSP-fixing process fulfills the constitutional promise of livelihood security or if it requires a more decentralized, federal approach.
- **Impact on Farmer Welfare:** Advocate Prashant Bhushan emphasized that the issue is fundamental to the economic survival of the agrarian community, as MSP acts as the primary safety net against market volatility.



## Key Definitions

- **Minimum Support Price (MSP):** A form of market intervention by the Government of India to insure agricultural producers against any sharp fall in farm prices, announced at the beginning of the sowing season.
- **CACP (Commission for Agricultural Costs and Prices):** An attached office of the Ministry of Agriculture and Farmers Welfare that recommends MSPs based on various factors like cost of production, demand-supply, and price trends.
- **Cost A2:** Covers all paid-out expenses like seeds, chemicals, hired labor, fuel, and irrigation.



- **Cost A2+FL:** Includes Cost A2 plus the imputed value of unpaid family labor.
- **Cost C2:** A comprehensive cost that includes A2+FL plus the rentals and interest forgone on owned land and fixed capital assets.

### Constitutional and Legal Provisions

- **Article 21:** The Right to Life includes the right to livelihood. Petitioners argue that unremunerative crop prices infringe upon the farmers' right to a dignified life.
- **Article 38 (DPSP):** Mandates the State to secure a social order for the promotion of welfare of the people and to minimize inequalities in income.
- **Article 39(a):** Directs the State to ensure that citizens have the right to an adequate means of livelihood.
- **Seventh Schedule:** Agriculture is a State List subject (Entry 14), while "Price Control" is a Concurrent List subject (Entry 34), highlighting the federal tension in MSP determination.

### Conclusion

The Supreme Court's decision to hear this plea marks a significant moment in the evolution of agricultural policy in India. While the executive maintains that price-fixing is a policy matter, the judiciary's intervention suggests a need to verify if the current administrative process is "fair, just, and reasonable." Integrating state-level data into the MSP framework could lead to a more nuanced and equitable pricing strategy, though it poses challenges for fiscal management and food inflation control.

### UPSC Relevance

- **GS Paper III (Economy & Agriculture):** Directly relevant to "Issues related to direct and indirect farm subsidies and minimum support prices" and "Major crops-cropping patterns in various parts of the country."
- **GS Paper II (Polity):** Relevance to "Federal structure" and the "Role of the Judiciary" in policy matters.

## 7. RBI Scrutiny of Rupee Arbitrage Unwinding by Banks

The Reserve Bank of India (RBI) has initiated a thorough investigation into the methods employed by major commercial banks to unwind their rupee arbitrage positions. This regulatory oversight stems from concerns that certain trading practices may have violated foreign exchange norms and counteracted the central bank's recent efforts to support the domestic currency.

- **Regulatory Oversight:** The RBI is examining whether banks engaged in "unwinding" strategies that circumvented existing regulations, potentially leading to increased volatility in the foreign exchange market.
- **Currency Recovery Context:** The scrutiny follows a period of intense pressure on the Indian Rupee (INR), which saw it slide toward the **95.20** per USD mark before recovering to approximately **92.50** per USD due to central bank interventions.
- **Impact on Stability:** Concerns have been raised that these arbitrage trades might have impeded the





RBI's ability to stabilize the rupee, especially during periods of global dollar strength and capital outflows.

- **Compliance and Conduct:** The investigation focuses on whether the banks maintained the spirit of the "Foreign Exchange Management Act" (FEMA) or if the unwinding process involved "speculative" elements disguised as arbitrage.
- **Market Sentiment:** Following the news of the scrutiny and the central bank's active presence in the NDF (Non-Deliverable Forward) and spot markets, the rupee's rally showed signs of cooling as it pared gains on Monday.
- **Lender Accountability:** Large banks are being asked to provide granular data on their currency derivative and spot market transactions to ensure that their actions did not create artificial pressure on the exchange rate.

### Key Definitions

- **Arbitrage:** The simultaneous purchase and sale of the same asset in different markets to profit from tiny differences in the asset's listed price. In this context, it often involves the difference between onshore and offshore rupee rates.
- **Unwinding:** The process of closing out a trading position. For a long position, it involves selling; for a short position, it involves buying back the asset.
- **Spot Market:** A public financial market in which financial instruments or commodities are traded for immediate delivery.
- **Non-Deliverable Forward (NDF):** A short-term, cash-settled currency derivative used primarily for currencies that are not freely convertible (like the Rupee), traded mostly in offshore centers like Singapore or London.

### Constitutional and Legal Provisions

- **The RBI Act, 1934:** Grants the central bank the mandate to manage the exchange rate and maintain the stability of the rupee.
- **Foreign Exchange Management Act (FEMA), 1999:** The primary legal framework that regulates foreign exchange transactions in India, empowering the RBI to issue directions to "Authorized Dealers" (Banks).
- **Section 11 of FEMA:** Empowers the RBI to give directions to authorized persons to ensure compliance with the provisions of the Act and any rules or regulations made thereunder.
- **Article 246 (Seventh Schedule):** Places "Foreign Exchange" under the Union List (Entry 36), giving the Central Government and the RBI exclusive jurisdiction over currency matters.

### Conclusion

The RBI's move to scrutinize bank conduct underscores its commitment to maintaining a "calibrated" exchange rate rather than a strictly fixed or floating one. By investigating potential regulatory breaches in arbitrage unwinding, the central bank aims to deter speculative behavior that could lead to a "run" on the rupee. For the banking sector, this signals a period of tightened compliance, where the thin line between legitimate hedging and speculative arbitrage will be closely monitored to preserve national macroeconomic stability.



## UPSC Relevance

- **GS Paper III (Economy):** Essential for topics related to "External Sector," "Exchange Rate Management," and "Role of the RBI."
- **Banking Sector Oversight:** Relevant for understanding the regulatory powers of the RBI over commercial banks and the importance of forex reserves.

## 8. India-Oman Strategic Partnership: Strengthening Trade and Investment Ties

The Union Minister for Commerce and Industry recently engaged in high-level discussions with his Omani counterpart to explore avenues for expanding bilateral economic cooperation. This meeting is part of a broader diplomatic outreach by India to the Gulf Cooperation Council (GCC) nations, aiming to solidify regional trade blocks and enhance investment flows.

- **Diversification of Bilateral Trade:** Both nations focused on moving beyond traditional oil-based trade to include sectors like renewable energy, green hydrogen, pharmaceuticals, and digital technology.
- **CEPA Prospects:** The discussions touched upon the progress of the Comprehensive Economic Partnership Agreement (CEPA), which aims to significantly reduce or eliminate customs duties on a wide range of goods.
- **Investment Corridors:** India highlighted the potential for Omani sovereign wealth funds to invest in India's infrastructure and manufacturing sectors under the 'Make in India' and PLI (Production Linked Incentive) schemes.
- **Food and Energy Security:** Oman remains a critical partner for India's energy security, while India serves as a reliable supplier of food grains and agricultural products, creating a symbiotic security relationship.
- **Logistics and Connectivity:** The strategic importance of the Duqm Port in Oman was reiterated, as it provides India with a gateway to the western Indian Ocean and supports the International North-South Transport Corridor (INSTC) objectives.
- **Regional Integration:** This meeting is a crucial link in India's "Extended Neighborhood Policy," following recent discussions with trade ministers from Saudi Arabia, UAE, Bahrain, and Kuwait to finalize a broader India-GCC FTA.



## Key Definitions

- **Comprehensive Economic Partnership Agreement (CEPA):** A deep-reaching trade pact that covers negotiation on the trade in services and investment, and other areas of economic partnership.
- **Sovereign Wealth Fund (SWF):** A state-owned investment fund composed of money generated by the government, often derived from a country's surplus reserves.
- **Extended Neighborhood Policy:** India's diplomatic strategy to build stronger political, economic, and security ties with countries beyond its immediate borders, particularly in West Asia.
- **India-GCC FTA:** A proposed Free Trade Agreement between India and the Gulf Cooperation Council (comprising Saudi Arabia, UAE, Qatar, Kuwait, Oman, and Bahrain).



## Constitutional and Legal Provisions

- **Article 51:** A Directive Principle of State Policy (DPSP) that mandates the State to promote international peace and security and maintain just and honorable relations between nations.
- **Article 253:** Grants Parliament the power 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.
- **Section 5 of the Foreign Trade (Development and Regulation) Act, 1992:** Empowers the Central Government to formulate and announce the Foreign Trade Policy to facilitate trade and investments.
- **Seventh Schedule (Union List):** Entry 10 (Foreign Affairs) and Entry 41 (Trade and commerce with foreign countries) give the Union Government exclusive jurisdiction over these bilateral negotiations.

## Conclusion

The revitalized engagement with Oman signifies India's proactive approach toward the West Asian region. By shifting the focus from a purely transactional energy-buyer relationship to a multi-dimensional strategic partnership involving technology and infrastructure, India is securing its long-term economic interests. The successful conclusion of a trade agreement with Oman could serve as a blueprint for larger regional pacts, ensuring stable supply chains and robust capital inflows in an increasingly volatile global economy.

## UPSC Relevance

- **GS Paper II (International Relations):** Essential for "Bilateral, regional and global groupings and agreements involving India" and "Effect of policies and politics of developed and developing countries on India's interests."
- **GS Paper III (Economy):** Relevant for "Mobilization of resources," "Growth and development," and "Investment models."

## 9. Global Employment Crisis: World Bank's Warning on the "Job Gap"

The World Bank President, Ajay Banga, has highlighted a critical structural challenge facing the global economy. Beyond the immediate financial disruptions caused by the West Asia conflict, a systemic crisis is emerging in developing nations where the rate of job creation is significantly lagging behind the demographic expansion of the workforce.

- **Massive Employment Deficit:** Over the next 10 to 15 years, approximately 1.2 billion young people in developing countries will reach working age, yet current economic trajectories suggest the creation of only 400 million jobs.
- **The 800 Million Gap:** This leaves a staggering deficit of 800 million jobs, creating a potential "demographic disaster" instead of a dividend if not addressed through urgent policy interventions and structural reforms.
- **Impact of Geopolitical Conflict:** While global finance officials are currently focused on the immediate fallout of the West Asia war, the World Bank warns that the long-term instability caused by mass unemployment could be more pervasive.
- **Focus on Developing Economies:** The crisis is particularly acute in the Global South, where the lack of adequate industrialization, digital





infrastructure, and vocational training hampers the absorption of new entrants into the formal economy.

- **Call for Multilateral Action:** The World Bank emphasizes that closing this gap requires a multifaceted approach, including private sector mobilization, enhanced credit flow to SMEs, and a focus on sustainable, labor-intensive growth sectors.
- **Social and Security Risks:** A persistent job deficit of this magnitude risks fueling migration pressures, social unrest, and radicalization, thereby threatening global security and economic stability in the post-war era.

### Key Definitions

- **Demographic Dividend:** The economic growth potential that can result from shifts in a population's age structure, mainly when the share of the working-age population is larger than the non-working-age share.
- **Working-Age Population:** Generally defined as the population aged 15 to 64 years, who are capable of participating in the labor market.
- **Global South:** A term used to describe countries with lower levels of economic and industrial development, typically located in Africa, Asia, and Latin America.
- **Structural Unemployment:** A form of involuntary unemployment caused by a mismatch between the skills that workers in the economy can offer and the skills demanded of workers by employers.

### Constitutional and Legal Provisions

- **Article 39(a):** A Directive Principle of State Policy (DPSP) in the Indian Constitution that directs the State to ensure that all citizens have the right to an adequate means of livelihood.
- **Article 41:** Mandates that the State shall, within the limits of its economic capacity and development, make effective provision for securing the right to work.
- **Sustainable Development Goal (SDG) 8:** A global commitment to promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all.
- **National Manufacturing Policy (NMP):** India's policy framework aimed at increasing the share of manufacturing in GDP to 25% and creating 100 million jobs to harness its demographic dividend.

### Conclusion

The warning from the World Bank serves as a wake-up call for developing nations like India to pivot from jobless growth to job-led growth. While managing the immediate shocks of war and inflation is necessary, the true test of governance in the coming decade will be the ability to create 800 million missing livelihoods. Failure to do so could transform the world's most vibrant young populations into a source of global fragility.

### UPSC Relevance

- **GS Paper III (Economy):** Highly relevant for topics such as "Indian Economy and issues relating to planning, mobilization of resources, growth, development and employment."
- **GS Paper I (Social Issues):** Relevant for "Population and associated issues" and the concept of "Demographic Dividend."
- **International Relations:** Understanding the role of the World Bank and IMF in addressing global systemic risks beyond traditional financial stabilization.



## 10. RBI'S Proposed Anti-Digital Fraud Measures: Challenges and Critiques

The Reserve Bank of India (RBI) recently released a discussion paper proposing stringent measures to mitigate the surge in digital payment frauds. While aimed at enhancing security, these proposals have sparked a debate regarding the potential trade-off between transaction security and the operational efficiency of India's digital payment ecosystem.

- **Proposed Safeguards:** Key measures include a mandatory one-hour lag for transactions exceeding ₹10,000, additional authentication by a "trusted person" for vulnerable groups, and a "kill switch" to instantly disable all digital payment services.
- **Impact on Small Merchants:** Industry experts warn that a blanket one-hour delay could severely disrupt liquidity and cash flows for small, unorganized merchants (e.g., local vendors, second-hand sellers) who rely on the near-instant nature of UPI and IMPS.
- **Social Engineering vs. Infrastructure:** Critics argue the measures focus on "downstream" symptoms rather than "upstream" causes. Since 2025-26 data suggests most frauds stem from social engineering (impersonation, phishing) rather than technical failures, blanket delays may not stop victims who have already been manipulated.
- **The Problem of "Friction":** Overly complex authentication layers may introduce significant friction, undermining the core value proposition of India's digital public infrastructure—speed and convenience. UPI alone handled 219 billion transactions in FY26, making any systemic lag a major economic hurdle.
- **Underreporting and Data Gaps:** A significant concern is the "silent" landscape of fraud; reports indicate approximately 51% of victims do not file official complaints. This suggests actual fraud volumes are much higher than the ₹520 crore loss reported for digital payments in FY25.
- **Call for Proportionality:** Experts advocate for risk-based authentication using Artificial Intelligence (AI) to screen transactions in real-time, rather than applying blanket rules that treat low-risk and high-risk transactions with the same level of delay.



### Key Definitions

- **Digital Fraud:** Dishonest and illegal transactions conducted via digital platforms, including identity theft, phishing, and mule account networks.
- **Kill Switch:** A security mechanism that allows a user or authority to immediately shut down a digital payment account to prevent further unauthorized access or transactions.
- **Mule Account:** A bank account used by criminals to receive and move illicitly obtained funds, often belonging to unsuspecting individuals or created using stolen identities.
- **Social Engineering:** The psychological manipulation of people into performing actions or divulging confidential information, which is the leading cause of UPI-related scams.

### Constitutional and Legal Provisions

- **Article 19(1)(g):** The Right to practice any profession, or to carry on any occupation, trade or business. Excessive "friction" in payments is argued by some as a hurdle to this right for small digital entrepreneurs.



- **Article 21:** The Right to Life and Liberty includes the right to privacy and protection of property (funds). The State is obligated to provide a secure environment for financial transactions.
- **Information Technology Act, 2000:** Section 43A and 72A deal with compensation for failure to protect data and punishment for disclosure of information in breach of lawful contract.
- **Payment and Settlement Systems Act, 2007:** Grants the RBI the authority to regulate and supervise payment systems in India, ensuring they are safe and efficient.

## Conclusion

The RBI faces a complex "regulatory trilemma" of balancing security, speed, and financial inclusion. While the proposed safeguards provide a vital circuit breaker for high-value transactions, a "one-size-fits-all" delay mechanism risks penalizing the honest majority and small businesses. A more robust solution likely lies in strengthening "upstream" interventions, such as real-time AI-based monitoring and enhancing digital literacy to combat social engineering at its source.

## UPSC Relevance

- **GS Paper III (Economy & Internal Security):** Crucial for topics related to "Digital Public Infrastructure (DPI)," "Money-laundering and its prevention," and "Challenges to internal security through communication networks."
- **GS Paper II (Governance):** Relevant for understanding the "Role of Regulatory Bodies" like the RBI in protecting consumer interests while fostering innovation.

## 11. Macroeconomic Impact of the West Asia Crisis on the Indian Economy

The ongoing conflict in West Asia, compounded by the prolonged Russia-Ukraine war, has triggered a significant global energy and supply chain crisis. For India, which depends on imports for nearly 90% of its crude oil requirements, the blockade of strategic transit points like the Strait of Hormuz poses a severe threat to fiscal stability and economic growth.

- **Energy Security and Price Volatility:** India's crude dependence has peaked at 90%, with the Indian crude basket—a mix of Brent, Oman, and Dubai grades—surpassing \$150/bbl in March 2026. Although a temporary ceasefire moderated prices to \$120.28/bbl by April, the inherent volatility continues to strain the trade balance.



- **Cascading Supply Disruptions:** Beyond oil, disruptions in natural gas and fertilizer imports threaten energy-intensive sectors like textiles, chemicals, and cement. Critically, a shortage of fertilizers could jeopardize agricultural productivity during the upcoming Kharif season starting in June.
- **Currency and Capital Headwinds:** Uncertainty has triggered massive Foreign Portfolio Investment (FPI) outflows, totaling \$13.6 billion in March 2026 alone. This capital flight, combined with increased dollar demand for oil imports and a potential dip in Gulf remittances, has accelerated the depreciation of the Rupee.



- **Fiscal and Subsidy Pressures:** To shield consumers, the government has moderated retail price hikes, necessitating higher subsidies for Oil Marketing Companies (OMCs). The reduction in excise duty on fuel is estimated to cause an annual revenue loss of approximately ₹1,32,000 crore, further widening the fiscal deficit.
- **Inflationary and Growth Risks:** Historical RBI estimates suggest that for every \$7/bbl increase in crude prices, real GDP growth can fall by 15 basis points. With current prices significantly above baselines, India faces the dual risk of a 1 percentage point drop in GDP growth and a 2 percentage point spike in inflation.
- **Export Vulnerability:** West Asia accounts for 16.4% of India's merchandise exports. A regional slowdown, coupled with dampened demand from the U.S. and Europe, is expected to widen the Current Account Deficit (CAD) despite the partial competitive advantage provided by a weaker Rupee.

### Key Definitions

- **Indian Crude Basket:** A derived price based on a weighted average of "Sour" grade (Oman/Dubai average) and "Sweet" grade (Brent) crude oils processed by Indian refineries.
- **Strait of Hormuz:** A vital maritime chokepoint between the Persian Gulf and the Gulf of Oman through which approximately one-fifth of the world's total oil consumption passes.
- **Current Account Deficit (CAD):** A measurement of a country's trade where the value of the goods and services it imports exceeds the value of the products it exports.
- **Basis Points (bps):** A standard unit of measure for interest rates and other percentages in finance; 100 basis points equals 1%.

### Constitutional and Legal Provisions

- **Article 112 (Annual Financial Statement):** The unforeseen spike in subsidy requirements (food, fuel, fertilizer) necessitates a re-evaluation of the Budget estimates and potentially Supplementary Grants under Article 115.
- **Article 292:** Governs the borrowing powers of the Union Government, which may be stretched to fund the widening fiscal deficit caused by revenue losses from excise duty cuts.
- **Seventh Schedule (Union List):** Entry 53 (Regulation and development of oilfields and mineral oil resources) and Entry 92 (Taxes on the sale or purchase of goods other than newspapers in the course of interstate trade) give the Centre primary control over energy policy.
- **FRBM Act, 2003:** The Fiscal Responsibility and Budget Management Act sets targets for debt and deficit; the current crisis serves as an "escape clause" scenario due to external shocks and national security implications.

### Conclusion

The West Asia crisis acts as a multifaceted stressor on India's "External Sector" and "Fiscal Health." While temporary ceasefires provide short-term relief, the structural vulnerability remains due to high import dependency. Sustainable recovery will require a delicate policy balance: allowing gradual retail price pass-through to contain demand, diversifying energy sources, and maintaining a cautious stance on liquidity to prevent entrenched cost-push inflation.



## UPSC Relevance

- **GS Paper III (Economy):** Highly relevant for topics on "Mobilization of Resources," "Energy Security," "Inflation," and "Government Budgeting."
- **GS Paper II (International Relations):** Critical for understanding the "Effect of policies and politics of developed and developing countries on India's interests."

## 12. Economic Growth vs. Social Mobility: Assessing India's "Vulnerable Middle"

While India remains the world's fastest-growing major economy, recent analysis suggests a decoupling between GDP expansion and upward economic mobility. Although millions have crossed the traditional poverty threshold, a significant portion of the population remains trapped in a state of high vulnerability, characterized by wage stagnation and informal employment.

- **Paradox of Poverty Reduction:** India has successfully reduced the share of people living below the World Bank's lower-middle-income poverty line from 50% to 30% over a decade. However, crossing this line often marks entry into a "vulnerable middle" rather than a stable middle class, where incomes remain low and volatile.
- **The Mobility Gap:** Economic growth has failed to translate into broad-based mobility. Despite high productivity gains, real wages for salaried workers have remained stagnant, and the "transmission mechanism" that converts output into stable, formal employment is increasingly fractured.
- **Informalization and Low Earnings:** Fewer than 10% of Indian workers have formal jobs with social security. Data from the e-Shram portal reveals that 94.11% of registered informal workers earn less than ₹10,000 per month, an amount insufficient to support durable improvements in well-being.
- **Structural Fault Lines:** Economic transformation has stalled as workers move back into low-productivity agriculture (employing 46% of the workforce for 18% of output). Meanwhile, manufacturing shed 24 million jobs between 2016 and 2021, failing to absorb the 12 million annual entrants to the labor force.
- **Wealth Concentration:** While the bottom struggles for mobility, the top has seen accelerated gains. Estimates suggest 271 billionaires now hold wealth equivalent to one-quarter of India's net national income, with the top 1% capturing over 22% of the national income.
- **Financialization of Subsistence:** Rising household debt and falling financial savings (at roughly 5% of GDP) indicate that many families are using credit not for aspiration, but to sustain basic consumption and smooth out income volatility.

### What is Inclusive Growth?

#### The rise of inclusive growth

- Scholars have long argued for more encompassing views of development in relation to migration
- Inclusive Growth spread through development policy
- Inclusive growth addresses the deficiencies of focusing only on economic growth

#### What is inclusive growth?

- Inclusive growth focuses on the *quality* of growth rather than growth *per se*
- Most proponents agree that growth must be long-term and broad-based, covering multiple sectors

## Key Definitions

- **Vulnerable Middle:** A socio-economic group that has transitioned out of extreme poverty but lacks the income stability, social security, and assets to move into the secure middle class.
- **Economic Mobility:** The ability of an individual or household to improve their economic status over time, typically measured by changes in income or social class across generations.



- **e-Shram Portal:** A centralized database of unorganized workers launched by the Ministry of Labour and Employment to facilitate social security benefits and track employment trends in the informal sector.
- **Stunting and Wasting:** Indicators of chronic and acute malnutrition respectively; 35.5% of Indian children under five are stunted, which acts as a biological barrier to future economic mobility.

### Constitutional and Legal Provisions

- **Article 38 (DPSP):** Directs the State to secure a social order for the promotion of the welfare of the people and to minimize inequalities in income, status, and opportunity.
- **Article 39(a):** Mandates that the State shall direct its policy toward securing that citizens have the right to an adequate means of livelihood.
- **Article 41:** Ensures the right to work, to education, and to public assistance in cases of unemployment, old age, and sickness within economic limits.
- **Code on Social Security, 2020:** One of the four labor codes aimed at extending social security protections to all workers, including those in the unorganized, gig, and platform sectors.

### Conclusion

India's development narrative is shifting from a struggle against "deprivation" to a struggle for "opportunity." While welfare programs have successfully mitigated extreme poverty, the absence of a robust manufacturing base and the stagnation of real wages have created a glass ceiling for the working class. To restore the link between growth and mobility, policy must prioritize the formalization of the labor market and the creation of labor-intensive productive sectors.

### UPSC Relevance

- **GS Paper III (Economy):** Highly relevant for topics on "Inclusive growth and issues arising from it," "Employment," and "Planning and mobilization of resources."
- **GS Paper I (Social Issues):** Relevant for "Poverty and developmental issues," "Urbanization," and "Social Empowerment."