"We help you reach for the star"

VIDHVATH IAS KAS ACADEMY & STUDY CENTRE

DAILY CURRENT AFFAIRS

FOR UPSC CIVIL SERVICE EXAMINATION

DATE: 24/09/2026 (THURSDAY)



9972258970 & 9740702455

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

Table of Contents

1. Arunachal Cabinet Approves Panel for Siang Upper Multipurpose Project (SUMP) Pre-Feasibility Survey 2
2. Commercialisation and Cultural Preservation around Pilgrimage Sites: The Badrinath Controversy 3
3. Flash PMI Signals Strong Acceleration in India's Private Sector Growth 4
4. BRICS to Establish Dedicated Working Groups on Transfer Pricing and International Taxation 5
5. Ministry of Finance Initiates Pre-Budget Consultations for Union Budget 2027-28 7
6. India Accelerates Trade Engagements with Canada and Mexico Amid Global Trade Shifts 8
7. WHO Expresses Confidence in Potential US Re-engagement with Global Health Agency 9
8. Strategic Autonomy and India's Engagement in BRICS: Navigating Multipolarity 10
9. Quality Control Orders (QCOs) and India's Manufacturing Competitiveness 12
10. U.S. Federal Reserve Rate Hike Amid Inflationary Pressures and Rising Debt 13
11. Impact of 'Super El Niño' on Mortality, Rainfall, and Energy Security in India 14
12. Banking Sector Prudence and Macroeconomic Resilience: Managing Credit Growth and Stressed Assets 15

VIDHVATH IAS ACADEMY

1. Arunachal Cabinet Approves Panel for Siang Upper Multipurpose Project (SUMP) Pre-Feasibility Survey

Key Highlights & Summary

- The Arunachal Pradesh Cabinet approved an empowered high-level committee to guide and coordinate the pre-feasibility report (PFR) survey for the proposed Siang Upper Multipurpose Project (SUMP).
- The project has a projected capacity to generate an estimated 11,000 megawatts (MW) or more of hydroelectricity.
- The proposed project locations span across Siang and Upper Siang districts, with two designated sites in Siang district and one in Upper Siang district.
- The Union Government declared SUMP a "National Project" in 2008 due to its strategic significance in energy and water security.
- Local villagers along the Siang river belt have actively resisted the pre-feasibility report survey, raising concerns regarding socio-environmental impacts.
- Besides power generation, the project aims to strengthen regional water security, mitigate annual floods in the Siang-Brahmaputra basin, and stimulate regional economic development.

Essential Definitions

- **Multipurpose Hydropower Project:** An infrastructure initiative designed to serve several objective functions concurrently, including hydroelectric power generation, flood moderation, irrigation water supply, and regional water security management.
- **Pre-Feasibility Report (PFR):** An initial assessment evaluating the technical, environmental, economic, and financial viability of a proposed development project prior to undertaking a detailed feasibility study or Environmental Impact Assessment (EIA).

Legal and Constitutional Framework



- **Article 246 (Seventh Schedule - Union & State Lists):** Water management and hydroelectric power fall under Entry 17 of the State List (Water supply, drainage, and storage) and Entry 56 of the Union List (Regulation and development of inter-State rivers and river valleys).
- **Electricity Act, 2003:** Governs the development, generation, transmission, and distribution of power in India, setting guidelines for hydro-power capacity allocation and central assistance.
- **Environment Protection Act, 1986 & EIA Notification, 2006:** Mandates compulsory Environmental Impact Assessment (EIA), public consultations, and environmental clearances for large-scale hydroelectric and infrastructure projects.
- **Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013:** Regulates compulsory land acquisition, safeguarding the rights of affected indigenous populations and ensuring mandatory rehabilitation and resettlement (R&R).

- **The Provision of the Panchayats (Extension to Scheduled Areas) Act, 1996 (PESA) & Fifth/Sixth Schedule Considerations:** Protects the customary and land rights of tribal communities in scheduled areas, requiring local community consultation for development interventions.

Conclusion

The Siang Upper Multipurpose Project highlights the crucial balance required between strategic national development and local indigenous rights. While the project is critical for flood control, clean energy, and counter-balancing transboundary river developments upstream, sustainable implementation hinges on inclusive local engagement, transparent environmental impact assessments, and robust rehabilitation frameworks.

UPSC Relevance

- **GS Paper I:** Geographical features and changes in critical water bodies (Siang-Brahmaputra River System).
- **GS Paper II:** Federal dynamics, tribal rights, and statutory frameworks governing land acquisition and governance in Scheduled Areas.
- **GS Paper III:** Infrastructure (Energy, Dams), Disaster Management (Flood Mitigation), and Environmental Impact Assessment (EIA).

2. Commercialisation and Cultural Preservation around Pilgrimage Sites: The Badrinath Controversy

Key Highlights & Summary

- A two-day cultural festival titled "Our Heritage, Our Future" held near the Badrinath temple in Chamoli, Uttarakhand, sparked a row over loud, concert-style "bhajan jamming" and DJ performances.
- The festival was organised as part of the Indian Army's community outreach initiative, "Operation Sadbhavana," in collaboration with the Chamoli district administration and Uttarakhand Tourism Department.
- Religious leaders, local priest bodies (Uttarakhand Teerth Purohits Samiti), and activists expressed outrage, arguing that high-decibel commercial performances disturb the sanctity and quietude of holy shrines.
- District authorities claimed permission was granted only to set up stalls and that they were not informed about the DJ performance, prompting written queries to military authorities.
- The controversy has brought to the forefront the debate over setting boundaries between state-sponsored tourism promotion and the preservation of sacred traditional heritage.
- Concerns were also highlighted regarding the environmental and acoustic sensitivity of the fragile, high-altitude Himalayan region hosting the shrine.

Essential Definitions

- **Operation Sadbhavana (Operation Goodwill):** A unique civil-military initiative launched by the Indian Army in border and sensitive regions to foster national integration, improve civic infrastructure, and conduct community outreach.

- **Acoustic Pollution in Ecologically Sensitive Areas:** Excessive or disruptive noise in fragile ecological zones (like the high-altitude Himalayas) that degrades natural silence, alters micro-environments, and impacts local biodiversity and cultural ecosystems.

Legal and Constitutional Framework

- **Article 25 & 26 of the Constitution:** Guarantees freedom of conscience, the right to freely profess, practice, and propagate religion, and the freedom of religious denominations to manage their own affairs in accordance with traditional practices.
- **Article 49 of the Constitution (Directive Principles):** Directs the State to protect monuments, places, or objects of artistic or historic interest declared to be of national importance from spoliation, disfigurement, or misuse.
- **Article 51A(f) of the Constitution (Fundamental Duties):** Enjoins every citizen to value and preserve the rich heritage of India's composite culture.
- **Noise Pollution (Regulation and Control) Rules, 2000:** Framework under the Environment (Protection) Act, 1986, which sets ambient air quality standards regarding noise, particularly restricting high-decibel sound systems in designated silent or eco-sensitive zones.
- **Char Dham Shrine Board Framework / Local Temple Acts:** Statutory mechanisms governing the maintenance, religious decorum, and administration of traditional pilgrimage sites in Uttarakhand.

Conclusion

The debate around the Badrinath cultural festival underscores the necessity of maintaining a delicate balance between eco-tourism initiatives and traditional religious decorum. Policy interventions must prioritize clear regulatory guidelines for event management near sensitive Himalayan shrines to safeguard both fragile mountain ecosystems and long-standing cultural traditions.

UPSC Relevance

- **GS Paper I:** Indian Culture & Heritage (Preservation of cultural traditions versus commercialisation) and Salient features of Indian Society.
- **GS Paper II:** Government Policies & Interventions, Civil-Military Relations (Operation Sadbhavana), and Constitutional Rights under Articles 25 and 26.
- **GS Paper III:** Environment & Ecology (Impact of tourism and noise pollution on fragile Himalayan ecosystems).

VIDHVATH IAS ACADEMY

3. Flash PMI Signals Strong Acceleration in India’s Private Sector Growth

Key Highlights & Summary

- India's private sector business activity surged to a three-month high in September, driven by accelerated expansion in both manufacturing and services output.
- The HSBC Flash India Composite Output Index increased to 56.5 in September from 54.3 in August, demonstrating robust economic momentum.
- The Flash Manufacturing PMI climbed to a seven-month high of 55.7 in September compared to 52.8 in August, signaling a sharp recovery in industrial production.
- The Flash Services PMI Business Activity Index moved up to 55.8 in September from 54.1 in August, buoyed by enhanced marketing campaigns and strong domestic demand.

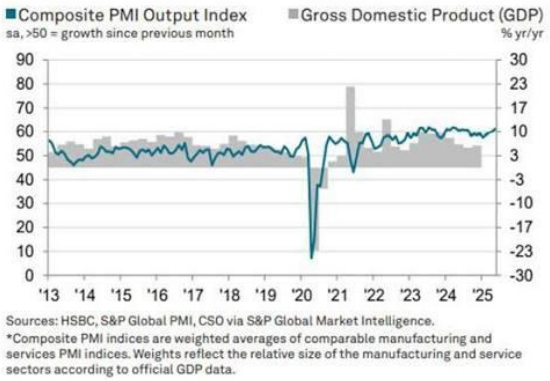
- Overall business confidence for the year-ahead output outlook hit a four-month high due to optimistic sentiment across key sectors, despite a slight moderation in export order growth.
- Service providers reported notable demand growth in property services, transport logistics, and new travel bookings.

Essential Definitions

- **Purchasing Managers' Index (PMI):** An economic indicator based on monthly surveys of private-sector companies that measures business activity trends across manufacturing and services sectors. A PMI reading above 50 indicates expansion relative to the previous month, while a value below 50 indicates contraction.
- **Flash PMI:** An early estimate of a country's PMI based on approximately 85% to 90% of total monthly survey responses, designed to provide an accurate advance indication of final economic output numbers.

Legal and Constitutional Framework

- **Collection of Statistics Act, 2008:** The legal framework governing the collection of socio-economic statistics in India, establishing standards for data collection, validation, and dissemination.
- **National Indicator Framework (NIF):** Administered by the Ministry of Statistics and Programme Implementation (MoSPI), coordinating national statistical systems alongside high-frequency economic indicators collected by private entities like S&P Global and HSBC.



- **Article 280 of the Constitution:** Relates to the Finance Commission, which utilizes macroeconomic trends and economic data to recommend tax revenue distribution principles between the Union and States.

Conclusion

The uptick in September's Flash PMI underscores resilient domestic demand and robust business confidence across India's manufacturing and service sectors. Maintaining this expansion trajectory will depend on sustaining domestic consumption while managing external headwinds that pose risks to export momentum.

UPSC Relevance

- **GS Paper III:** Indian Economy and issues relating to planning, mobilization of resources, growth, development, and employment; Industrial growth and Services sector trends.
- **GS Paper III:** Economic Indicators (PMI, IIP, GDP growth metrics) and high-frequency monitoring of private sector performance.

4. BRICS to Establish Dedicated Working Groups on Transfer Pricing and International Taxation

Key Highlights & Summary

- BRICS member nations agreed to establish two specialized working groups focused on international taxation, transfer pricing, and revenue statistics.

- The decision was announced during a meeting of BRICS heads of tax authorities hosted in New Delhi, chaired by Union Finance Minister Nirmala Sitharaman.
- The initiative aims to build a collective voice for developing economies in global tax negotiations and ensure sustained institutional cooperation beyond rotating chairships.
- Transfer pricing disputes disproportionately affect developing-country tax administrations due to global tax rules that often fail to reflect local fiscal realities.
- The working groups will facilitate experience sharing on cross-border taxation, helping member countries reform rules that distort how developing tax systems are assessed.
- Comprising 11 emerging economies (including India, Brazil, Russia, China, South Africa, Egypt, Ethiopia, Iran, UAE, Saudi Arabia, and Indonesia), BRICS represents around 40% of global GDP and nearly half of the world's population.

Essential Definitions

- **Transfer Pricing:** The pricing mechanism used for transactions—including the sale of goods, services, and intellectual property—between related entities or subsidiaries under common control within a multinational enterprise (MNE).
- **Arm's Length Principle (ALP):** An international tax standard requiring transactions between associated enterprises to be priced as if they were conducted between independent, unrelated entities under similar market conditions.

Legal and Constitutional Framework

- **Income Tax Act, 1961 (Sections 92 to 92F):** Specific provisions in Indian domestic law regulating transfer pricing, computation of income from international transactions, and enforcement of the Arm's Length Price.
- **Advance Pricing Agreements (APA) Scheme:** A statutory mechanism under Section 92CC of the Income Tax Act allowing taxpayers and tax authorities to determine transfer pricing methodology in advance to prevent disputes.



- **OECD/G20 BEPS (Base Erosion and Profit Shifting) Project:** The global framework designed to tackle tax avoidance strategies used by MNEs, where BRICS nations seek to align standards while safeguarding developing-nation revenue interests.
- **Article 253 of the Constitution:** Grants Parliament the power to enact legislation to implement international treaties, agreements, or conventions, including Double Taxation Avoidance Agreements (DTAAs).

Conclusion

The creation of BRICS working groups on transfer pricing marks a significant step toward reforming the global tax architecture to better reflect the economic interests of the Global South. By pooling statistical data and technical expertise, BRICS nations can mitigate cross-border tax evasion, lower transfer pricing litigation, and foster a fairer international taxation framework.

UPSC Relevance

- **GS Paper II:** Bilateral, regional, and global groupings involving India (BRICS) and their role in shaping international policies.
- **GS Paper III:** Indian Economy and issues relating to taxation, revenue mobilization, tax avoidance (BEPS), and regulation of multinational corporations.

5. Ministry of Finance Initiates Pre-Budget Consultations for Union Budget 2027-28

Key Highlights & Summary

- The Union Ministry of Finance will commence a month-long series of pre-budget meetings starting October 12, 2026, to kickstart preparations for the Union Budget 2027-28.
- Discussions will focus on finalizing Revised Estimates (RE) for the financial year 2026-27 and Budget Estimates (BE) for 2027-28 concerning grants and appropriations.
- The consultative process is chaired by the Secretary (Expenditure) under the Ministry of Finance's Budget Division.
- Pre-budget consultations involve detailed discussions with central ministries, departments, union territories, and key sector stakeholders to assess expenditure needs and revenue projections.
- The exercise serves as the foundation for balancing fiscal consolidation targets with growth-oriented public expenditure allocations.
- Final estimates determined during these sessions form the basis of the Annual Financial Statement presented to Parliament on February 1.

Essential Definitions



- **Budget Estimate (BE):** An allocation of funds for a specific financial year, outlining projected revenues and anticipated public expenditure as presented in the Annual Financial Statement.
- **Revised Estimate (RE):** A mid-year re-assessment of the budget estimates in light of actual receipts and expenditure trends during the ongoing financial year, presented alongside the upcoming year's budget.

VIDHVATH IAS ACADEMY

Legal and Constitutional Framework

- **Article 112 of the Constitution:** Mandates the President of India to cause to be laid before both Houses of Parliament an "Annual Financial Statement" showing estimated receipts and expenditure of the Union for each financial year.
- **Article 113 of the Constitution:** Details the procedure in Parliament regarding estimates, specifying that expenditure charged upon the Consolidated Fund of India is not submitted to vote, while other expenditure is presented in the form of Demand for Grants.
- **Fiscal Responsibility and Budget Management (FRBM) Act, 2003:** Sets statutory frameworks for fiscal discipline, requiring the government to lay the Medium-Term Fiscal Policy Statement, Macroeconomic Framework Statement, and Fiscal Policy Strategy Statement alongside the budget.

- **General Financial Rules (GFR), 2017:** Provides standard rules and instructions issued by the Department of Expenditure governing financial management, budget formulation, and public procurement procedures.

Conclusion

Pre-budget consultations form the operational bedrock of India's budgetary machinery, facilitating systematic allocation of state resources across critical socio-economic sectors. By aligning expenditure estimates with fiscal discipline targets, these meetings ensure structured governance, executive accountability, and efficient public finance management.

UPSC Relevance

- **GS Paper II:** Parliament and State Legislatures—structure, functioning, conduct of business, powers & privileges, and issues arising out of these (Budgetary process under Articles 112-117).
- **GS Paper III:** Indian Economy and issues relating to planning, mobilization of resources, growth, development, and Fiscal Policy / Public Finance Management.

6. India Accelerates Trade Engagements with Canada and Mexico Amid Global Trade Shifts

Key Highlights & Summary

- India is speeding up negotiations for comprehensive trade agreements with Canada and Mexico to diversify supply chains and hedge against global trade disruptions.
- A fifth round of trade talks between India and Canada is scheduled for October, aiming for a finalized agreement by December during an official leadership visit.
- India is finalizing a structural framework with Mexico to initiate formal bilateral trade negotiations, strengthening its commercial presence in Latin America.
- The three nations collectively represent over $8 trillion in economic output and are seeking market expansion to offset tariff volatility and protectionist measures.
- Developing deeper bilateral economic ties with North American economies forms a key part of India's strategic push to expand foreign direct investment (FDI) and export destinations.
- India continues to pursue strategic economic partnerships alongside ongoing trade dialogues with major global trading partners.

VIDHVATH IAS ACADEMY

Essential Definitions



- **Comprehensive Economic Partnership Agreement (CEPA) / Free Trade Agreement (FTA):** A bilateral or multilateral agreement that lowers or eliminates tariffs, trade quotas, and non-tariff barriers on goods and services, while facilitating investment and intellectual property cooperation.
- **Trade Diversification:** A strategic policy aimed at expanding the range of export products and trading partners to reduce economic vulnerability to single-market shocks and tariff fluctuations.

Legal Constitutional Framework

- **Article 253 of the Constitution:** Empowers Parliament to make laws for the entire country or any part thereof for implementing treaties, international agreements, or conventions with other countries.
- **Entry 14 of the Union List (Seventh Schedule):** Grants the Central Government exclusive jurisdiction over entering into treaties and agreements with foreign countries and implementing them.
- **Foreign Trade (Development and Regulation) Act, 1992:** Provides the statutory framework for the regulation, development, and facilitation of India's foreign trade and international commercial policy.
- **Customs Tariff Act, 1975:** Governs preferential tariff treatments, rules of origin, and import duties applicable under negotiated bilateral free trade agreements.

Conclusion

India's proactive trade diplomacy with Canada and Mexico reflects a strategic pivot toward market diversification and supply chain resilience amidst shifting global trade dynamics. Securing structured trade arrangements with key economies across North and South America will strengthen India's manufacturing competitiveness and protect national commercial interests against external macroeconomic turbulence.

UPSC Relevance

- **GS Paper II:** Bilateral, regional, and global groupings and agreements involving India and affecting India's interests; Effect of policies and politics of developed and developing countries on India's interests.
- **GS Paper III:** Indian Economy and issues relating to planning, mobilization of resources, growth, development, and international trade policies.

7. WHO Expresses Confidence in Potential US Re-engagement with Global Health Agency

Key Highlights & Summary

- World Health Organization (WHO) Director-General Dr. Tedros Adhanom Ghebreyesus stated that it is a "matter of time" before the United States rejoins the global health body.
- The US formally notified WHO of its withdrawal in January 2026, citing dissatisfaction over the agency's management of the COVID-19 pandemic.



- Historically, the US has been WHO's largest single financial contributor, providing $1.284 billion during the 2022-23 biennium through assessed and voluntary funds.
- The withdrawal created substantial funding deficits, forcing WHO to reprioritize core programs including polio eradication, HIV, tuberculosis, immunization, and maternal health.
- Beyond financial backing, WHO emphasized the strategic importance of US technical expertise from bodies like the Centers for Disease Control and Prevention (CDC) and National Institutes of Health (NIH).

- Ahead of the UN General Assembly high-level meeting on "Pandemic Prevention, Preparedness and Response," WHO cautioned against the politicization or weaponization of global public health crises.

Essential Definitions

- **Assessed Contributions:** Dues that member states pay to the WHO as a mandatory requirement of their membership, calculated relative to each country's wealth and population size.
- **Voluntary Contributions:** Financial funds provided voluntarily by member states or non-governmental partners, often earmarked for specific health initiatives, disease eradication campaigns, or emergency responses.

Legal and Constitutional Framework

- **Constitution of the World Health Organization (1948):** The founding treaty establishing WHO as a specialized agency of the United Nations responsible for international public health governance.
- **International Health Regulations (IHR, 2005):** A legally binding instrument under international law aimed at preventing, responding to, and controlling the international spread of disease while minimizing interference with world traffic and trade.
- **Article 253 of the Constitution of India:** Authorizes Parliament to make laws for implementing international treaties, sanitary regulations, or health conventions adopted under multilateral bodies like WHO.
- **Article 47 of the Constitution of India (Directive Principles):** Directs the State to raise the level of nutrition and standard of living of its people and consider the improvement of public health as among its primary duties.

Conclusion

The potential re-engagement of the US with the World Health Organization is vital for maintaining robust global health security and sustained disease surveillance. Rebuilding strong multilateral health governance ensures equitable distribution of medical resources, prevents fragmentation in pandemic responses, and safeguards international public health infrastructure against future global health emergencies.

UPSC Relevance

- **GS Paper II:** Important International institutions, agencies, and fora—their structure, mandate, and functioning (WHO, United Nations Frameworks).
- **GS Paper II:** Governance, issues relating to the development and management of Social Sector/Services relating to Health.
- **GS Paper III:** Science and Technology—developments and their applications in disease mitigation and global health security.

VIDHVATH IAS ACADEMY

8. Strategic Autonomy and India’s Engagement in BRICS: Navigating Multipolarity

Key Highlights & Summary

- The 18th BRICS Summit held in New Delhi on September 12-13, 2026, highlighted India's key role in leading multipolar diplomacy amid West Asian conflicts and global trade instability.
- New Delhi achieved consensus among 11 diverse member states to issue the Delhi Declaration, reinforcing a shared commitment to a more representative global governance structure.

- The summit enabled India to restore its traditional balancing posture in West Asia by hosting Iranian leadership while maintaining strategic relationships across rival geopolitical blocs.
- Plurilateral platforms like BRICS provide essential guardrails for competitive coexistence between India and China, ensuring ongoing dialogue despite ongoing border tensions.
- Member states demonstrated structural convergence against unilateralism in trade, finance, climate change, and artificial intelligence regulation.
- India's multi-alignment strategy within BRICS allows it to preserve strategic autonomy and resist becoming a frontline state in major power rivalries.

Essential Definitions

- **Strategic Autonomy:** A foreign policy doctrine wherein a nation formulates and executes its national interests and foreign policy independently, without relying on or succumbing to coercion from major external powers.
- **Plurilateralism:** Cooperative agreements or institutional frameworks formed among a targeted group of countries with shared strategic or economic interests, distinct from universal multilateral institutions.



Legal and Constitutional Framework

- **Article 51 of the Constitution (Directive Principles):** Directs the State to promote international peace and security, maintain just and honourable relations between nations, foster respect for international law and treaty obligations, and encourage settlement of international disputes by arbitration.
- **Article 253 of the Constitution:** Empowers Parliament to make laws for implementing international treaties, agreements, or declarations agreed upon in international forums like BRICS.
- **Executive Power under Article 73:** Vests the Union Executive with the authority to conduct foreign affairs, negotiate international conventions, and represent India in diplomatic frameworks.

Conclusion

VIDHVATH IAS ACADEMY

India's leadership at the New Delhi BRICS Summit demonstrates the continued relevance of multi-alignment in an increasingly fragmented world order. By leveraging BRICS to balance relations among global powers, address regional disputes, and champion the concerns of the Global South, India secures its own strategic rise while contributing to a stable, multipolar international system.

UPSC Relevance

- **GS Paper II:** Bilateral, regional, and global groupings and agreements involving India and affecting India's interests (BRICS, SCO, Quad).
- **GS Paper II:** India and its neighborhood-relations, effect of policies and politics of developed and developing countries on India's national interests.
- **GS Paper II:** Directive Principles of State Policy (Article 51) and the constitutional framework governing foreign affairs.

9. Quality Control Orders (QCOs) and India's Manufacturing Competitiveness

Key Highlights & Summary

- Rapid expansion of Quality Control Orders (QCOs) grew the coverage of regulated products from 88 in 2019 to 765 by late 2024, raising non-tariff barrier concerns at the WTO.
- To prevent supply-chain disruptions, DPIIT introduced the Transition Facilitation (Quality Control) Order, 2026, relaxing certification norms for specific sectors like footwear, toys, and electronics.
- Over 600 QCO-covered products, particularly intermediate goods across chemicals, steel, textiles, and rubber, remain slated for comprehensive regulatory reassessment.
- Empirical research by CSEP reveals that QCOs on chemical inputs caused a 37% decline in gross value added (GVA) for large firms despite sustained production levels.
- Smaller manufacturing entities and MSMEs face severe profit squeezes (up to 47.6% decline) due to high certification costs and an inability to pass on input cost hikes.
- Balancing quality enforcement with manufacturing scale is essential to prevent regulatory bottlenecks from undermining India's integration into Global Value Chains (GVCs).

Essential Definitions

- **Quality Control Order (QCO):** A mandatory regulatory order issued by government ministries under the Bureau of Indian Standards Act to ensure products conform to specified Indian Standards (IS) for consumer safety, health, and environmental protection.
- **Gross Value Added (GVA):** A measure of the value generated by an economy, industry, or sector, calculated as total gross output minus the value of intermediate consumption used in production.

Legal and Constitutional Framework

- **Bureau of Indian Standards (BIS) Act, 2016:** Empowers the Central Government to notify mandatory compliance with Indian Standards for specific goods and processes through Quality Control Orders.
- **Foreign Trade (Development and Regulation) Act, 1992:** Regulates import and export policies, providing statutory authority to ensure imported intermediate goods satisfy prescribed quality standards.
- **Article 19(1)(g) of the Constitution:** Guarantees the fundamental right to practice any profession, trade, or business, subject to reasonable restrictions imposed by the State in the interest of the general public under Article 19(6).
- **WTO Technical Barriers to Trade (TBT) Agreement:** International framework requiring technical regulations and standards to be non-discriminatory and not create unnecessary obstacles to international trade.

Conclusion

While enforcing quality standards is vital for brand value and national safety, rigid QCO implementations on intermediate inputs risk penalizing domestic producers and MSMEs. A calibrated approach featuring supply-chain impact assessments, temporary transition windows, and dedicated compliance support will ensure India maintains domestic manufacturing competitiveness without compromising on product quality.

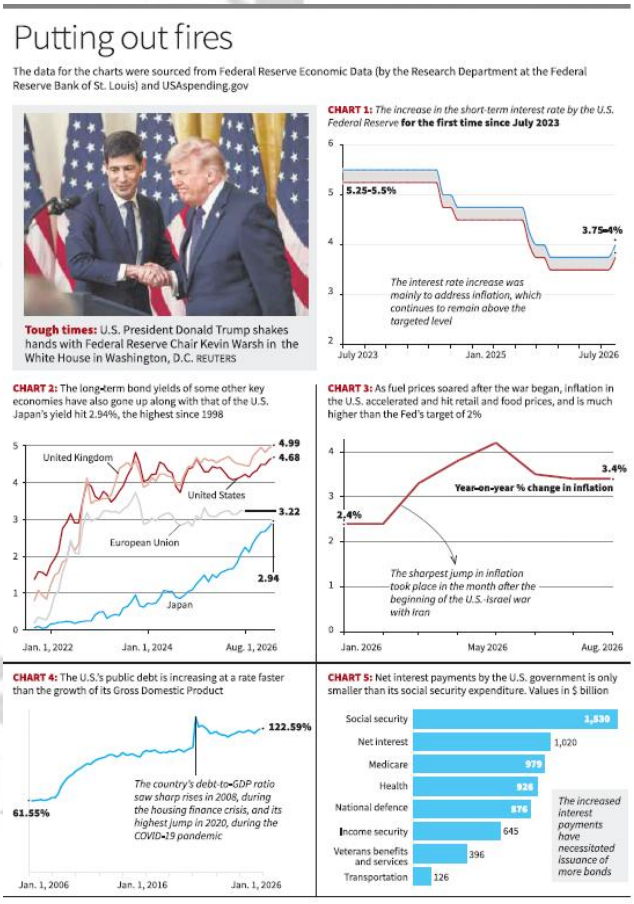
UPSC Relevance

- **GS Paper III:** Indian Economy and issues relating to planning, mobilization of resources, industrial growth, and Micro, Small, and Medium Enterprises (MSMEs).
- **GS Paper III:** Changes in industrial policy and their effects on industrial growth, Global Value Chains (GVCs), and international trade obligations under the WTO.

10. U.S. Federal Reserve Rate Hike Amid Inflationary Pressures and Rising Debt

Key Highlights & Summary

- The U.S. Federal Reserve raised its benchmark interest rate by 25 basis points to a range of 3.75% to 4%, marking its first rate hike in three years.
- Consumer Price Index (CPI) inflation in the U.S. remained elevated at 3.4% in August 2026, lingering significantly above the Federal Reserve's target rate of 2%.
- Rising geopolitical tensions and the U.S.-Israel war with Iran triggered price spikes, pushing U.S. inflation to a peak of 4.2% in May 2026.
- Benchmark 10-year U.S. Treasury bond yields breached the critical 5% threshold in September 2026, driven by persistent inflation concerns and increased government borrowing.
- U.S. public debt reached 122.6% of Gross Domestic Product (GDP) in early 2026, nearly double its level relative to two decades prior.
- Debt servicing costs for the U.S. government have escalated sharply, with net interest payments surpassing expenditure on healthcare and defense.



Essential Definitions

- **Federal Funds Rate:** The core policy interest rate set by the U.S. Federal Reserve at which commercial banks borrow and lend their excess reserves to one another overnight.
- **Debt-to-GDP Ratio:** A macroeconomic metric comparing a country's total public debt to its annual gross domestic product, indicating the country's capacity to pay back its debts.

Legal and Constitutional Framework

- **Federal Reserve Act of 1913:** The U.S. statutory framework governing the Federal Reserve System and mandating its dual charter to promote maximum employment and stable prices.
- **Reserve Bank of India Act, 1934:** Grants the RBI authority over monetary policy in India, including setting the repo rate to maintain price stability under the Flexible Inflation Targeting (FIT) framework.

- **Fiscal Responsibility and Budget Management (FRBM) Act, 2003:** Sets statutory limits on public debt and fiscal deficit targets for India to ensure long-term macro-fiscal sustainability.
- **Article 292 of the Constitution of India:** Authorizes the Union Government to borrow upon the security of the Consolidated Fund of India within limits established by Parliament.

Conclusion

The Federal Reserve's rate hike underscores the persistent challenge of containing inflation while managing unsustainable levels of public debt. Higher interest rates in major developed economies create global financial spillovers, tightening liquidity, driving capital outflows from emerging markets, and increasing sovereign debt vulnerabilities worldwide.

UPSC Relevance

- **GS Paper III:** Indian Economy and issues relating to planning, mobilization of resources, growth, and monetary policy management.
- **GS Paper III:** Impact of global macroeconomic developments, U.S. Fed policy shifts, and foreign exchange/bond yield fluctuations on emerging market economies.

11. Impact of 'Super El Niño' on Mortality, Rainfall, and Energy Security in India

Key Highlights & Summary

- A report by the Climate Impact Lab estimates that India could face 15,800 (pm 1,600) additional heat-related deaths between September 2026 and February 2027 due to a 'Super El Niño'.
- Global projections indicate nearly 451,000 excess deaths worldwide during the El Niño event, with 239,000 occurring in the six-month window through February 2027.
- Sea surface temperatures in the eastern equatorial Pacific have risen over 3°C above normal, pointing to a greater than 90% chance of an exceptionally strong El Niño.
- India's national rainfall deficit reached approximately 15% below normal as the southwest monsoon entered its withdrawal phase.
- Extreme heat has triggered surging electricity demand, leaving nearly 40% of India's coal-fired power plants with critically low fuel stocks.
- Researchers term this event a "postcard from our future," as it mirrors temperatures projected to become standard 20 years later without climate adaptation investments.

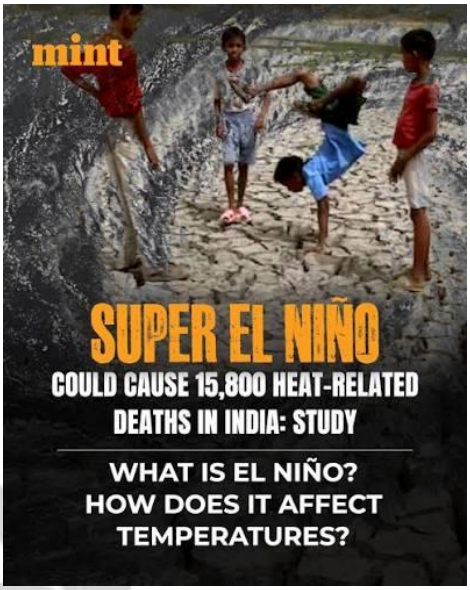
Essential Definitions

- **El Niño / Super El Niño:** A periodic climate pattern characterized by abnormal warming of surface waters in the central and eastern equatorial Pacific Ocean, disrupting global atmospheric circulation and monsoon systems.
- **Adaptive Capacity:** The ability of systems, institutions, humans, and other organisms to adjust to potential damage, take advantage of opportunities, or respond to climate consequences.

Legal and Constitutional Framework

- **Article 21 of the Constitution:** Guarantees the fundamental Right to Life and Personal Liberty, which the Supreme Court has expanded to encompass the right to a clean environment and protection from adverse climate impacts.

- **Disaster Management Act, 2005:** Provides the statutory mandate for declaring heatwaves and extreme weather events as national disasters, empowering the NDMA to implement National Heat Wave Action Plans.
- **Article 48A (Directive Principles):** Directs the State to protect and improve the environment and safeguard the forests and wildlife of the country.



Conclusion

The projected toll of the Super El Niño underscores the urgent need to transition from reactive relief to proactive adaptation planning. Strengthening early warning systems, upgrading power sector logistics, expanding local Heat Action Plans (HAPs), and reinforcing healthcare infrastructure are vital steps to safeguard human lives and economic stability against climate-induced shocks.

UPSC Relevance

- **GS Paper III:** Conservation, environmental pollution and degradation, environmental impact assessment, and climate change dynamics.
- **GS Paper III:** Disaster and disaster management, including heatwave mitigation, resilient power infrastructure, and agricultural risk management.

12. Banking Sector Prudence and Macroeconomic Resilience: Managing Credit Growth and Stressed Assets

Key Highlights & Summary

- Principal Secretary to the Prime Minister P.K. Mishra cautioned commercial banks against reviving aggressive lending practices driven by short-term optimism.
- Poor credit assessments in past economic cycles forced the banking system to divert significant resources toward cleaning up stressed assets and bad loans.
- India's banking sector has achieved a multi-decadal low in Gross Non-Performing Assets (GNPA), falling below 1% in Q1 FY2027 compared to double-digit levels a decade ago.
- Banks were advised to evaluate credit applications strictly against project economics and fundamental viability rather than temporary market enthusiasm.
- The address emphasized preserving institutional memory to prevent a recurrence of the "twin balance sheet problem" that previously constrained productive capital investment.



- Sustaining long-term economic growth requires strengthening domestic manufacturing capabilities, skilling the workforce, and reducing import dependencies to narrow the merchandise trade deficit.

Essential Definitions

- **Gross Non-Performing Assets (GNPA):** The total value of loans and advances issued by a bank that are overdue or in default for more than 90 days, representing the gross magnitude of bad loans in the banking system.
- **Twin Balance Sheet Problem:** A macroeconomic scenario where both corporate balance sheets (burdened by over-leveraged debt) and bank balance sheets (burdened by non-performing assets) are severely stressed simultaneously, limiting fresh investment and credit creation.

Legal and Constitutional Framework

- **Banking Regulation Act, 1949:** Grants statutory authority to the Reserve Bank of India (RBI) to regulate banking operations, issue prudential norms, direct credit controls, and oversee asset classification.
- **Insolvency and Bankruptcy Code (IBC), 2016:** Provides a time-bound, legal framework for re-organization and insolvency resolution of corporate entities, helping clean up non-performing assets and recover stressed bank capital.
- **Reserve Bank of India Act, 1934:** Mandates the RBI to regulate the monetary policy framework, supervise banking stability, and ensure financial system liquidity without triggering speculative credit expansion.
- **Article 246 (Seventh Schedule - Union List, Entry 45):** Grants Parliament exclusive jurisdiction over legislative matters pertaining to banking, financial regulation, and credit institutions.

Conclusion

Maintaining rigorous credit appraisal standards is critical to preserving the banking system's restored asset quality and supporting sustainable economic growth. Balancing credit expansion with financial stability ensures that capital is channeled toward productive manufacturing sectors, preventing a resurgence of systemic non-performing assets and reinforcing macroeconomic resilience.

UPSC Relevance

- **GS Paper III:** Indian Economy and issues relating to planning, mobilization of resources, growth, development, and employment; Banking sector reforms, NPAs, and credit growth.
- **GS Paper III:** Industrial policy, domestic manufacturing competitiveness, and trade deficit management.

VIDHVATH IAS ACADEMY
