



7 PM COMPILATION

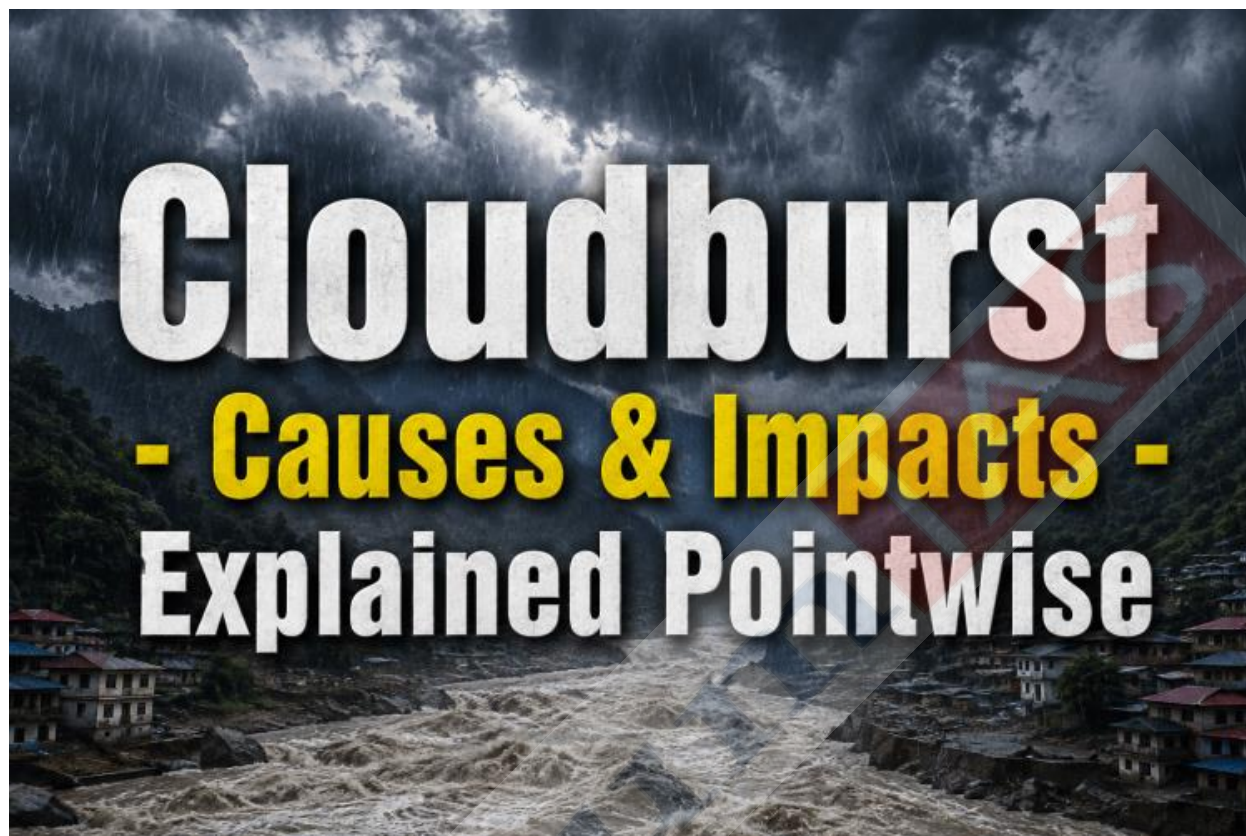
1st and 2nd week August, 2026

Features of 7 PM compilation

- ❖ Comprehensive coverage of a given current topic
- ❖ Provide you all the information you need to frame a good answer
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Cloudburst – Causes & Impacts – Explained Pointwise

Recently, the IMD rejected claims of cloudbursts triggering devastating floods in Assam and Nagaland, clarifying that while heavy precipitation occurred, rainfall intensity fell short of the official 100 mm/hour threshold.

A **cloudburst** is an extreme meteorological phenomenon involving a sudden, heavy downpour concentrated over a short duration and a small geographic area. It is defined in India by the Indian Meteorological Department (IMD).

What is a cloudburst?

- A **cloudburst** is an **extremely intense spell of rainfall over a small geographical area within a short period**, typically involving **more than 100 mm of rain in one hour** over an area of about **20–30 square kilometres**.
- Such intense rainfall often overwhelms the drainage capacity of the region, leading to **flash floods, landslides, and widespread destruction**.
- Cloudbursts are very difficult to forecast. Meteorologists can usually say whether a region is at risk of heavy rain but cannot say precisely which patch of land will experience a cloudburst.

How does a cloudburst form?

The phenomenon is driven by intense updrafts and moisture accumulation:

1. **Moisture Trapping:** Warm, moisture-laden air rises rapidly due to convection or topographic lifting (orographic lift) along mountain slopes.
2. **Updraft Hold:** Strong upward air currents hold huge volumes of condensed water drops high in the upper atmosphere, preventing them from falling as normal rain.
3. **Sudden Collapse:** As the cloud continues to accumulate water droplets, the weight eventually overcomes the strength of the upward air currents. The updraft collapses suddenly, dropping millions of tons of water over a tiny footprint within minutes.

How common are cloudbursts in India?

- **Spatial pattern:** Cloudbursts are almost exclusively a phenomenon of high-altitude and rugged terrains in India:

The Himalayan Belt (Primary Zone)	○ Over 90% of cloudbursts occur across Uttarakhand, Himachal Pradesh, Jammu & Kashmir, and Ladakh. ○ Steep valley topography (between 1,000 m and 2,500 m elevation) acts as a funnel for moisture-laden monsoon winds.
The Western Ghats (Secondary Zone)	○ Occasional short-duration, high-intensity downpours occur along the windward slopes of Maharashtra, Karnataka, and Kerala.

- **Temporal pattern:**
 - Cloudburst mainly occur during the **southwest monsoon season (June-Sept).**
 - According to the Ministry of Earth Sciences (2021), **climate change** has increased the incidence of cloudbursts by about 5 every decade since 1969, particularly on the west coast and in the Himalayan region.
 - Cloudburst frequency in some Himalayan basins has increased measurably over the past two decades, as documented in IMD reports and peer-reviewed analyses, with the risk zone expanding to higher altitudes and new geographies.

What are the factors responsible for a cloudburst?

Cloudbursts result from a combination of atmospheric, geographic, and thermodynamic factors that together allow a huge volume of moisture to build up and then release suddenly.

1. **Orographic lift:** When moisture-laden winds are forced upward rapidly by steep mountain slopes, the air rises quickly and cools. As the air rises, it cools and condenses rapidly, forming dense clouds that can produce intense rainfall. This is why cloudbursts are so heavily concentrated in the Himalayas and Western Ghats because the terrain itself acts as a trigger.
2. **Abundant moisture supply:** Warm, moisture-rich winds from the **Arabian Sea** and the **Bay of Bengal** supply large amounts of water vapour to the atmosphere. Without a steady moisture feed, the cloud can't build the volume needed for such intense rainfall.

3. **Strong updrafts holding water aloft:** As the cloud develops into a towering cumulonimbus, powerful vertical updrafts suspend water droplets and ice crystals in the cloud instead of letting them fall immediately. This lets enormous quantities of water accumulate before release.
4. **Sudden updraft collapse:** Eventually the updraft can no longer support the accumulated weight of water. When it collapses, all that moisture falls at once rather than gradually.
5. **Local topography and valley funneling:** Narrow valleys and confined drainage basins (common in the Himalayan region) don't cause the cloudburst itself but dramatically worsen its impact.
6. **Atmospheric Instability:** The coexistence of warm, moist air near the surface and cooler air at higher altitudes makes the atmosphere unstable. This instability promotes vigorous upward movement of air and rapid cloud development.
7. **Low-pressure pockets over high terrain:** A localized low-pressure zone forming over a mountain peak can pull clouds forcefully toward it, concentrating moisture in a very small area before releasing it.
8. **Climate change:** Global warming is causing rising atmospheric moisture-holding capacity and faster warming in the Himalayan region compared to the global average – amplifying cloudburst frequency and intensity.

What are the socio-economic and environmental impacts of cloudbursts in India?

Socio-Economic Impact	1. Loss of Human Lives: Due to the rapid onset and lack of lead time for early warnings, cloudbursts lead to high mortality rates for e.g. 2025 Kishtwar flash flood killed 68 people. 2. Damage to Infrastructure: High-velocity flash floods wash away mountain roads, bridges, power distribution grids, and communication networks, isolating remote districts for weeks. Run-of-the-river hydroelectric power plants suffer heavy damage when intake tunnels and turbines are choked with massive volumes of silt, sand, and heavy boulders for e.g. 2023 Sikkim GLOF destroyed the Chungthang Dam. 3. Loss of Livelihoods: Cloudbursts during peak summer/monsoon months paralyze regional tourism and pilgrimage routes (e.g. the Char Dham Yatra in Uttarakhand or the Amarnath Yatra in Jammu & Kashmir), inflicting severe losses on local hospitality, transport, and commercial sectors. 4. Displacement of People: Settlements located along riverbanks, valley floors, or steep fans are frequently swept away or buried under mud, creating large numbers of internally displaced persons. 5. Economic Losses: Governments incur substantial expenditure on rescue, relief, rehabilitation, and reconstruction, while local economies experience prolonged disruptions. 6. Disruption of Essential Services: Water supply, electricity, healthcare, education, and transportation services are interrupted, affecting normal life.
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Environmental Impact	1. Flash Floods: Sudden, high-intensity rainfall causes rivers and streams to overflow, resulting in widespread flooding. 2. Landslides: Sudden, intense rainfall saturates soil rapidly, triggering landslides that permanently alter hillslopes and increase vulnerability to future events. 3. Soil Erosion: Heavy runoff removes fertile topsoil, reducing agricultural productivity and increasing land degradation. 4. River Siltation: Large quantities of sediments are deposited in river channels and reservoirs, reducing their carrying and storage capacities. 5. River Course Changes: Rivers can swell dramatically within minutes, eroding banks, altering river paths, and depositing debris that changes local hydrology long-term for e.g. as seen when Sikkim's GLOF raised the Teesta riverbed. 6. Loss of Biodiversity: Forests, wildlife habitats, and aquatic ecosystems may be damaged or destroyed. Debris flows uproot dense forest patches along mountain gullies, destroying wildlife habitats and fragile flora. 7. Water Pollution: Floodwaters often carry sediments, sewage, chemicals, and debris, contaminating rivers and drinking water sources.
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What measures has the government taken to improve preparedness and response to cloudburst-induced disasters in India?

1. **Mission Mausam & Radar Expansion:** Early warning systems are being expanded under Mission Mausam. The India Meteorological Department (IMD) is deploying X-band and S-band **Doppler Weather Radars (DWRs)** across high-altitude Himalayan sectors (including locations like Mukteshwar, Surkanda Devi, Kullu, Mandi, Jammu, and Leh) to detect convective cloud formation in valley blind spots.
2. **High-Density Monitoring Networks:** Automated Weather Stations (AWS) and Automatic Rain Gauges (ARGs) are being installed across micro-watersheds to provide real-time rainfall intensity alerts.
3. **CAP (Common Alerting Protocol):** The National Disaster Management Authority (NDMA) uses cell-broadcast technologies (SMS and app alerts via **Sachet**) to send geo-targeted early warnings directly to mobile phones in high-risk zones. The Sachet app, developed by NDMA, delivers disaster early warnings and is available in 12 Indian languages, including Hindi, English, Bengali, Gujarati, Kannada, and Tamil.
4. **NDMA Management Guidelines:** The NDMA has published specialized guidelines for flash flood, landslide, and cloudburst hazard management. These emphasize micro-watershed mapping, slope stabilization, and continuous hazard monitoring in vulnerable valleys.
5. **Hazard & Vulnerability Zoning:** The National Remote Sensing Centre (NRSC) and State Disaster Management Authorities (SDMAs) map flash-flood and landslide hazard zones.
6. **NDRF & SDRF Pre-positioning:** Prior to the monsoon, National Disaster Response Force (NDRF) and State Disaster Response Force (SDRF) teams are forward-deployed at strategic, high-risk hubs across Himalayan states for immediate search-and-rescue operations.
7. **Aapda Mitra Scheme:** The NDMA trains thousands of community volunteers ("Aapda Mitras") in hill districts in basic search, rescue, first aid, and evacuation procedures.

What are the short-term and long-term strategies required to enhance India's resilience against cloudburst-induced disasters?

Short-Term Strategies:

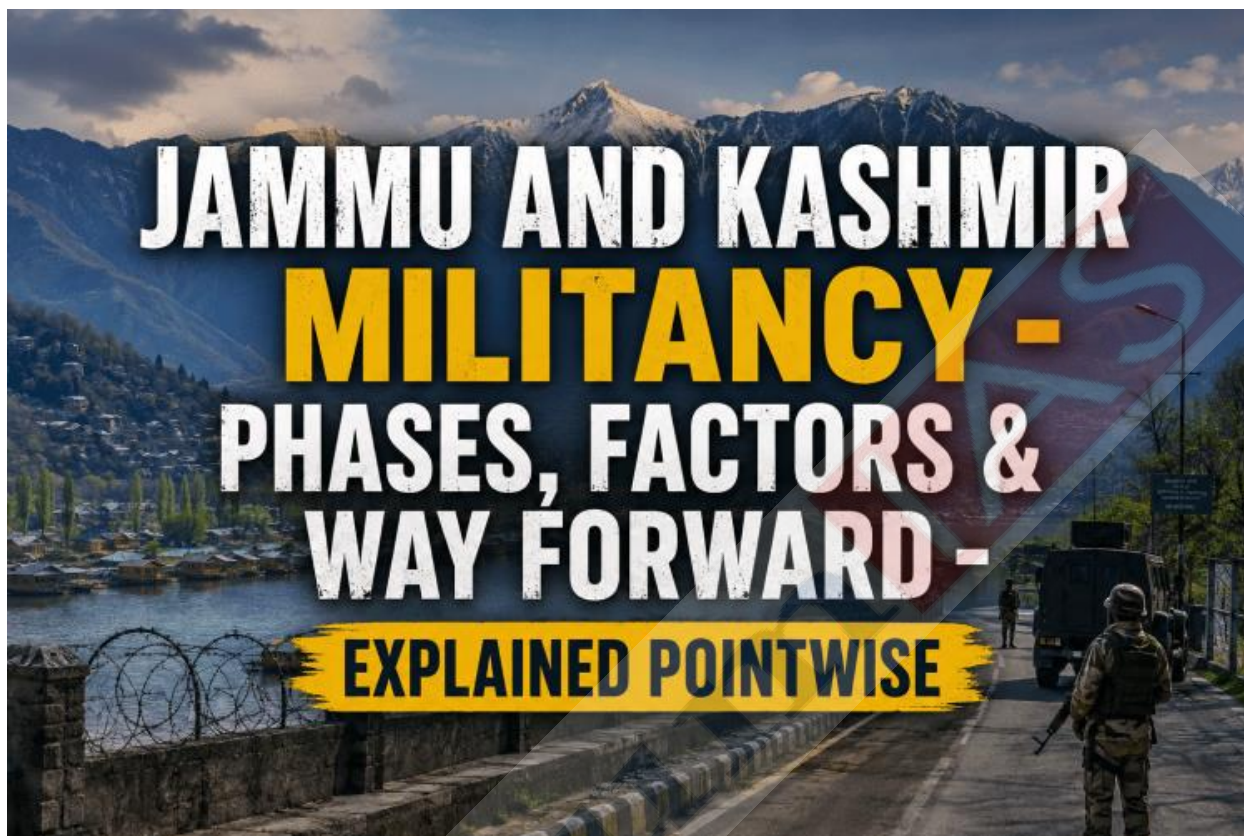
1. **Strengthen Early Warning Systems:** Expand Doppler Weather Radar (DWR) coverage in radar-gap mountain zones. Integrate mobile cell-broadcast technology (NDMA's *Sachet*) with local automated siren networks along major river corridors to bypass internet delays during power outages.
2. **Debris & Drainage Clearing:** Desilt and unblock natural mountain streams, culverts, and highway drainage lines before monsoon onset to prevent water bottlenecks.
3. **Pre-position emergency response teams:** Station NDRF/SDRF units, medical teams, and rescue equipment in known high-risk pockets (Uttarakhand, Himachal, J&K/Ladakh) ahead of and during peak monsoon months, rather than mobilizing after disaster strikes.
4. **Hazard Audits for Pilgrimage & Tourist Hubs:** Enforce strict carrying-capacity caps and dynamic closures on high-risk pilgrimage routes (e.g. Char Dham, Amarnath Yatra) during extreme rainfall alerts.

Long-Term Strategies:

1. **Micro-Watershed Hazard Mapping:** Mandate GIS-based, high-resolution hazard mapping (integrating geological stability, slope angle, and historic debris flows) to designate non-buildable river buffer zones.
2. **Carrying-Capacity Audits:** Enforce legally binding limits on urban construction, hotel expansion, and multi-story building heights in fragile hill stations (e.g. Shimla, Joshimath, Dharamshala).
3. **Climate-resilient infrastructure standards:** Mandate design codes for hill roads, bridges, and embankments that account for debris flow and high sediment loads, and retrofit existing critical infrastructure rather than only applying standards to new construction.
4. **Catchment Area Restoration:** Scale up bio-fencing, gully plugs, check dams, and targeted afforestation in upper catchments to absorb kinetic rainfall energy, slow surface runoff, and reduce sediment loads down-valley.
5. **Protection of Natural Floodplains:** Ban all permanent infrastructure on active river channels and natural floodplains, restoring degraded river corridors to act as natural shock absorbers.

UPSC GS-3: Disaster Management

Read More: [The Hindu](#)

Jammu and Kashmir Militancy – Phases, Factors & Way Forward – Explained Pointwise

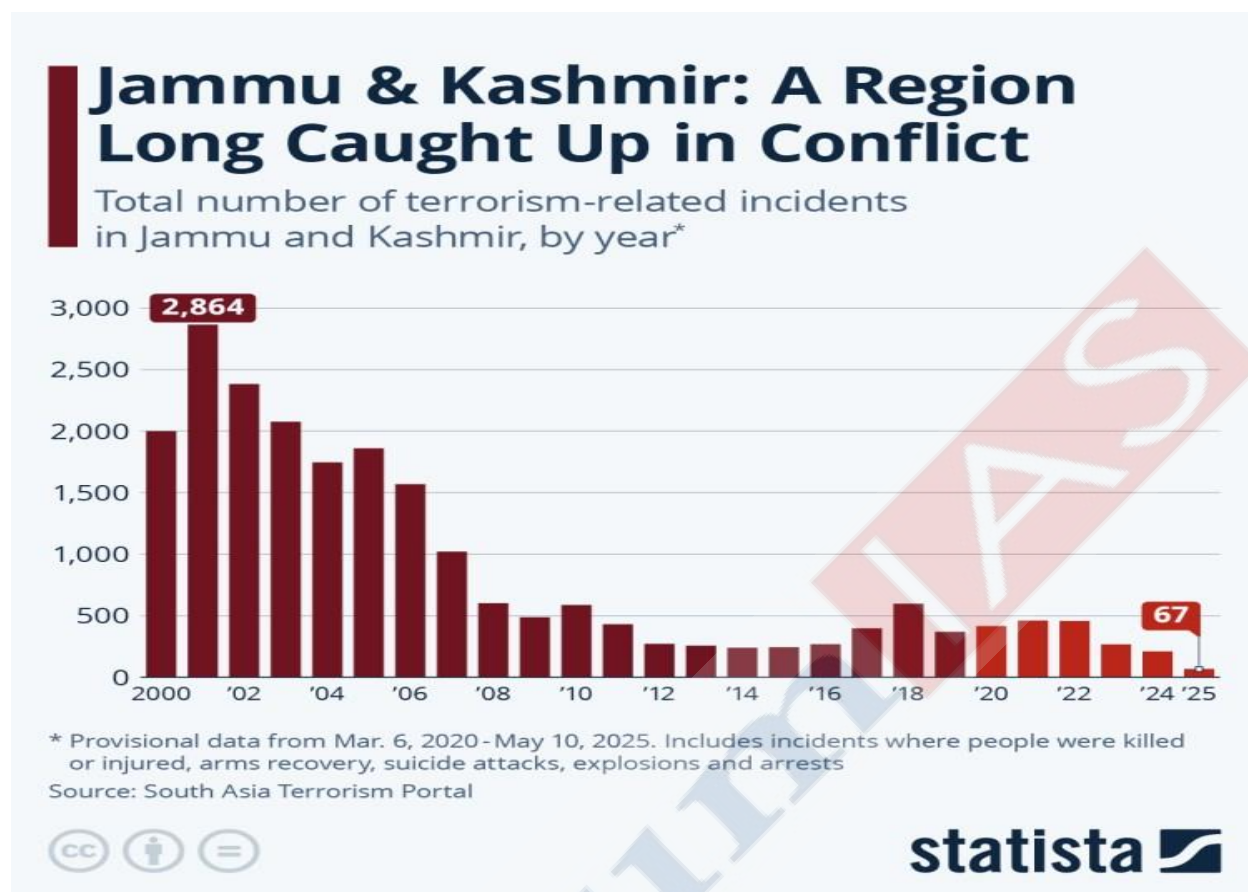
Recent targeted attacks by militants on migrant workers from Chhattisgarh in the Kulgam district of Jammu and Kashmir have triggered severe security concerns. Designed to disrupt regional stability and instill fear, these violent incidents against vulnerable non-local laborers highlight ongoing security challenges. Earlier also, a constable of J-K Special Operations Group was killed by the militants. These killings may point to the changing strategy on the part of terror groups like LeT & TRF (The Resistance Front), and their handlers in Pakistan.

Introduction:

- Militancy in Jammu and Kashmir (J&K) represents one of the longest-running and most complex internal security challenges in modern Indian subcontinent history.
- Militancy in Jammu & Kashmir involves the use of armed violence by terrorist and militant groups to challenge India's sovereignty and destabilise the region.
- Spanning over three decades, the conflict has its roots in a combination of internal political disillusionment, governance deficits, and external geopolitical proxies.
- Despite significant improvements in the security situation, it continues to remain a major internal security challenge for India.

What are the Key Phases of Militancy in Jammu & Kashmir?

Phase 1: The Rise (Late 1980s – Mid-1990s)	● Indigenous Start: Initially, the movement was dominated by groups advocating for independence (Azaadi) or merger with Pakistan. The Jammu and Kashmir Liberation Front (JKLF), which fought for independence, was prominent. ● Escalation: The period saw massive infiltration, targeted killings of government officials and security personnel, and the migration of the Kashmiri Pandit minority community from the Valley. ● Shift in Ideology: Over time, the more nationalist JKLF was overshadowed by groups that were religiously conservative and heavily supported by Pakistan, such as the Hizbul Mujahideen (HM).
Phase 2: The Foreign Jihadi Wave (Late 1990s – Early 2000s)	● De-Indigenization: As the native Kashmiri militant leadership was decimated by counter-insurgency operations, foreign fighters (mainly from Pakistan, Afghanistan, and other countries) began dominating the ranks. Groups like Lashkar-e-Taiba (LeT) and Jaish-e-Mohammed (JeM) became the primary actors. ● Major Incidents: This phase was marked by high-profile attacks, including the Kargil War (1999) and the attack on the Indian Parliament in 2001, which brought India and Pakistan to the brink of war. ● Decline in Local Support: The increasing brutality and hardline religious ideology of foreign groups led to a dip in local support for the armed struggle.
Phase 3: Resurgence and the 'New Age Militancy' (2011-2019)	● Shift to Homegrown Militancy: A new wave of militancy emerged, primarily fueled by young, highly educated, and radicalized local Kashmiris, often through social media and online propaganda. ● Mass Public Support: The killing of popular militant commander Burhan Wani in 2016 triggered widespread public uprisings and a culture of youth rushing to encounter sites to disrupt operations by security forces. ● Hybrid Terrorism: The focus shifted from conventional attacks to “hybrid terrorism,” where local, often non-listed militants carry out targeted, small-scale attacks before disappearing back into the civilian population.
Phase 4: Post-Article 370 Abrogation Phase (2019-Present)	● Targeted Killings: Militants increasingly carried out targeted killings of civilians (including migrant workers and minority community members) and security personnel. ● Technology-Driven Militancy: Use of drones, encrypted communication, online radicalisation, and cross-border smuggling of arms and narcotics became more prominent.



What are the factors behind militancy in J&K?

1. **Political and Constitutional Grievances (The Internal Catalyst):** The primary driver of alienation and subsequent militancy stems from a breakdown of trust between the people of the Kashmir Valley and the Central Government of India:
 - a. **The Disputed Accession and Autonomy:** While J&K acceded to India in 1947, the subsequent agreement (Article 370) promised a high degree of internal autonomy. Over the decades, this autonomy was progressively eroded by the central government, leading to a strong feeling that the constitutional relationship was being diluted unilaterally.
 - b. **Political Disenfranchisement and Rigged Elections:** The most crucial trigger was the widespread perception of political manipulation, particularly the widely believed rigging of the **1987 State Assembly Elections**. Many young political activists who had faith in the democratic process saw this event as definitive proof that legitimate political avenues were closed to them, pushing them toward armed insurgency.
 - c. **Lack of Responsive Governance:** Poor governance, corruption, and a lack of accountability in the local political system compounded the sense of betrayal. The absence of credible local leadership exacerbated the disconnect with the mainstream Indian political system.
 - d. **Human Rights Concerns:** The deployment of large numbers of security forces and the implementation of laws like the Armed Forces (Special Powers) Act (AFSPA) led to allegations of human rights abuses, arbitrary detentions, and extrajudicial killings. These incidents became powerful rallying points for militant recruitment.

2. Socio-Economic Pressures:

- a. **High Unemployment:** Despite high literacy rates, the region consistently suffered from high rates of educated unemployment, particularly among the youth in the Valley. The lack of viable economic opportunities made extremist narratives appealing.
- b. **Stagnant Tourism and Industry:** Political instability and recurring violence severely damaged the vital tourism industry and prevented large-scale industrial investment, thus limiting employment prospects.
- c. **Development Deficit:** Many areas felt neglected in terms of infrastructural development, contrasting sharply with perceived central spending on security and administrative apparatus.

3. External and Geopolitical Intervention (The Primary Enabler):

- a. **Pakistan's Active Role:** Pakistan views J&K as "unfinished business" from the 1947 Partition. Its intelligence agency, the Inter-Services Intelligence (ISI), began actively supporting, arming, funding, and training militant groups in the late 1980s. This policy is often termed "**proxy warfare**."
- b. **The Afghan Factor (1980s):** The Soviet-Afghan War created a pool of battle-hardened, religiously motivated foreign fighters and an abundance of weapons. Following the Soviet withdrawal, these resources and fighters were diverted toward the Kashmir conflict, escalating the violence dramatically.
- c. **Ideological Shift (Global Jihad):** The initial, more nationalist and pro-independence groups (like the JKLF) were systematically marginalized and replaced by Pakistan-backed and religiously focused organizations like Lashkar-e-Taiba (LeT) and Jaish-e-Mohammed (JeM). This shift globalized the ideology, moving the conflict beyond local political grievances to a broader jihadist narrative.
- d. **Propaganda and Radicalization:** Pakistan uses vast propaganda networks (both media and online) to fuel anti-India sentiment and radicalize Kashmiri youth, often exploiting historical and religious narratives to encourage armed recruitment.

What are the challenges in tackling militancy in Jammu & Kashmir?

1. **Porous Borders:** The mountainous, forested terrain along the LoC/IB (740 km LoC, 192 km IB in Jammu) enables infiltration and arms smuggling despite fencing, particularly during snow-melt and low-visibility periods.
2. **Difficult Terrain:** While security grids successfully compressed militant activity in the Kashmir Valley, militant cells have increasingly shifted operations to the densely forested, rugged terrain of the Jammu division (specifically the Pir Panjal mountains and the Chenab Valley). This landscape heavily favors hit-and-run tactics, ambushes, and natural hideouts, making traditional cordon-and-search operations (CASO) less effective.
3. **Hybrid Militancy & Support Networks:** Security forces face severe tracking difficulties due to the rise of "hybrid militants". They are activated anonymously via digital channels to execute isolated, targeted shootings before blending back into civilian life.
4. **Encrypted Communication:** Militants and their handlers rely heavily on modern, end-to-end encrypted messaging applications, virtual private networks (VPNs), and dark web communication, making real-time interception difficult for intelligence agencies.
5. **Human Intelligence Gaps:** Counter-terrorism heavily relies on local human intelligence (HUMINT). Distrust or friction between local communities (such as nomadic or border-dwelling populations who

historically acted as eyes and ears for security agencies) and state apparatuses can temporarily rupture intelligence pipelines.

6. **Coordination Challenges:** Effective counter-militancy requires seamless coordination among the Army, CRPF, J&K Police, and intelligence agencies. The gaps in inter-agency intelligence sharing and operational coordination have periodically been flagged as a vulnerability exploited by militant groups.
7. **Radicalisation & Local Sympathy:** Insurgent networks leverage cross-border social media handles, deepfakes, and information warfare to amplify grievances, propagate radical narratives, and fuel online recruitment.
8. **Pakistan's Proxy Role:** Continued Pakistani state and non-state support (ISI-backed training, funding, arms) for groups like LeT, JeM, and Hizbul Mujahideen means India's domestic counter-insurgency measures alone cannot eliminate the root external supply of militancy.

What measures have been taken to tackle militancy in Jammu & Kashmir?

Security and Counter-Insurgency Operations	● Border Management and Infiltration Control: 1. Smart Infiltration Grids: To seal cross-border infiltration routes along the LoC and International Border (IB), the military has deployed modern surveillance architecture under frameworks like the Border Infrastructure and Management (BIM) Scheme. This includes thermal imagers, laser fences, night-vision devices, and autonomous aerial drone monitoring. 2. Village Defence Guards (VDGs): In vulnerable remote and hilly areas, local volunteer groups have been organized, armed, and trained as VDGs to provide early-warning systems and local community protection against incursions. ● Counter-Terror Operations: 1. Operation All-Out: A systematic, intelligence-driven approach to targeting and neutralizing top leadership and local militant commanders across various terror outfits (Hizbul Mujahideen, LeT, JeM). 2. Operation Sindoor (2025): In response to the Pahalgam terror attack, India conducted nine targeted strikes against terror hideouts and camps within Pakistani territory, including PoK, eliminating around 100 terrorists. ● Intelligence Sharing and Synergy: The Unified Command Structure, involving the Army, CRPF, BSF, and J&K Police, ensures seamless coordination and real-time intelligence sharing to execute surgical operations. ● Addressing Hybrid Terrorism: Recent measures focus on identifying and neutralizing "hybrid terrorists" and over-ground workers (OGWs) who provide logistics, shelter, and intelligence to active militants, thereby breaking the support structure. ● Deradicalization Efforts: Local police have engaged in counseling and surrender policies to bring local youth who joined militancy back into the mainstream. Sustained local outreach programmes by the administration and security agencies have contributed to a dramatic decline in local militant recruitment – from 166 in 2020 to just 7 in 2024, and near-zero in 2025.
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	• Legal and Administrative Tools: 1. Armed Forces (Special Powers) Act (AFSPA): Provides legal immunity to security forces for actions taken during counter-insurgency operations, although its scope has been debated and reduced in some areas. 2. Unlawful Activities (Prevention) Act (UAPA): Used to designate individuals and organizations as terrorist entities, freeze assets, and prosecute individuals involved in terror financing and recruitment.
Political and Constitutional Measures	1. Revocation of Article 370: This measure revoked the special constitutional status of J&K and converted the state into two Union Territories (J&K and Ladakh). 2. Delimitation and Electoral Process: Restoration of J&K Assembly elections (2024), signaling a return to electoral political processes and an attempt to rebuild democratic legitimacy and local political engagement. 3. Empowering Local Governance: Efforts have been made to strengthen the Panchayat Raj institutions (village councils) to decentralize power and fund development at the local level, bypassing traditional political elites.
Socio-Economic and Developmental Initiatives	1. Infrastructure Investment: Accelerated development of road networks, power projects, and healthcare facilities under various central schemes (e.g. Prime Minister's Development Package – PMDP). 2. Employment and Skill Development Schemes: Special economic packages and initiatives such as the HIMAYAT (skill development for youth) and UMEED (women's self-help empowerment) programs, aim to counter unemployment-driven vulnerability. 3. Industrial Incentives: The introduction of comprehensive industrial development policies (including the New Central Sector Scheme) has aimed to inject private-sector capital, create local jobs, and boost economic integration. 4. Boosting Tourism and Handicrafts: Focused efforts to restore peace and create a safe environment to revitalize the tourism sector, a major employer in the Valley. Financial assistance and marketing support are provided for the traditional handicraft sector. 5. Educational Outreach: Initiatives aimed at keeping educational institutions operational and engaging students through competitive exams and scholarships to encourage future-oriented career paths over radicalization.

What should be the way forward to address militancy in Jammu & Kashmir?

1. **Empowering the Local Police Force:** The Jammu and Kashmir Police must remain the primary fulcrum of counter-terrorism operations. Because local personnel possess deep linguistic, cultural, and topographical familiarity, strengthening their capability ensures operations are precise and deeply integrated with local realities.
2. **Deepening Participatory Governance and Democratic Accountability:** Strengthening elected representative structures (from grassroots local bodies (panchayats) to legislative and municipal

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levels) ensures that civic grievances are addressed through democratic channels rather than alienation.

3. **Responsive Administration:** Bridging the gap between the administration and the public through transparent, corruption-free governance helps restore institutional trust and counters the narrative exploited by separatist or militant networks.
4. **Balancing TechInt and HUMINT:** While technical intelligence (TechInt) (such as satellite monitoring, drones, and communication intercepts) is essential, it must be closely coupled with ground-level intelligence to track shifting “hybrid” militant cells effectively.
5. **Targeted Employment Generation:** Scaling up large-scale private sector investments, industrial expansion, and skill-development initiatives (such as Himayat) can directly combat chronic youth unemployment, which remains a key vulnerability for recruitment.
6. **Choking Terror Funding Networks:** Continuing aggressive financial investigations through bodies like the National Investigation Agency (NIA) to systematically target underground hawala channels, front organizations, and Over-Ground Worker (OGW) financing matrices.
7. **Sustain Diplomatic and International Pressure on Pakistan:** Continue leveraging tools like the Indus Waters Treaty suspension as calibrated pressure, while pursuing sustained diplomatic efforts at multilateral forums (FATF, UN) to secure genuine accountability and isolation of Pakistan-based terror infrastructure.

Conclusion: Addressing militancy and achieving long-term, sustainable peace in Jammu and Kashmir (J&K) requires moving beyond a purely reactive, security-centric framework. Security operations are vital for deterrence, but lasting stability depends on a holistic strategy that bridges governance gaps, heals social fractures, and addresses root economic causes.

Read More: [The Indian Express](#)

UPSC GS-3: Internal Security (Terrorism)

Wildfires in Europe – Causes & Consequences – Explained Pointwise

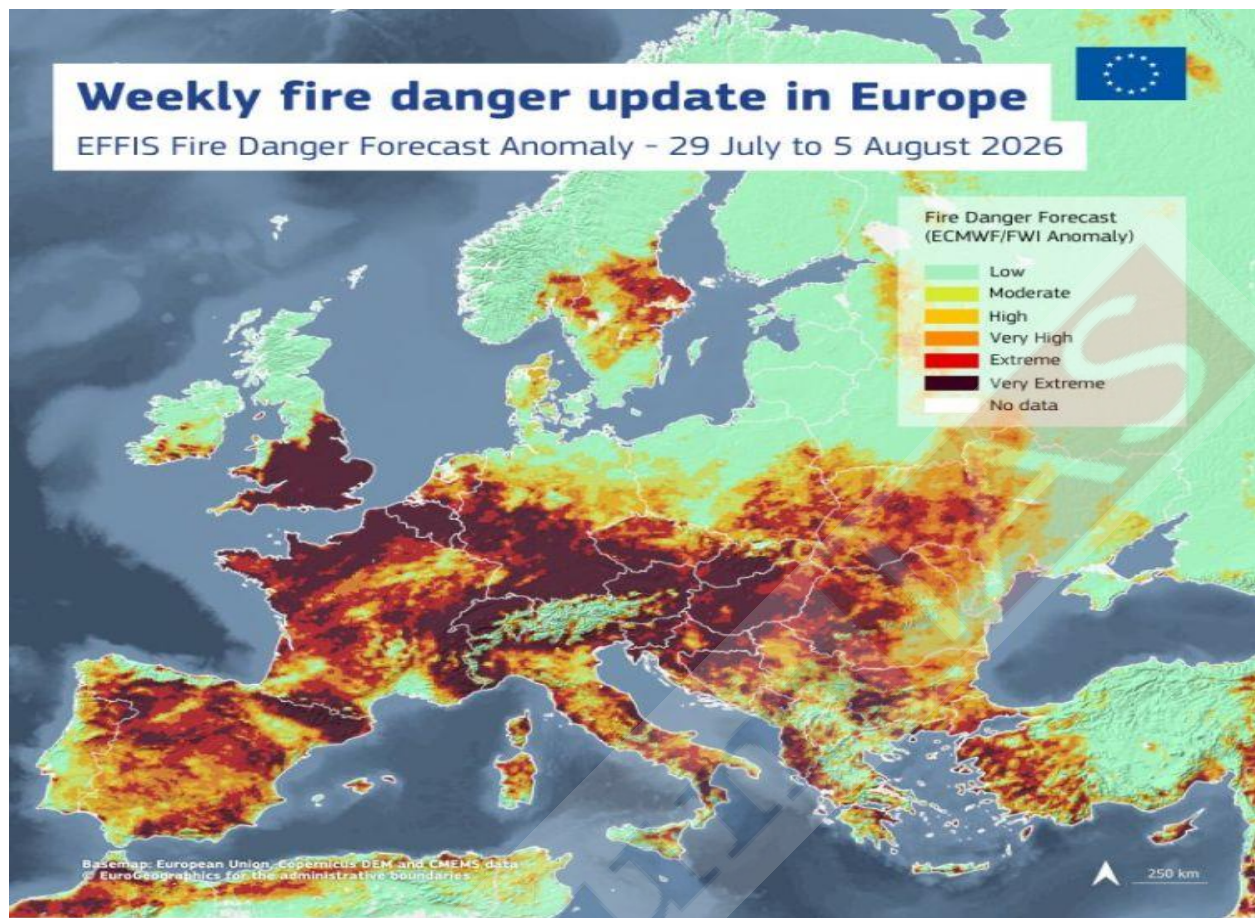


Europe has witnessed severe wildfires in recent years, driven by prolonged heatwaves, droughts, and strong winds linked to climate change. Countries such as Greece, Portugal, Spain, France, and Italy have experienced widespread forest destruction, and loss of lives and livelihoods. These exceptionally intense and fast-spreading fires, which destroy biodiversity, release vast quantities of carbon dioxide, and further accelerate global warming, have been described by experts as **sixth-generation wildfires**.

What are the major causes of the increasing incidence of wildfires in Europe?

1. **Record Heatwaves & Prolonged Droughts:** Europe is now the fastest-warming continent on Earth, with temperatures increasing twice as fast as the global average since 1980. Rising global temperatures create persistent summer heatwaves and extended dry spells that deplete soil moisture and dry out vegetation, turning forests into highly combustible tinderboxes.
2. **"Climate Whiplash":** Climate whiplash refers to the rapid swings between weather extremes. Europe is seeing more rapid swings between extreme precipitation and severe drought. Unusually wet winters promote rapid undergrowth (grasses, shrubs), which then rapidly dries out during summer heatwaves, creating massive amounts of dry fuel.
3. **Rural Outmigration & Land Abandonment:** Over recent decades, traditional rural activities, such as agricultural farming, small-scale forestry, and livestock grazing, have steadily declined as populations move to urban areas. Unmanaged & abandoned rural land undergoes natural re-vegetation, creating an uninterrupted layer of flammable fuel across landscapes that were historically broken up by managed pastures and crops. This creates continuous "fuel loads" that allow fires to spread rapidly.
4. **Monoculture Forestry:** The widespread expansion of single-species commercial plantations, particularly highly flammable trees like pine and eucalyptus, makes forests significantly more susceptible to fast-spreading fires compared to biodiverse natural forests.
5. **Direct Ignitions:** The vast majority of wildfire ignitions in Europe (often estimated at over 90%) are directly caused by human activity, whether intentional or accidental (discarded cigarette butts, agricultural debris burning, power line sparks, or machinery). As residential developments, infrastructure, and tourism extend deeper into wild spaces, the probability of human-caused ignition increases.
6. **Self-Sustaining PyroCb Clouds:** Severe fires now generate their own atmospheric conditions. Massive intense heat creates pyrocumulonimbus (pyroCb) clouds capable of generating localized high winds and dry lightning, which ignite new fires miles away from the main front.

Which regions in Europe are most affected by wildfires?



Source: EU in emergencies

What are the economic, social and ecological consequences of wildfires in Europe?

Economic	Damage to Assets & Infrastructure: Wildfires destroy homes, agricultural crops, livestock, energy grids, and transport links. In 2026 alone, just five of the worst-hit Eurozone countries (France, Spain, Portugal, Greece, and Romania) saw nearly 5,00,000 hectares burn, with estimated economic losses exceeding €3.1 billion by early August. Impact on Tourism & Local Economies: Regions heavily reliant on summer tourism (such as coastal Greece, Southern France, Spain, and Portugal) face immediate cancellations, lost revenue, and long-term brand damage during peak seasonal periods. Forestry & Resource Destruction: Burning timber stands destroys timber supply chains for decades. Replanting costs and timber value devaluation severely hit forestry sectors. Industrial Shutdowns: In the Gironde region of France, a hub for the defense and aerospace industries, fires forced major companies like Safran and Dassault Aviation to halt production.
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Social	1. Loss of Lives & Mass Displacement: Wildfires have directly claimed lives across the region and forced mass evacuations. Over 6,00,000 internal displacements due to wildfires were recorded in the EU/EEA between 2008 and 2023. 2. Public Health Risks & Mortality: Wildfire smoke spreads fine particulate matter (PM2.5) across hundreds of kilometers & poses a severe public health crisis. It is linked to respiratory and heart conditions, and the 2025 fire season alone resulted in over 2,000 premature deaths from smoke exposure in the Iberian Peninsula.
Ecological	1. Loss of Protected Habitats: A high percentage of burned areas in Europe occur within Natura 2000 networks (Europe's designated biodiversity strongholds) destroying critical habitats for endangered plant and animal species. 2. Carbon Emissions & Feedback Loops: Healthy forests act as carbon sinks; when burned, they release millions of tonnes of stored carbon dioxide (CO₂) into the atmosphere, accelerating the global warming feedback loop. 3. Soil Erosion & Watershed Degradation: High-intensity heat strips protective vegetation and creates hydrophobic (water-repellent) soil layers. Post-fire rain leads to severe topsoil erosion, landslides, and flash flooding while contaminating freshwater supplies with ash.

What measures have European countries adopted to reduce the risk of wildfires?

Landscape & Forest Management	1. Prescribed Burning & Grazing: Countries like Portugal, Spain, and France systematically use controlled, low-intensity winter burns to clear dry brush under guidance. Pastoral grazing is actively incentivized to maintain natural fuelbreaks in hilly terrain. 2. Transition to Mixed & Resilient Forests: Forestry policies are shifting away from dense, flammable monocultures (such as eucalyptus and pine) toward climate-resilient mixed broadleaf species (e.g. oak and chestnut).
Use of Modern Technology	1. Satellite Monitoring & High-Res Earth Observation: The EU relies on the European Forest Fire Information System (EFFIS) and the Copernicus satellite constellation for real-time thermal monitoring, daily danger rating mapping, and rapid scar mapping. 2. AI & Automated Optical Cameras: Countries like Germany, France, and Greece have deployed high-definition thermal and optical camera networks atop towers and high-risk forest zones. AI algorithms analyze smoke signatures within minutes, alerting emergency services long before human reporting. 3. Drone Patrols: Drones equipped with infrared sensors patrol high-risk wildland-urban interfaces (WUIs) during heatwaves to detect illicit ignitions, unauthorized agricultural burning, or nascent spot fires.

Cooperation & Emergency Preparedness	1. rescEU Fleet Expansion: The EU has established a strategic reserve of firefighting aircraft (rescEU), which is 100% financed by the EU to assist countries when national capacities are overwhelmed. The fleet is being expanded with 12 more planes and 5 helicopters. 2. Pre-Positioning Firefighters: During peak summer seasons, European firefighters from less fire-prone regions (e.g. Germany, Scandinavia, the Baltic states) are pre-deployed to high-risk areas in Greece, France, Spain, and Portugal to ensure immediate ground support. 3. Cross-Border Research Initiatives: EU-funded flagship research programs (such as FIRE-RES and FirEURisk) develop standardized risk-modeling tools and test novel landscape restoration practices across European biomes.
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What are the key challenges faced by European countries in managing wildfires?

1. **Over-reliance on Emergency Response:** Historically, European disaster management has prioritized extinguishing active blazes rather than proactive prevention. The vast majority of national budgets go toward firefighting equipment, aircraft fleets, and personnel rather than year-round fuel management.
2. **Uncontrollable “Megafires”:** High-intensity fires now generate extreme heat capable of creating localized fire-weather systems (pyrocumulonimbus clouds). These extreme fires travel too fast and burn too hot for conventional ground and aerial firefighting teams to combat safely.
3. **Shifting Fire Geography:** Wildfires are no longer confined to the Mediterranean basin. Temperate and northern regions (such as Germany, Scandinavia, and the Baltic states) are increasingly experiencing severe fire weather. Many of these regions lack specialized equipment, firefighter training, and local expertise to handle forest fires.
4. **Fragmented Private Ownership:** A substantial portion of European forests is broken into millions of small, privately owned parcels. Coordinating landscape-scale clearing, thinning, or firebreak construction across thousands of individual landowners is legally and logistically difficult.
5. **Compounding Droughts:** During severe summer heatwaves, local water reservoirs and rivers often dry up or drop to critically low levels, forcing firefighting teams to haul water over much longer distances.
6. **Operational Bottlenecks:** Simultaneous, widespread fire outbreaks across multiple countries during peak summer heatwaves strain shared European resources (like the **rescEU** aircraft fleet), creating operational bottlenecks when several nations request emergency aid at the same time.

What should be the way forward?

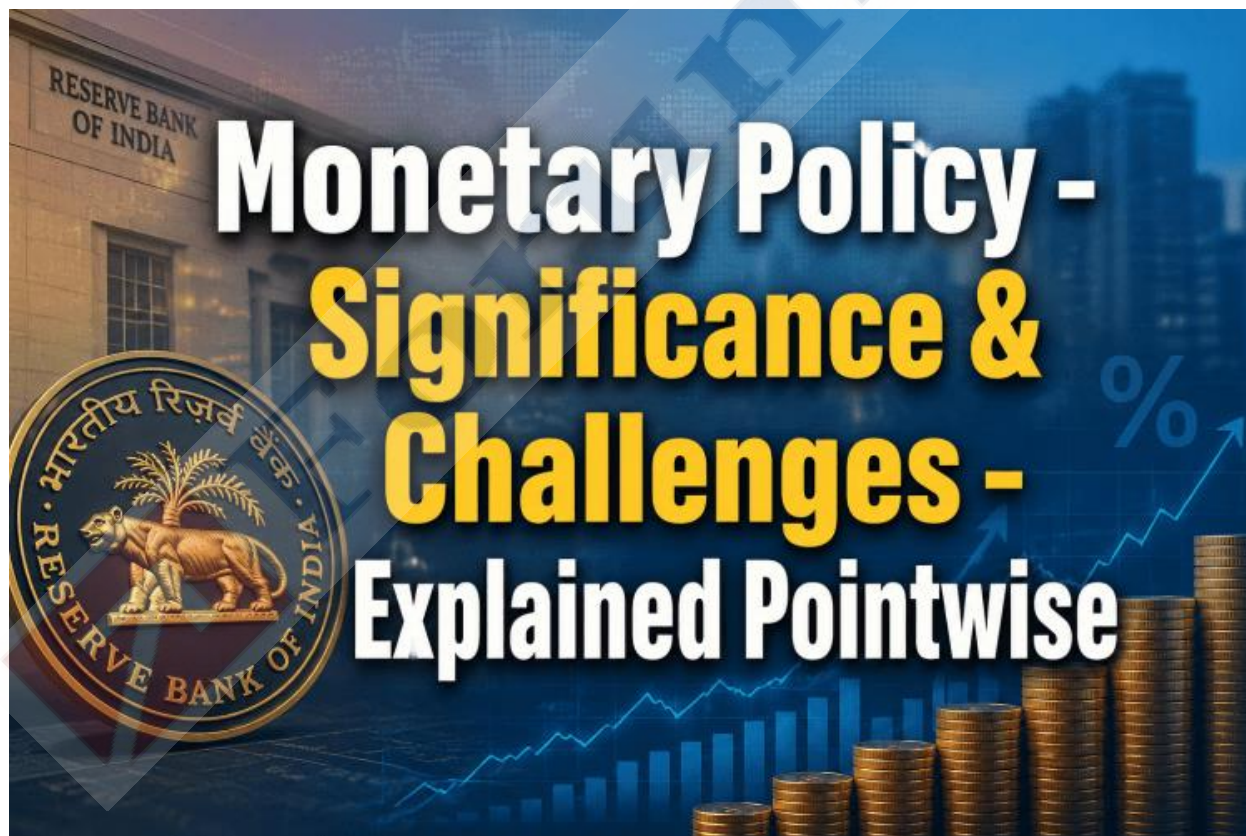
1. **Transitioning Forest Composition:** Accelerate the replacement of flammable, dense monocultures (eucalyptus and pine) with climate-resilient, biodiverse native broadleaf species (oak, chestnut) that naturally retain moisture.
2. **Managed Grazing and Agroforestry:** Using livestock like goats to clear dry brush and grass, which acts as fuel for fires. Projects like **LIFE LANDSCAPE FIRE** have successfully halved the number of fires in project areas in Spain and Portugal using this method.
3. **Prescribed Burning:** Deliberately setting controlled, low-intensity fires to reduce accumulated fuel and restore ecological balance. This is used effectively in **Sweden and Finland** to maintain biodiversity and prevent larger, uncontrollable blazes.

4. **Supporting Rural Retention:** Combat rural abandonment by offering incentives for sustainable forestry enterprises, eco-tourism, and young farmers to keep rural working landscapes populated and actively managed.
5. **Strengthen Early Warning System:** Expand and refine **EFFIS and Copernicus-based forecasting** to better anticipate “weather whiplash” fuel-load dynamics, enabling more precise pre-positioning of firefighting resources before peak-risk windows.
6. **Engaging Local Communities:** The **Council of the EU** has highlighted the importance of involving local communities in preparedness and risk reduction . Projects like **Life2Taiga** demonstrate that effective communication with residents is key to successfully implementing measures like controlled burns.
7. **Investing in Public Education:** Scale up public awareness campaigns and enforcement targeting negligence-related ignitions (agricultural burning, campfires, discarded cigarettes).

UPSC GS-3: Environment

Read More: [Indian Express](#)

Monetary Policy – Significance & Challenges – Explained Pointwise



The Monetary Policy Committee (MPC) of the RBI will unveil its next policy statement today. The MPC regularly releases its monetary policy statement bi-monthly, meeting six times a year. By adjusting benchmark interest rates like the repo rate, it regulates inflation and money supply.

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What is Monetary Policy?

- Monetary policy refers to the actions and strategies used by a central bank (RBI) to manage money supply, interest rates, and credit in the economy, ensuring price stability, supporting economic growth, and ensuring financial stability.
- The Reserve Bank of India (RBI) is vested with the responsibility of conducting monetary policy in India. This responsibility is explicitly mandated under the **Reserve Bank of India Act, 1934**. Since 2016, the monetary policy operates under a formal **flexible inflation targeting (FIT) framework**, established via the **RBI Act Amendment, 2016** and the **Monetary Policy Framework Agreement**.
- In any meeting, the RBI has three choices – **Hike interest rates**, **Cut interest rates** or **Maintain status quo**.

Monetary Policy Committee:

- The Monetary Policy Committee (MPC) is constituted by the Central Government under **Section 45ZB** of the **RBI Act 1934**.
- The Reserve Bank's Monetary Policy Department (MPD) assists the MPC in formulating the monetary policy.
- **Situation before MPC:** Before the constitution of the MPC, a **Technical Advisory Committee (TAC) on monetary policy** with experts from monetary economics, central banking, financial markets, and public finance, used to **advise** the Reserve Bank on monetary policy. With the formation of MPC, the TAC on Monetary Policy **ceased to exist**.
- **Structure of MPC:** 6 members
 - Governor (Chairperson of MPC)
 - Deputy Governor (in-charge of monetary policy)
 - One officer of the RBI to be nominated by the Central Board – Member, ex officio
 - 3 members to be nominated by the government (These members will hold office for a period of **four years or until further orders**, whichever is earlier).
- Each member of the MPC has **one vote**, and in the event of an equality of votes, the Governor has a second or **casting vote**.
- Under the flexible inflation targeting (FIT) framework, the “repo rate” is the policy rate. It is determined by the MPC based on the assessment of the macroeconomic condition and with the aim to keep CPI inflation near 4%+/-2%, as discussed above.
- Currently, MPC is only responsible for setting policy (repo) rate and performing the liquidity operations to operationalize the monetary policy lies with the RBI.

What are the Types of Monetary Policy?

There are two types of monetary policy:

Contractionary y/	● It seeks to reduce the money supply in the economy. ● Used when the economy is overheating and inflation is too high. ● The central bank raises interest rates or sells government securities to reduce the money supply.
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Dear Monetary Policy	- Under this policy: - These rates are increased: CRR, SLR, Bank Rate, Repo Rate, Reverse Repo Rate, MSF. - Under OMO, RBI will sell G-secs.
Expansionary / Cheap Monetary Policy	- It aims to increase the money supply in the economy. - It is usually followed when RBI wants to push economic growth or counter recession. - The central bank lowers interest rates or buys government securities to inject money into the system. - Under this policy: - These rates are decreased: CRR, SLR, Bank Rate, Repo Rate, Reverse Repo Rate, MSF. - Under OMO, RBI shall purchase G-secs.

What are the Objectives of Monetary Policy?

- Price Stability:** This is the most important objective of monetary policy. Price stability refers to keeping inflation low, stable, and predictable. In India, the Monetary Policy Committee (MPC) targets headline inflation at **4%**, with a tolerance band of **±2%** (i.e., 2%–6%), to ensure stable prices of goods and services.
- Economic Growth:** Monetary policy aims to support **sustainable economic growth** by ensuring adequate credit availability and favorable borrowing costs for productive investment, without triggering inflationary overheating.
- Financial Stability:** Ensuring the soundness and stability of the banking and financial system, preventing systemic risks, asset bubbles, and financial crises that could destabilize the broader economy. To ensure financial stability, the central banks act as the “lender of last resort” to commercial banks and oversee systemic liquidity.
- Exchange Rate Stability:** Excessive exchange rate volatility can disrupt trade competitiveness, increase import costs (particularly for crude oil), and weaken investor confidence. Therefore, through monetary policy, the central bank manages the external value of the rupee by intervening in the foreign exchange market to curb excessive volatility and support the competitiveness of the country’s export and import sectors.
- Interest Rate Stability:** Monetary policy aims to prevent excessive fluctuations in interest rates, ensuring a stable borrowing environment that enables businesses and households to plan investments, consumption, and financial decisions with greater certainty and confidence.
- Support Priority Sectors:** Monetary policy promotes inclusive growth by ensuring affordable credit to agriculture, MSMEs, housing, and other priority sectors, boosting employment, income generation, financial inclusion, and poverty reduction.
- Employment Generation:** Monetary policy’s growth-supportive role indirectly contributes to employment generation through its impact on investment and economic activity.
- Complementing Fiscal Policy:** Monetary and fiscal policy operate as **complementary macroeconomic tools**. Effective coordination (e.g. managing government borrowing costs,

supporting counter-cyclical fiscal stimulus without triggering inflationary pressure) is essential for overall macroeconomic stability.

What are Tools of Monetary Policy in India?

Quantitative tools	1. Policy Rates: a. Repo Rate: The rate at which RBI lends short-term funds to commercial banks against government securities under the Liquidity Adjustment Facility (LAF). b. Reverse Repo Rate: The rate at which RBI absorbs excess liquidity from banks by borrowing against government securities. c. Standing Deposit Facility (SDF) Rate: The rate at which the RBI absorbs surplus liquidity from banks without taking any collateral in return. d. Marginal Standing Facility (MSF) Rate: An emergency overnight borrowing window for banks. Banks can borrow funds at this rate, which is higher than the repo rate. 2. Reserve Requirements: The mandatory percentage of deposits that commercial banks must keep in reserve rather than lending out: a. Cash Reserve Ratio (CRR): The fraction of total customer deposits banks must hold in cash reserves. b. Statutory Liquidity Ratio (SLR): Requires banks to maintain a percentage of deposits in liquid assets like government securities or gold. 3. Open Market Operation (OMO): The buying and selling of government securities (bonds or treasury bills) in the open market by the central bank.
Qualitative Tools	● Credit Rationing: Fixing maximum credit quotas or ceilings for specific sectors to prevent over-concentration of debt in high-risk areas. ● Margin Requirements: Setting the minimum percentage of down payment required when taking loans to buy financial assets (e.g. stocks or real estate). Raising margin requirements slows speculative borrowing. ● Moral Suasion: Informal persuasion, meetings, and guidelines issued by the central bank to encourage or discourage commercial banks from specific lending practices without enacting strict law. ● Direct Action: Imposing fines, sanctions, or operational restrictions on banks that fail to comply with monetary directives.

What is the Significance of Monetary Policy?

1. **Price Stability & Inflation Control:** By targeting inflation and managing money supply through rates, the RBI preserves the purchasing power of citizens, prevents economic disruptions, and gives long-term domestic investors confidence.

2. **Supports Sustainable Economic Growth:** India requires high economic growth rates to create employment and absorb its growing labor force. The RBI adjusts policy benchmark rates (repo rate) to ensure adequate credit availability for productive sectors, enabling investment, entrepreneurship, and employment generation, which drive India's development.
3. **Financial Sector Stability:** Monetary policy tools (CRR, SLR, liquidity management) help maintain banking sector soundness, preventing excessive credit expansion that could lead to asset bubbles or banking crises.
4. **Exchange Rate Stability:** India is a net importer of crude oil and raw commodities, making its current account deficit and currency vulnerable to global developments. Monetary policy balances domestic interest rates against global rates (such as the US Federal Reserve) to manage foreign portfolio investment (FPI) flows.
5. **Interest Rate & Credit Flow Management:** By influencing lending rates and credit conditions, the RBI supports business planning, housing markets, consumption, and investment.
6. **Directing Credit to Priority Sectors:** Commercial banks are required to direct a minimum percentage of their total credit toward agriculture, Micro, Small & Medium Enterprises (MSMEs), housing, and education. This prevents formal financial capital from concentrating solely in urban sectors or large corporate conglomerates.
7. **Responding to Global Economic Shocks:** Monetary policy provides India crucial **flexibility to respond to external shocks** such as global financial crises, commodity price volatility (especially oil), capital flow reversals, and geopolitical disruptions — cushioning the domestic economy from external volatility.

What are the Challenges or limitations of Monetary Policy?

1. **Monetary Policy Transmission:** Reductions or hikes in the RBI's policy rates (e.g. repo rate) do not always reflect quickly or fully in the lending rates offered by banks due to inflexible deposit costs, high small savings interest rates, and administered pricing.
2. **Inflation Targeting Constraints:** Monetary policy is effective mainly for demand-driven inflation, but much of India's inflation is supply-side (especially food and fuel), which the RBI cannot address directly.
3. **Incoherence between Fiscal & Monetary Policy:**
 - High fiscal deficit and government borrowing can crowd out private investment and reduce the effectiveness of monetary policy.
 - Price controls, subsidies, and MSP (Minimum Support Price) interventions can conflict with policy aims, limiting the RBI's independence and flexibility.
4. **Policy Rate Rigidity & Administered Rates:** Administered rates on small-savings greatly influence household deposit decisions, causing banks to hold their deposit and lending rates steady even when RBI signals rate changes.
5. **Structural Rigidities & Market Constraints:** India's financial markets are still evolving. Limited integration, underdeveloped bond markets, and preference for cash transactions reduce the impact of policy tools.
6. **Large Informal Sector:** Many small businesses, agricultural workers, and self-employed individuals rely on informal credit channels (money lenders, local networks) rather than formal bank loans. The large informal sector, which operates outside formal banking, means monetary policy changes might not reach a significant portion of the economy.
7. **External Factors:** Factors such as capital flows, global recession, US monetary policy, and geopolitical risks can impact India's currency, capital markets, and inflation, often beyond RBI's control.

8. **Conflicting Objectives:** The need to simultaneously control inflation and promote growth can create trade-offs. Expansionary policies boost growth but risk inflation, while contractionary policies fight inflation but slow growth.
9. **Trilemma Constraints:** India faces the macroeconomic “Impossible Trinity” (or Policy Trilemma), which states an economy cannot simultaneously maintain: **A fixed or stable exchange rate, Free capital mobility, and Independent monetary policy.** When major central banks like the US Federal Reserve raise interest rates, foreign capital can flow out of emerging markets like India. To prevent severe currency devaluation, the RBI may be forced to raise domestic interest rates even if domestic economic conditions favor rate cuts.

What should be the way forward?

1. **Strengthen Monetary Policy Transmission:**
 - Improve the transmission mechanism so changes in the RBI's policy rates reflect promptly and effectively into bank lending and deposit rates.
 - Encourage banking sector reforms to reduce NPAs, improve competition, and lower fixed costs so banks can adjust rates dynamically.
2. **Enhance Coordination between Fiscal & Monetary Policies:**
 - Improve synchronization between RBI and government budgetary policies to reduce fiscal dominance and its adverse effects on inflation and interest rates.
 - Rationalize subsidies and move towards better-targeted support to limit distortions in price signals.
3. **Target Broader Inflation Measure Responsibly:**
 - Balance headline and core inflation targeting, ensuring policymakers do not overlook essential goods impacting the poor.
 - Build public understanding and set expectations for acceptable inflation bands tailored to India's developmental context.
4. **Strengthen Regulatory Framework & Digital Infrastructure:**
 - Expand digital payments infrastructure to improve monetary policy transmission through formal financial channels.
 - Strengthen regulation and oversight of NBFCs and microfinance institutions to ensure credit flow and financial stability.
5. **Expand Formalization and Financial Inclusion:** Expanding formal credit access ensures that future interest rate changes directly affect everyday consumer and small-business borrowing.
6. **Enhance Global Risk Management:** Develop frameworks to better manage capital flow volatility, exchange rate fluctuations, and external shocks through a mix of monetary, fiscal, and macroprudential tools.
7. **Foster Transparency & Communication:**
 - Improve RBI's communication strategies to build market confidence and effectively anchor inflation expectations.
 - Publish detailed monetary policy reports, market surveys, and data releases for greater accountability.

Conclusion:

Monetary policy in India thus aims to maintain stable price levels, promote growth, and support broad-based, inclusive financial sector development, ensuring that its benefits reach every section of society.

Read More: [Indian Express](#)

UPSC GS-3: Economics

Fiscal Federalism in India – Significance & Challenges – Explained Pointwise



Fiscal federalism in India balances resource distribution between the Union and states to ensure cooperative governance. The [16th Finance Commission](#), chaired by Dr. Arvind Panagariya, retained vertical tax devolution at 41% while introducing performance-driven criteria like GDP contribution. This framework aims to harmonize regional equity, fiscal discipline, and sub-national autonomy for 2026-31.

What is Fiscal Federalism? What are the constitutional provisions which provide for Fiscal Federalism in India?

- **Fiscal Federalism:** Fiscal federalism refers to the **division of financial powers and responsibilities** between the **central government** and state governments in India.
- **Constitutional Provisions:** The Indian Constitution defines the taxation and expenditure powers of the central and state governments through various provisions:
 1. **Seventh Schedule:** The Constitution **assigns specific tax bases** to the central and state governments, listed in the **Union List** and **State List** respectively.

2. **Article 270:** Article 270 of the Indian Constitution provides for the **distribution of net tax proceeds** collected by the Union government between the Centre and the States.
 3. **Article 280:** The **Finance Commission** which is a constitutional body under Article 280, recommends the **sharing of tax revenues** and **grants-in-aid to the states**.
 4. **Article 275:** It provides for the grants-in-aid system which involves discretionary transfers from the Centre to states for specific purposes.
- **Examples of Cooperative Fiscal Federalism:**
 1. **Introduction of GST:** The introduction of Goods and Services Tax (GST) through the 101st Constitutional Amendment is a **historic example of cooperative fiscal federalism in India**. The GST act has **transformed India's indirect tax landscape**, and **fostered Centre-State cooperation**.
 2. **Passage of FRBM Act:** The Fiscal Responsibility and Budget Management (FRBM) Act 2003 aims to promote fiscal discipline at the central and state levels. **21 states enacted their own FRBM Acts**, incentivized by debt and interest rate relief provided by the 12th Finance Commission. This is a historic example of **centre-state cooperation in maintenance of Fiscal prudence**.
 3. **Introduction of performance based grants:** Performance-based grants are being used to incentivize states to achieve developmental targets. This has led to **competitive and cooperative federalism** between the Centre and States in the sphere of finances and public expenditure.

What are the Challenges to Fiscal Federalism in India?

1. **Vertical Fiscal Imbalance:** States bear a disproportionate share of expenditure responsibilities (agriculture, health, education, law and order, rural development) relative to their revenue-raising powers. The Centre collects a larger share of aggregate revenue but has comparatively fewer expenditure obligations, making states dependent on transfers.
2. **Reduced Financial Transfers to the States:** The **share of states in the gross tax revenue** (total tax revenue collected, which includes cess and surcharges) has decreased from **35% in 2015-16** to **30% in 2023-24**.
3. **Disproportionate Growth between Union Govt's & State Govt's Revenue:** From 2015-16 to 2023-24, while the **Union government's tax revenue** has increased by **2.3 times** from ₹14.6 lakh crore to ₹33.6 lakh crore, the **states' share in the tax revenue** has **only doubled** from ₹5.1 lakh crore to ₹10.2 lakh crore. This indicates a **disproportionate growth** between **Union Govt's** and **State Govt's Revenues**.
4. **Decrease in Grants-in-Aid to the states:** Direct financial support to states, in the form of grants-in-aid, has **declined from ₹1.95 lakh crore in 2015-16** to **₹1.65 lakh crore in 2023-24**.
5. **Increase in the share of non-devolvable cess and surcharge:** The increasing reliance on **cesses and surcharges**, which are **not shareable** with States under **Article 270**, has reduced the effective divisible pool. The share of cesses and surcharges in the Union's gross tax revenue has risen from **around 10% (2011-12)** to **about 20% in recent years**, reducing States' share.
6. **Centralisation of Public Expenditure:** **Out of the combined allocation of ₹19.4 lakh crore** for Centrally Sponsored Schemes (CSS) and Central Sector Schemes (CSEC Schemes) in 2023-24, **only ₹4.25 lakh crore was devolved to States**. These are **tied grants** and **the states have no autonomy to plan their expenditure**.
7. **Interstate Inequality in public Finances through CSS schemes:** The Union government compels the State to commit more or less an equivalent quantum of financial resources in the implementation of CSS schemes. **Wealthy States can afford to commit equivalent finances** and leverage Union finances

inwards through the implementation of CSS. However, **less wealthy States will have to commit their borrowed finances in these CSS**, thus **increasing their own liabilities**. It has created inter-state inequality in public finances.

8. **Increase in Conditional Transfers:** Several grants to states are contingent on fulfilling certain conditions, including **the insistence on specific labelling**, which imposes Union government preferences over state priorities.
9. **Erosion of State Taxation Autonomy on account of implementation of GST:** The **ability of states to set tax rates on their own revenue sources** has been **significantly diminished** due to the implementation of GST. **For ex-** State VAT have been subsumed under GST.
10. **Issues with GST:** States surrendered the power to independently set rates for major indirect taxes (VAT, sales tax, entry tax) in favor of a unified GST regime. The GST Compensation Cess (guaranteeing 14% annual revenue growth to states) expired in 2022, and its extension has been used mainly to service compensation loan repayments, thus, leaving the states more exposed to GST revenue volatility.

Read More- [On the Issues with Fiscal federalism](#)

What is the Significance of Fiscal Federalism?

1. **Ensures Balanced Distribution of Resources:** Fiscal federalism allows the central and state governments to **address the regional imbalances** through mechanisms like **tax sharing, grants-in-aid, and performance-based incentives**. Thus, it enables states with lower revenue capacity to still deliver comparable public services through equalizing transfers.
2. **Strengthens Cooperative Federalism:** Fiscal federalism encourages cooperation and coordination between the Centre and states, as they negotiate the sharing of resources and responsibilities. **For e.g.** The **GST Council brings together the Centre and states** to jointly administer the Goods and Services Tax.
3. **Promotes Equitable Regional Development:** Devolution formulas (income distance, area, population, forest cover, demographic performance) aim to channel more resources to less-developed states, helping bridge regional disparities. Special provisions for hill states, North-East, and island territories address geographic and historical disadvantages.
4. **Ensuring Fiscal Discipline:** Fiscal federalism frameworks like the **Fiscal Responsibility and Budget Management (FRBM) Act** promote fiscal discipline at both the central and state levels. This helps **maintain macroeconomic stability and sustainability**.
5. **Enabling Decentralized Governance:** Fiscal federalism **supports decentralization** by empowering state and local governments with financial autonomy and resources. This **strengthens grassroots democracy** and **responsive governance** closer to the people. Local bodies with adequate finances can respond faster to local needs (sanitation, primary education, local infrastructure) than a distant central authority.
6. **Undertaking Economic Reforms:** Fiscal federalism helps to adapt to changes like the shift towards a market-oriented economy (**1991 economic reforms**), and undertake taxation reforms like **the introduction of GST**.

What are the finance commission recommendations for Fiscal federalism?

The Finance Commissions have made several important recommendations over the years to promote fiscal federalism in India:

1. **Vertical Tax Devolution:** The 14th Finance Commission radically increased the share of states in the central divisible pool of taxes from 32% to 42%, **the biggest ever increase in vertical tax devolution**. This enhances the fiscal autonomy and resources of state governments. The 15th Finance Commission reduced it to 41% & the 16th Finance Commission retained it at 41%.
2. **Horizontal Distribution Formula:** The 16th FC recommended distribution among States based on the following criteria: **Income Distance (42.5%)**, **Population 2011 (17.5%)**, **Demographic Performance (10%)**, **Area (10%)**, **Forest & Ecology (10%)**, and **Contribution to GSDP (10%)**, balancing equity with incentives for economic performance.
3. **Grants-in-Aid:** The Finance Commissions **provide grants-in-aid to specific states or sectors** that are in need of assistance or reform. This promotes the spirit of competitive and cooperative fiscal federalism.
4. **Fiscal Consolidation:** The finance commissions have suggested maintenance of fiscal prudence by the states. The **12th FC recommended a multi-dimensional restructuring** aimed at both qualitative and quantitative aspects of managing government finances. The 16th FC recommended a medium-term fiscal path targeting **Union fiscal deficit of 3.5% of GDP** and **State fiscal deficit of 3% of GSDP by 2030–31**, ensuring debt sustainability.
5. **Strengthening State Finance Commissions (SFCs):** Various FC over the years recommended closer integration of Central Finance Commission transfers with timely SFC recommendations and suggested constitutional changes to improve the functioning of SFCs.

What should be the way Forward to strengthen Fiscal Federalism in India?

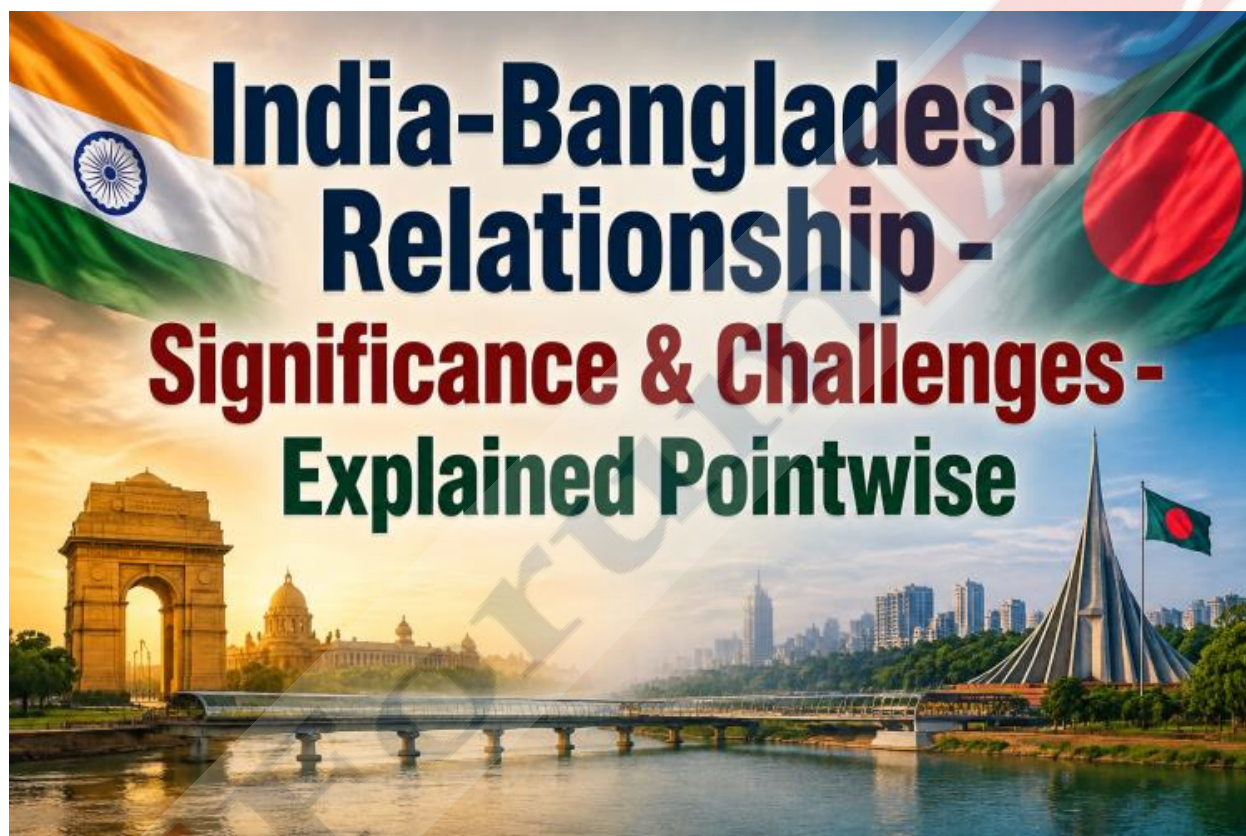
1. **Reform Horizontal Devolution Criteria:** Move toward a **more balanced formula** that doesn't penalize demographic and developmental success for e.g. using a rolling/updated population base rather than freezing it at 1971 or 2011, or giving greater weight to "demographic performance" alongside "need-based" criteria.
2. **Rationalisation of Public Expenditure by Central Govt:** A mechanism must be instituted for thorough **financial rationalisation of the Central Sector and Centrally Sponsored schemes**, in collaboration with state governments. Centrally Sponsored Schemes should be consolidated and pruned to cover only core national priorities (e.g. primary health, basic education, rural employment).
3. **Addressing the GST related Concerns:** The **anomalies in GST like the Integrated GST** which favours the consuming states like UP and Bihar, rather than the producing states of TN, Gujarat **must be corrected**. Also, efforts must be undertaken to **open more avenues for revenue generation** by broadening the scope of GST to include petrol, diesel etc.
4. **Revisiting Article 246 and the Seventh Schedule:** The **taxation powers listed in the seventh schedule** must be relooked in the context of fiscal federalism.
5. **List of Taxation for Third Tier of Govt:** Specific taxation powers **must be devolved to the local self governments** to help them raise their own resources and **reduce their dependence on grant-in-aids**. This will help in achieving fiscal federalism in its true sense.
6. **Reduction of Borrowing Constraints on States:** The Union government should revisit the borrowing constraints placed on state investment funds, as suggested by Kerala.
7. **Address the Issue of Cesses and Surcharges:** Bring cesses and surcharges into the divisible pool, or at minimum cap their share of gross tax revenue, since their rising share bypasses the Finance Commission's constitutional mandate (Article 270).
8. **Minimisation of the discretionary aspect of transfers to states:** Some of these transfers can be made automatic. For other transfers, clear and non-discriminatory methods should be followed.

9. **Mandatory State Finance Commission (SFC) Implementation:** Mandate that state governments accept and implement SFC recommendations within a strict statutory timeframe, or tie a portion of central transfers to SFC compliance.

Read More- [The Hindu](#)

UPSC Syllabus- GS 2- Issues related Centre State Relations

India-Bangladesh Relationship – Significance & Challenges – Explained Pointwise



Former Bangladesh Prime Minister Sheikh Hasina recently gave her first media interview from India since her ouster, reaffirming her intention to return to Bangladesh despite legal proceedings against her. The remarks have added a new political dimension to India–Bangladesh relations, with Bangladesh expressing concern over the platform provided to the former leader.

The Evolution of India-Bangladesh relations over the years:

Liberation War & Early Friendship (1971-1975)	• India played a decisive role in Bangladesh's Liberation War, leading to its independence in 1971. • India was among the first nations to extend diplomatic recognition.
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	In 1972, the two nations signed the landmark Treaty of Friendship, Cooperation, and Peace.
Period of Strained Relations (1975-1995)	- Following the assassination of Sheikh Mujibur Rahman in 1975, relations became strained. - Tensions escalated over cross-border sanctuary provided to North-East Indian insurgent outfits, river water distribution at the Farakka Barrage, and undemarcated land borders.
Renewed Engagement (1996-2008)	Bilateral ties improved with the signing of the 1996 Ganga Water Sharing Treaty, increased trade, and enhanced cooperation in border management and regional connectivity.
The 'Shonali Adhyay' (Golden Chapter) (2009-2024)	- Relations reached unprecedented levels under Sheikh Hasina through cooperation in counter-terrorism, connectivity, energy, trade, and defence. 2014 Maritime Boundary: Resolved via UNCLOS international arbitration without diplomatic friction. 2015 Land Boundary Agreement (LBA): Ratified by the Indian Parliament, facilitating the historic exchange of 162 enclaves and resolving undemarcated border segments. - Other landmark developments include the expansion of rail, road and inland water connectivity, power trade, and implementation of the BBIN Motor Vehicles framework.
Political Transition & Recalibration (2024–Present)	- The political transition in Bangladesh following the resignation of Sheikh Hasina in August 2024 introduced uncertainty in bilateral relations. - While concerns emerged over border management, minority safety, and strategic issues, both countries have continued diplomatic engagement and cooperation in trade, connectivity, and security.



What recent political developments in Bangladesh have affected India-Bangladesh relations?

- **Fall of the Sheikh Hasina Government:** Student-led protests in 2024 led to Sheikh Hasina's exit and the establishment of an interim government led by Muhammad Yunus. While Yunus has underscored "fair and balanced" relations with India, some of his remarks – like describing Northeast India as "landlocked" – sparked sensitivities.
- **Attacks on minorities:** The ethnic attacks on **Bangla-speaking Hindus** in Bangladesh have strained the India-Bangladesh relations.
- **Resurfacing of security challenges:** There are risks of emergence of security challenges by the anti-India groups as encountered during the earlier BNP-Jamaat years. With the continuing tensions on the border with Pakistan, Indian Army's long standoff with the PLA in eastern Ladakh, has created a security-nightmare for India.
- **Threat to India's connectivity with the North-east:** A further deterioration in India-Bangladesh has **restricted India's access to the Northeast**. This region's connection to mainland India will only remain through the narrow "**Chicken's Neck**". With the Myanmar border remaining extremely volatile, the source of unrest in India's Northeast will increase.

- **Jeopardized the Bilateral trade and FTA:** Sheikh Hasina's exit has jeopardized the growing bilateral trade ties between India and Bangladesh. There has also been stagnation of talks in the **potential free trade agreement (FTA)** between the two countries.
- **Deterioration of people-people ties-** There are real risk of blowback from the Bangladeshi people and the new power centres in Dhaka- some of whom will carry past grudges against India.
- **Geopolitical challenges:** Pakistan and China will see the political change in Bangladesh as an **opportunity to challenge India's presence in the country** and try to tar it with a pro-Hasina brush.
- **Recent Policy Shifts and Frictions:**
 - **Transshipment Facility Withdrawal:** India revoked Bangladesh's right to ship exports through Indian ports citing congestion; Dhaka saw it as damaging to trade competitiveness.
 - **Extradition Tension:** The interim government has sought Hasina's extradition from India – causing diplomatic discomfort.
 - **Minority Concerns:** Reports of violence against Hindus post-regime change have worried New Delhi.
 - **China's Outreach:** Beijing has stepped up diplomatic and infrastructure engagement, raising strategic concerns in India.
 - **Summoning of Bangladesh High Commissioner:** India recently summoned the Bangladesh High Commissioner in India over the deteriorating security environment in the country & the threats posed by the extremists elements to the security of the Indian mission in Dhaka.

Reasons Behind Fall of Sheikh Hasina's Government:

1. **Peaceful Student demonstration evolving into a nationwide movement:** The peaceful student protest against the **freedom fighter reservation of 30% in civil services**, galvanized into a nationwide movement due to Government's heavy-handed approach. The attack on students by Awami League's student wing, **Bangladesh Chhatra League**, imposition of a **strict curfew with a 'shoot-on-sight'** order and labelling the demonstrators as '**Razakars**' (a term associated with collaborators during the 1971 war) further inflamed tensions.
2. **Slowing down of economic Growth:** Bangladesh made rapid economic progress under Sheikh Hasina's regime. The country's per capita income tripled in a decade, with the World Bank estimating that over 25 million people were lifted out of poverty in the last 20 years. However, the pandemic in 2020 and a **slowing global economy**, thereafter, hit the garment industry badly. This increased unemployment, inflation in the economy and discontent of Bangladeshi Population.
3. **Allegations of Electoral Irregularities:** The Parliamentary elections in **2014, 2018, and 2024** were controversial and non-participative as they were marred by **low turnout, violence, and boycotts by opposition parties**. For e.g. the 2024 general election was boycotted by the main opposition, the Bangladesh Nationalist Party (BNP).
4. **Reliance on Hard Power to maintain control:** Hasina's government increasingly relied on hard power to maintain control. This created a climate of fear and repression. For e.g. **The Digital Security Act 2018**, became a potent weapon for the government and ruling party activists to silence critics and stifle freedom of online expression.
5. **Increasing economic inequality:** The proliferation of Bank scams and an expanding list of defaulters, coupled with rampant corruption, fueled public discontent despite the overall economic progress. For e.g. Companies like **CLC Power, Western Marine Shipyard, and Remex Footwear** topped the list of defaulters, with bad loans ranging from 965 crore to 1,649 crore Bangladeshi Taka.

6. **Weakening Political Legitimacy:** Public confidence in the government declined due to perceptions of inadequate responsiveness to economic and governance challenges.

What is the significance of Bangladesh for India?

Geo-strategic & Security Significance	1. Gateway to the North-East: India shares a 4,096 km land border with Bangladesh (its longest with any neighbor). Bangladesh sits directly adjacent to the narrow Siliguri Corridor (the “Chicken’s Neck”), the 22 km-wide land strip connecting mainland India to its North-Eastern states. Friendly ties with Dhaka reduce strategic vulnerability around this sensitive choke point. 2. Maritime Security: Bangladesh provides India with a crucial maritime anchor in the Bay of Bengal, aligning with India’s SAGAR (Security and Growth for All in the Region) vision and balancing competing influence from external powers like China in the Indian Ocean Region. 3. Counter-Insurgency & Border Security: Historically, anti-India insurgent groups operating in the North-East used Bangladeshi territory as a sanctuary. Robust security cooperation with Bangladesh is vital to curbing cross-border militancy, arms trafficking, illegal immigration, and fake currency networks. 4. Crux of ‘Act East’ Policy: Bangladesh acts as the physical bridge connecting South Asia to Southeast Asia. It is a vital node in sub-regional integration initiatives like BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation) and the BBIN (Bangladesh, Bhutan, India, Nepal) motor vehicles framework.
Economic Significance	1. Largest Trade Partner in South Asia: Annual bilateral trade between India and Bangladesh stands at around \$13-14 billion, making Bangladesh one of India’s largest trading partners in South Asia. India exports vital commodities, raw cotton, power, and industrial inputs, while importing ready-made garments, textiles, and processed foods. 2. Development Partnership: Bangladesh is the largest recipient of Indian Lines of Credit (LoCs), amounting to over \$7-8 billion for infrastructure projects involving rail restoration, port development, and road networks. 3. Cross-Border Energy Grid: India supplies electricity to Bangladesh via cross-border interconnections and energy pipelines (such as the India-Bangladesh Friendship Pipeline for diesel exports). Trilateral power arrangements also enable Nepal to export hydropower to Bangladesh using Indian transmission lines.
Shared Natural Resources	1. Transboundary Water Management: India and Bangladesh share 54 common rivers. Joint river basin management is crucial for flood forecasting, irrigation, and irrigation diplomacy, governed by landmark agreements like the Ganges Water Treaty. 2. Ecological Protection: The two nations share fragile ecosystems, most notably the Sundarbans (the world’s largest mangrove forest) requiring coordinated conservation efforts against climate change, rising sea levels, and biodiversity loss.

Cultural Significance	1. Civilizational Ties: Bangladesh shares deep cultural and civilisational ties with India, including a large Bengali Hindu population and several religious-cultural sites such as Ranir Bunglow Temple and Bhoj Vihara that reflect shared heritage.
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What are the areas of Cooperation between India and Bangladesh?

1. Trade and Economic Cooperation:

- Duty-Free Access:** Under the South Asian Free Trade Area (SAFTA), India granted duty-free and quota-free access to Bangladeshi products on almost all tariff lines (except alcohol and tobacco).
- CEPA Negotiations:** Both nations are advancing towards a **Comprehensive Economic Partnership Agreement (CEPA)** to boost trade integration, reduce non-tariff barriers, and generate investment opportunities.

2. Connectivity and Infrastructure:

- Railway Grid:** Five historic cross-border rail links have been operationalized (e.g. Petrapole–Benapole, Gede–Darshana, Radhikapur–Birol). The **Akhaura-Agartala cross-border rail link** directly connects India's North-East to Bangladesh's rail network.
- Port Access & Transit:** Bangladesh permits Indian cargo to utilize its **Chittagong and Mongla ports**, drastically shortening transit times and logistics costs between mainland India and the North-Eastern states.
- Inland Waterways (PIWTT):** Under the Protocol on Inland Waterways Trade and Transit, cargo vessels and passenger cruise lines operate through shared river systems.
- Bus Routes:** Multiple operational bus routes link major hubs like Kolkata, Agartala, and Guwahati directly with Dhaka and Khulna.

3. Water and River Cooperation:

- Joint Rivers Commission (JRC):** Established in 1972, the JRC manages 54 transboundary rivers, sharing hydrological data for flood forecasting during peak monsoon periods.
- Ganges Water Treaty (1996):** Governs the sharing of Ganges river waters at the Farakka Barrage.

4. Security and Border Management:

- Joint Exercises:** Regular military engagements include Exercise **Sampriti** (Army), **BONGOSAGAR** (Navy), and coordinated patrols along the maritime boundary.
- Border Management:** Both nations work through the Border Security Force (BSF) and Border Guard Bangladesh (BGB) to prevent trans-border crimes, human trafficking, drug smuggling, and fake currency circulation.
- Land Boundary Agreement (LBA):** The historic 2015 LBA resolved decades-old enclave disputes, enabling peaceful boundary demarcation.

5. Energy and Power Cooperation:

- Electricity Exports:** India exports over 1,160 MW of electricity to the Bangladeshi grid via high-capacity cross-border interconnections.
- Maitree Super Thermal Power Plant:** Jointly developed at Rampal (Bagerhat), this 1,320 MW coal-fired power project strengthens Bangladesh's baseline grid capacity.
- Indo-Bangla Friendship Pipeline (IBFP):** A 130 km high-speed diesel pipeline connects Siliguri in West Bengal to Parbatipur in Bangladesh, supplying energy directly into northern Bangladesh.

- d. **Trilateral Energy Trade:** India, Nepal, and Bangladesh executed a historic trilateral power transaction through the Indian grid to transmit Nepalese hydropower to Bangladesh.
6. **Multilateral and Regional Cooperation:** Both countries work closely in Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), Bangladesh, Bhutan, India, Nepal Initiative (BBIN), and South Asian Association for Regional Cooperation (SAARC) for trade, connectivity, and development. They also cooperate on climate change and disaster resilience through global forums like United Nations Framework Convention on Climate Change (UNFCCC) and Conference of Parties (COP) summits.
7. **Cultural and People-to-People Ties:**
 - a. **Tourism and Education Cooperation:** Bangladeshis form the largest group of tourists in India, with joint promotion of cultural and Buddhist tourism circuits. Student exchanges and scholarships have strengthened educational links.
 - b. **Health and Medical Cooperation:** Bangladesh accounts for over 35% of India's medical tourists, contributing more than 50% of medical tourism revenue. Partnerships include **medical visa facilitation**, hospital collaboration, and **telemedicine services**.
8. **Counter-Terrorism and Intelligence Sharing:** Bangladesh's crackdown on anti-India insurgents under Sheikh Hasina boosted security cooperation. Both nations coordinate on **intelligence sharing**, **counter-terrorism operations**, and **cybersecurity initiatives**, ensuring regional stability.

What are the Challenges in India-Bangladesh Relations?

1. **Political Realignment:** Following the resignation and departure of Prime Minister Sheikh Hasina in August 2024, Bangladesh underwent a major political shift under an interim administration, leading to an elected government led by the Bangladesh Nationalist Party (BNP). This transition disrupted years of close ties built primarily with the Awami League, forcing India to recalibrate its diplomatic engagement across the Bangladeshi political spectrum.
2. **Sharing of Transboundary River Waters:** India and Bangladesh share 54 common rivers, but only two transboundary water-sharing treaties have been signed so far: the **Ganga Waters Treaty** and the **Kushiyara River Treaty**. A major point of contention remains the **Teesta River** dispute, with Bangladesh seeking equitable distribution of its waters, which has not been agreed upon by India and the state of West Bengal.
3. **Deportation of Rohingyas:** India and Bangladesh have mutual but sometimes conflicting interests regarding the deportation of Rohingyas to mainland Myanmar. India prioritizes deportation from its own territory first and then later facilitates deportation from Bangladesh to Myanmar.
4. **Cross-Border Terrorism and Infiltration:** Terrorism and infiltration across the Bangladesh border pose significant internal security threats to India. Activities like armed dacoity in border districts, fake currency transfer, cattle smuggling, and prostitution have also raised security concerns.
5. **Stalled Economic Agreements:** Progress on concluding a **Comprehensive Economic Partnership Agreement (CEPA)** and streamlining cross-border credit facilities has faced delays due to political shifts and renegotiation demands.
6. **Drug Smuggling and Trafficking:** According to the **2007 International Narcotics Control Board (INCB)** report, India remains a prime transit route for heroin trafficking from South Asia to Europe through Bangladesh.
7. **Growing Chinese Influence in Bangladesh:** China's deepening footprint in Bangladesh, including involvement in Teesta river management projects and port infrastructure, is viewed as a strategic challenge in India. Bangladesh is also an active partner in China's **Belt and Road Initiative (BRI)**.

China has invested in 12 highways, 21 bridges, and 27 power and energy projects in Bangladesh. This growing involvement may undermine India's regional standing and impede its strategic aspirations.

8. **Rising Radicalization and Minority Persecution:** The surge in religious extremism and mistreatment of minorities in Bangladesh poses threats to both internal stability and regional security, potentially destabilizing Bangladesh and affecting India's security environment.
9. **Sports and People-to-People Fallout:** Political tensions have spilled over into sports, with Bangladesh earlier withdrawing from the 2025 Women's ODI World Cup in India due to security concerns, while uncertainty also surrounds the proposed bilateral cricket series, reflecting strained diplomatic ties.

What Should be the Way Forward?

1. **Broadening Political Engagement:** India should establish robust, multi-partisan diplomacy in Dhaka, engaging across the entire spectrum of Bangladeshi political parties, civil society, and youth leaders rather than relying primarily on any single political party.
2. **Timely Renewal of the Ganges Water Treaty (2026 Expiration):** Prioritize the renegotiation and smooth extension of the **1996 Ganges Water Treaty** before its expiration in December 2026, establishing a transparent, data-driven framework for dry-season water allocation.
3. **Concluding the CEPA Negotiations:** Fast-track the **Comprehensive Economic Partnership Agreement (CEPA)** to establish a stable trade framework as Bangladesh prepares to graduate from Least Developed Country (LDC) status.
4. **Establishment of Joint Task Forces and Smart Border Management:** Joint task forces comprising law enforcement agencies from both countries should be established to effectively combat cross-border drug smuggling, human trafficking, and illegal immigration.
5. **Establishment of a Digital Connectivity Corridor:** A digital connectivity corridor should be developed focusing on high-speed internet, digital services, and e-commerce to create new avenues for trade, collaboration, and technological exchange.
6. **Strategic Balancing Against China:** Counter China's deepening footprint by offering credible, competitive alternatives in trade, connectivity, and finance. Leverage BIMSTEC, BBIN, and the Act East policy to structurally integrate Bangladesh with India's Northeast and Southeast Asia, reducing Dhaka's incentive to tilt toward Beijing.
7. **Streamlining Visa & Medical Travel Services:** Fully restore and digitize the visa issuance framework for Bangladeshi citizens traveling to India for healthcare, business, and higher education to rebuild grassroots goodwill.

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Makkah Joint Defence Agreement (MJDA) – Explained Pointwise



The recently signed **Makkah Joint Defence Agreement (MJDA)** between Saudi Arabia, Pakistan and Türkiye marks a significant development in West Asian security architecture. By strengthening collective defence and strategic cooperation, the agreement could reshape regional power dynamics. Understanding its provisions and implications is therefore crucial for safeguarding **India's strategic, economic and security interests**.

What is the Makkah Joint Defence Agreement (MJDA)?

- The **Makkah Joint Defence Agreement (MJDA)** is a **trilateral mutual-defence pact signed by Saudi Arabia, Pakistan and Türkiye in Makkah on 7 August 2026**. It seeks to strengthen collective deterrence and defence cooperation amid growing instability in West Asia, including the ongoing Iran-related tensions in the Gulf.
- It builds on the 2025 bilateral **Saudi-Pakistan Strategic Mutual Defence Agreement (SMDA)** and the broader **Islamic Military Counter Terrorism Coalition (IMCTC)** framework.

What are some of the key provisions of the MJDA?

1. **Collective Defence:** An armed attack against any one member is to be treated as an attack against all three members. This provision, similar to **Article 5 of NATO**, has prompted analysts to describe the agreement as a **"Muslim NATO."**
2. **Mutual Security Commitment:** Saudi Arabia, Pakistan and Türkiye commit to strengthening their collective security and defence capabilities.

3. **Enhanced Military Cooperation:** The agreement seeks greater cooperation in defence planning, military training, exercises and expertise.
4. **Strategic Coordination:** The members will enhance coordination and consultations on common security threats and regional developments.
5. **Defence Technology Cooperation:** It provides scope for deeper cooperation in defence technologies, capabilities and military industries.
6. **Deterrence:** The agreement aims to strengthen collective deterrence and discourage potential military aggression against member states.
7. **No Nuclear Integration:** The pact's provisions pertain strictly to **conventional military cooperation** and do not establish a nuclear-sharing mechanism.
8. **Defensive Orientation:** The pact is presented as **defensive in nature** and is not formally directed against any particular country.
9. **Open to Other States:** The agreement is open to other countries in the region that are willing to uphold its principles.

How can the Makkah Joint Defence Agreement influence security dynamics in West Asia?

1. **Emergence of a New Security Bloc:** The MJDA could lead to the emergence of a new security bloc in West Asia, strengthening defence cooperation among Saudi Arabia, Pakistan and Türkiye while potentially encouraging other regional countries to join, thereby reshaping existing regional alliances.
2. **Shift in Regional Power Balance:** The MJDA could alter West Asia's power balance by combining Saudi Arabia's economic influence, Pakistan's military capabilities, and Türkiye's defence strength, potentially creating a stronger regional security grouping and affecting existing strategic alignments.
3. **Implications for External Powers:** The MJDA could influence the strategic calculations of the United States, China, Russia and India by reshaping regional alliances, defence partnerships and security dynamics. It may also encourage these powers to strengthen their diplomatic, military and economic engagement in West Asia.
4. **Risk of Militarisation:** Although the MJDA is defensive in nature, it could intensify regional arms competition, encourage counter-alliances, and deepen geopolitical rivalries. Increased military cooperation may contribute to bloc formation and make West Asia's already complex security environment more unstable.
5. **Increased Türkiye's Role in West Asia:** Turkey has sought a bigger role in West Asia for a very long time. The MJDA could enhance Türkiye's strategic influence in West Asia by expanding its defence cooperation with Saudi Arabia and Pakistan, strengthening its regional diplomatic leverage, and enabling Turkey to play a greater role in emerging security arrangements.
6. **Impact on Iran:** The agreement is widely seen as a direct "shield against Iran". It could alter Iran's strategic calculations by creating a stronger regional security grouping involving Saudi Arabia, Pakistan, and Türkiye. It may increase Iran's concerns over strategic encirclement, intensify regional competition, and influence its defence and diplomatic strategies.

What could be the implications of the Makkah Joint Defence Agreement for India's strategic interests?

1. **Impact on India-Saudi Arabia Relations:** India may need to carefully balance its growing strategic partnership with Saudi Arabia while managing its traditionally important relationship with the Gulf region.
2. **Implications for India's Gulf Interests:** The MJDA could affect India's energy security, trade, investments, and the welfare of its large diaspora in the Gulf. Any rise in regional tensions or militarisation may disrupt energy supplies, maritime trade routes, and economic stability as well as could have significant implications for the safety and economic well-being of this diaspora.

3. **Pakistan Factor:** Pakistan's participation in the MJDA could enhance its strategic relevance in the Gulf and may emerge as the West Asia security provider & mediator. Turkey and Pakistan already maintain tight military cooperation, with Turkey frequently backing Pakistan on regional issues like Kashmir and supplying advanced weapons. Formalizing Saudi Arabia into this fold risks giving Pakistan greater diplomatic leverage and institutional backing within the Islamic world.
4. **China Factor:** The MJDA could create opportunities for China to deepen its strategic engagement with Saudi Arabia, Pakistan, and Türkiye. China can use MJDA as a vehicle through which it could deepen the **Pakistan-Turkey-China defense axis** in the Gulf.
5. **Arms Supply Dynamics:** If joint ventures between Saudi Arabia, Türkiye, and Pakistan lead to advanced technology development, it might affect the qualitative military balance in the neighborhood, particularly concerning Pakistan's capabilities.
6. **Impact on Maritime Architecture:** The MJDA brings Turkish naval assets and Pakistani naval units into deeper joint operations across the Red Sea and Persian Gulf. An increased operational presence of Pakistani and Turkish naval platforms near critical choke points complicates the Indian Navy's posture as the primary "net security provider" in the Indian Ocean Region (IOR).

What should be India's strategic response to the Makkah Joint Defence Agreement (MJDA)?

1. **Protect Economic Leverage:** Emphasize India's role as Saudi Arabia's primary energy buyer and a key destination for Vision 2030 investments, ensuring Saudi Arabia understands that defense ties with Pakistan must not come at the expense of its economic partnership with India.
2. **Strengthen Maritime Security:** India should enhance naval presence, maritime-domain awareness, and security cooperation in the Arabian Sea and wider Indian Ocean Region to safeguard vital sea lanes, energy supplies, trade routes, and the security of its maritime interests. India must reinforce its standing as a primary "Net Security Provider" in the Indian Ocean Region (IOR).
3. **Diversify Energy Partnerships:** India should diversify its energy sources and suppliers, strengthen strategic petroleum reserves, and expand renewable energy to reduce vulnerability to geopolitical disruptions and ensure long-term energy security amid evolving security dynamics in West Asia.
4. **Protect the Indian Diaspora:** India should strengthen consular coordination, emergency-response mechanisms, and evacuation preparedness to safeguard the large Indian diaspora in West Asia during conflicts or instability, while ensuring uninterrupted access to essential services, employment opportunities, and secure channels of communication.
5. **Counterbalance China's Influence:** India should deepen strategic, economic and defence partnerships with Saudi Arabia, Türkiye and other West Asian countries to prevent excessive Chinese influence, strengthen its regional presence, protect strategic interests, and maintain a favourable balance of power in the region.

Conclusion: The Makkah Joint Defence Agreement marks a significant shift in West Asian security dynamics by strengthening collective defence and regional partnerships. For India, it underscores the need for strategic autonomy, diversified partnerships, maritime vigilance, and proactive diplomacy to safeguard its interests.

UPSC GS-3: International Relations

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MSMEs – Significance & Challenges – Explained Pointwise

The Parliament has recently passed the **Micro, Small and Medium Enterprises Development (Amendment) Bill, 2026**. The Bill that amends the 2006 Act strengthens delayed-payment mechanisms, mandates greater use of TReDS, streamlines dispute resolution, and promotes ease of doing business for MSMEs.

What are MSMEs?

- **MSMEs:** MSME stands for **Micro, Small, and Medium Enterprises**. They are businesses classified by their size, based on investment in plant, machinery, or equipment and annual turnover. MSMEs are often called the backbone of the Indian economy because of their large contribution to employment and widespread geographical presence.
- **MSME Regulation in India:** MSMEs are regulated under the Micro, Small & Medium Enterprises Development (MSMED) Act, 2006. In 2007, the Ministry of Small Scale Industries and the Ministry of Agro and Rural Industries were merged to form the Ministry of Micro, Small & Medium Enterprises.
- The Micro, Small, and Medium Enterprises (MSME) sector is a crucial pillar of the Indian economy, contributing significantly to industrial output, employment generation, and exports. **Driven by formalisation, digital transformation and sustained policy interventions**, the sector continues to expand. It is strengthening its contribution to the economy while advancing the vision of **Aatmanirbhar Bharat** and **Viksit Bharat 2047**.

What is the role of MSMEs in India's economic growth?

1. **Job Creation & Livelihood Opportunities:** After agriculture, the MSME sector is the **largest employer** in India. They absorb unskilled, semi-skilled, and skilled labor, acting as a major safety net for India's growing workforce. Currently, more than 1 crore registered MSMEs employ nearly 7.5 crore people across the country.
2. **Contribution to GDP & Industrial Development:** MSMEs play a pivotal role in India's economic framework, accounting for around 30% of the GDP and 45% of the total manufacturing output. They play a crucial role in industrial clusters by supplying raw materials and intermediates to large industries.
3. **Rural Development:** 51% of MSMEs are located in rural areas. In contrast to large corporations, MSMEs have aided in the industrialization of rural areas at a low capital cost. The sector has made significant contributions to rural socio-economic growth while also supplementing major industries.
4. **Enhancing Exports & Foreign Exchange Reserves:** MSMEs contribute significantly to exports (accounting for 49% of total exports) by manufacturing a wide range of goods and services for international markets. They often specialise in niche products and cater to specific market demands, enhancing the country's export competitiveness and widening its global market reach. Schemes such as the Government e-Marketplace (GeM) and the Production-Linked Incentive (PLI) program have strengthened MSMEs' integration into global supply chains.
5. **Advancing Digital & Technological Innovations:** Initiatives like the Open Network for Digital Commerce (ONDC) are fostering digital transformation within the MSME sector. Currently, 72% of MSME transactions are conducted digitally, enhancing financial inclusion and operational efficiency.
6. **Social Inclusion:** According to the Annual Report of The Ministry of MSMEs (2021-22), the socially backward groups owned almost 66.27% of MSMEs. In rural areas, almost 73.67% of MSMEs were owned by socially backward groups.

Statement No. 2.4: Percentage Distribution of enterprises by social group of owner in rural and urban Areas.

Sector	SC	ST	OBC	Others	Not known	All
Rural	15.37	6.70	51.59	25.62	0.72	100.00
Urban	9.45	1.43	47.80	40.46	0.86	100.00
All	12.45	4.10	49.72	32.95	0.79	100.00

Source: Annual Report, Ministry of MSMEs (2021-22)

7. **Promoting Women & Social Entrepreneurship:** Women-led MSMEs are contributing to gender equality and economic empowerment. Under the Mudra Yojana, loans worth ₹32.36 lakh crore have been sanctioned, benefiting 51.41 crore entrepreneurs, with 68% of them being women.



Source: PIB

What are the various government initiatives for MSMEs?

1. **Revised Classification Criteria:** To help MSMEs scale operations and access better resources, the investment and turnover limits for classification have been increased by 2.5 times and 2 times, respectively.

Classification of MSMEs		
Category	Investment in Plant & Machinery/ Equipment	Annual Turnover
Micro Enterprise	Up to ₹ 2.5 crore	Up to ₹ 10 crore
Small Enterprise	Up to ₹ 25 crore	Up to ₹ 100 crore
Medium Enterprise	Up to ₹ 125 crore	Up to ₹ 500 crore

Source: PIB

2. **Udyam Registration Portal:** A paperless, free digital portal for formalizing MSMEs, integrated with PAN and Aadhaar. It provides simplified, online registration giving MSMEs formal recognition, essential for availing benefits across schemes. The registrations under the Udyam Registration Portal and Udyam Assist Platform has crossed 8.7 Crore.
3. **Enhanced Credit Availability:**
 - a. **Pradhan Mantri MUDRA Yojana (PMMY):** It was launched in April, 2015 for providing loans up to INR 10 lakh to the non-corporate, non-farm small/micro enterprises. It encompasses 3 financing loans: **Tarun** (loans up to INR 10 Lakhs), **Kishore** (loan up to INR 5 Lakhs), **Shishu** (loan up to INR 50,000).
 - b. **Credit Guarantee:** The credit guarantee cover for micro and small enterprises has been increased from ₹5 crore to ₹10 crore, enabling an additional credit infusion of ₹1.5 lakh crore over five years.
 - c. **Credit Cards for Micro Enterprises:** A customized Credit Card scheme to provide ₹5 lakh in credit to micro enterprises registered on the Udyam portal.
 - d. **Credit Guarantee Trust Fund for Micro and Small Enterprises (CGTMSE):** It provides collateral-free credit to the micro and small enterprise sector.
 - e. **Special Credit Linked Capital Subsidy Scheme (SCLCSS):** This scheme was launched to help the enterprises in the services sector meet various technology requirements. It also has a provision to grant 25% capital subsidy for procurement of plant & machinery and service equipment through institutional credit to MSMEs owned by SC/ST entrepreneurs without any sector specific restrictions on technology upgradation.
 - f. **PMEGP (Prime Minister's Employment Generation Programme):** A credit-linked subsidy scheme aimed at creating employment. It provides subsidies ranging from 15% to 35% on bank loans for setting up new micro-enterprises (up to ₹50 lakhs for manufacturing and ₹20 lakhs for services).
 - g. **Self- Reliant India (SRI) Fund:** Launched under the Aatmanirbhar Bharat package, the SRI Fund is a Fund of Funds (FoF) initiative aimed at providing **equity support to promising MSMEs**. It is helping them overcome funding constraints, scale operations and attract further

investment. The SRI Fund has assisted **761 MSMEs** by way of investment worth **₹2,851 crore** (as of May 2026).

4. **Raising and Accelerating MSME Performance (RAMP):** The scheme aims at strengthening institutions and governance at the Centre and State, improving Centre-State linkages and partnerships and improving access of MSMEs to market and credit, technology upgradation and addressing issues of delayed payments and greening of MSMEs.



Source: PIB

5. Skill Development:

- a. **A Scheme for Promotion of Innovation, Rural Industry & Entrepreneurship (ASPIRE):** The objectives of this scheme are to create new jobs, promote entrepreneurship culture in the country, and promote innovation in the MSME sector.
- b. **Entrepreneurship and Skill Development Programmes (ESDP):** Under this, the Ministry of MSME has been organising several programmes focusing on the process of improving skills and knowledge of entrepreneurs, and enhancing the capacity to develop, manage and organise a business venture.
- c. **PM Vishwakarma Scheme:** Launched to support traditional artisans and craftspeople (like weavers, blacksmiths, and potters). It provides end-to-end support, including skill upgradation, toolkit incentives, collateral-free enterprise development loans, and digital transaction incentives.

6. **Scheme of Fund for Regeneration of Traditional Industries (SFURTI):** The objectives are to organise traditional industries and artisans into clusters to make them competitive and provide support for their long-term sustainability, enhance marketability of products of such clusters, build innovative products, improve technologies etc.

7. Entrepreneurship & Inclusion:

- a. **Stand-Up India:** Loans of ₹10 lakh–1 crore to support women and SC/ST entrepreneurs in setting up new businesses.
- b. **First-Time Entrepreneurs Scheme:** Loans up to ₹2 crore and capacity-building for disadvantaged groups.

- c. **PM Vishwakarma:** Focuses on enabling traditional artisans and crafts people through training and access to markets, with special financial support.

8. **Technology & Quality Upgradation:**

- a. **MSME Sustainable (ZED) Certification Scheme:** Encourages sustainable and high-quality manufacturing with incentives for adopting energy efficiency and zero-defect practices.
- b. **Credit Linked Capital Subsidy Scheme (CLCSS):** Supports technology upgradation for MSMEs to make them globally competitive.
- c. **MSME Champions Scheme:** An umbrella initiative helping small businesses modernize. It includes components like **Digital MSME** (promoting cloud computing and software adoption), **Lean Manufacturing** (reducing waste and increasing productivity), and **Design Clinics** (for product innovation).



Source: PIB

9. **Public Procurement Policy:** The government has mandated that Central Ministries, Departments, and Public Sector Undertakings (PSUs) must procure a **minimum of 25%** of their total annual purchases from MSEs (with specific sub-targets reserved for women and SC/ST entrepreneurs).
10. **SAMADHAAN Portal:** One of the biggest complaints of MSMEs is large buyers delaying payments. The MSME Samadhaan portal allows small entrepreneurs to directly file cases against buyers who delay payments beyond 45 days. Buyers are legally liable to pay compound interest at three times the bank rate notified by the RBI if they default.
11. **ONDC (Open Network for Digital Commerce):** A government-backed initiative aimed at breaking the monopoly of massive e-commerce platforms, allowing local micro-retailers and MSMEs equal access to digital consumer markets.
12. **MSME Cluster Development Programme (MSE-CDP):** MSE-CDP seeks to transform individual small enterprises into competitive industrial ecosystems through shared infrastructure, technology, skills and collective action. The programme is implemented through two main types of projects:
- Common Facility Centres (CFCs):** These are shared production and testing hubs established within a cluster to provide individual units with access to advanced technologies and services they cannot afford independently.
 - Infrastructure Development (ID) Projects:** Focuses on upgrading the physical infrastructure of industrial areas, such as power supply, roads, drainage, and the construction of new industrial estates or flatted factory complexes.

13. **PM MITRA Textile Park:** PM MITRA (Mega Integrated Textile Regions and Apparel) seeks to transform India's fragmented textile industry into globally competitive, integrated manufacturing ecosystems by bringing the entire textile value chain under one roof. The Government has approved 7 PM MITRA Parks in Karnataka, Madhya Pradesh, Maharashtra, Tamil Nadu, Telangana, Uttar Pradesh and Gujarat.

Digital Initiatives in the MSME Sector

- **Udyog Aadhar Memorandum:** It is a 1-page **online registration system** for MSMEs based on **self-certification**.
- **MSME Databank:** It enables the Ministry of MSME to **streamline and monitor the schemes** and pass on the benefits directly to MSMEs. MSMEs can update their enterprise information as and when required.
- **MY MSME:** It is a web-based application module in the form of a mobile app to facilitate the MSMEs to enjoy benefits of various schemes.
- **MSME Sampark:** It is a digital platform wherein jobseekers (students or trainees of MSME Technology Centres) and recruiters can register themselves for mutually beneficial interactions.
- **MSME Sambandh:** For effective implementation of the Public Procurement Policy, Central Ministries and Public Sector Enterprises (CPSEs) must procure 25% annual procurement from MSEs. The Ministry of MSME has launched MSME Sambandh.
- **MSME Samadhaan:** This portal gives information about pending payments with the Central Ministries, State Governments, with respect to micro and small enterprises (MSEs).
- **MSME Sambhav:** It is a national-level awareness programme to push economic growth by promoting entrepreneurship and domestic manufacturing.
- **Grievance Monitoring:** The Ministry of MSME has started an **MSME internet grievance monitoring system** (e-Samadhan) to help track and monitor the grievances and suggestions.

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What are the challenges faced by the MSME Sector?

1. **Lack of Formalisation:** Almost 86% of the country's manufacturing MSMEs are unregistered. Only about 1.1 crore of the 6.3 crore MSMEs are registered with the Goods and Services Tax (GST) regime, and the number of income tax filers is even lower. As a result of limited availability and access to data, as well as legacy underwriting methods, the credit requirements of Indian MSMEs have largely gone unmet.
2. **Access to Technology:** The majority of MSMEs use outdated technology that prevents them from keeping up with the modern world. Adoption of new technology and training employees is difficult and expensive, especially in manufacturing where both physical equipment and software are involved. Another significant factor is a lack of awareness, which reduces willingness to invest in advanced technology solutions.
3. **Regulatory and Compliance Burden:** Small businesses frequently struggle with navigating complex and overlapping legal, taxation, and environmental regulations. The resources and time required to manage these compliance tasks can drain a small firm's operational capacity.
4. **Cumbersome Registration Process:** Lengthy registration procedures and inefficient single-window clearance systems create bureaucratic hurdles for MSMEs, delaying their formalization and operational setup.
5. **Lack of Awareness About Government Schemes:** Many MSMEs struggle to navigate the complex landscape of government schemes due to inadequate awareness and poor coordination between the Centre and States.

6. **Financial Constraints:** Limited access to institutional finance, stringent collateral requirements, and high interest rates make it difficult for MSMEs to secure the funds necessary for expansion and modernization.
7. **Delayed Payments:** Large corporate buyers and Public Sector Undertakings (PSUs) frequently delay paying their MSME vendors far beyond the legally mandated 45-day limit. Although the **MSME Samadhaan** portal exists, many small suppliers hesitate to legally pursue large clients for fear of being blacklisted or losing future contracts.
8. **Export-Related Challenges:** Poor infrastructure, inadequate trade facilitation, and difficulty in meeting Environmental, Social, and Governance (ESG) standards restrict MSME participation in global markets.
9. **Labour Shortages and Skill Gaps:** A lack of skilled workers, wage disparities across regions, and inefficient training centers result in low productivity and reduced competitiveness for MSMEs.
10. **Marketing and Supply Chain Issues:** Smaller enterprises often have limited marketing budgets and lack the expertise to build strong brand identities. Furthermore, they struggle to penetrate distribution networks and supply chains, which are typically dominated by larger businesses.

What are the key provisions of the Micro, Small and Medium Enterprises Development (Amendment) Bill, 2026?

1. **Strengthening the delayed-payment mechanism:** Seeks to make the mechanism for resolving payment disputes involving MSMEs faster and more effective. This is aimed at improving the cash flow and liquidity of MSMEs, which often face working-capital constraints because of delayed payments.
2. **Time-bound resolution of disputes:** Proceedings before the Micro and Small Enterprises Facilitation Council (MSEFC) are proposed to be streamlined. The Amendment introduces strict timelines for dispute processing, requiring mediation to be completed within **90 days** and arbitral awards to be finalized within **90 days**.
3. **Enforcement of arbitral awards:** Provides a mechanism for the enforcement of arbitral awards relating to micro and small enterprises. This seeks to ensure that favourable awards translate into actual recovery rather than remaining stuck in prolonged legal proceedings.
4. **Greater flexibility for MSEFCs:** States will get greater flexibility to determine the composition of the Micro and Small Enterprises Facilitation Councils. The amendment also enables the creation of more MSEFCs, which can help reduce the geographical and institutional burden on existing councils and expedite dispute resolution.
5. **Decriminalisation and simpler compliance:** Certain procedural/compliance-related defaults are sought to be treated more proportionately, reducing the possibility of criminal penalties for minor or technical violations and encouraging formalisation.
6. **Updating the MSME framework:** Authorizes the Central Government to notify and periodically revise investment and turnover criteria via gazette notifications as economic conditions evolve, bypassing the need for legislative amendments each time.
7. **Permanent Digital Framework:** Formalizes the **Udyam Registration Portal** as a permanent, paperless, voluntary, and free digital framework for enterprise management and scheme access.
8. **Mandatory TReDS settlement for CPSEs:** Central Public Sector Enterprises (CPSEs) and eligible government buyers are mandated to settle invoices through an RBI-authorised Trade Receivables Discounting System (TReDS) platform.

What should be the way forward?

1. **Strengthening Credit Access & Financial Support:**
 - Expand collateral-free lending via fintech platforms and alternative credit assessment models.

- Enhance the role and reach of MUDRA and SIDBI to facilitate easier credit access.
 - Develop tailored fintech solutions and promote financial literacy programs for MSMEs.
- 2. Reducing Compliance Burden & Regulatory Bottlenecks:**
- Implement single-window clearance for faster approvals and streamlined processes.
 - Simplify GST registration and reduce the frequency of regulatory amendments to ensure ease of doing business.
- 3. Enhancing Digital & Technological Adoption:**
- Expanding schemes like RAMP to provide direct, hassle-free subsidies for green energy adoption (like solar rooftops), smart manufacturing tools, and cloud-based inventory management.
 - Facilitate adoption of AI, IoT, and automation through MSME technology hubs.
 - Launch Digital MSME 2.0 to improve cybersecurity, cloud computing access, and digital marketing capabilities.
 - Strengthen the Credit Linked Capital Subsidy Scheme (CLCSS) to support MSMEs investing in advanced technologies.
 - Promote MSME Innovation & Incubation Hubs in collaboration with academic and research institutions.
- 4. Workforce Development & Skilling Initiatives:**
- Ensure uniform labor wages and introduce affordable labor insurance schemes for MSME employees.
 - Align skill training programs under Skill India, PMKVY, and NAPS to address MSME workforce needs.
 - Promote women entrepreneurs through targeted vocational training and credit linkage schemes.
- 5. Infrastructure Development & Cluster-Based Growth:** The cluster-based development approach can help MSMEs achieve economies of scale through shared infrastructure, technology, skills and market access. It can help geographically concentrated MSMEs producing similar or complementary products (e.g. Tiruppur knitwear, Ludhiana auto components, Surat textiles) to tackle structural vulnerabilities together rather than individually.

Case studies:

North Carolina Research Triangle	● The North Carolina Research Triangle is a prominent innovation cluster in the United States, centred around Raleigh, Durham and Chapel Hill. ● Anchored by universities (Duke University, NC State University & UNC Chapel Hill), research institutions and technology companies, it promotes collaboration, innovation, entrepreneurship & skilled employment – that helped in building biotechnology & pharmaceutical ecosystems by connecting research with industry.
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“Little Giant” Programme	• China’s “Little Giants” refers to a state-backed initiative to identify and nurture specialized small and medium-sized enterprises (SMEs). • It focuses on technically strong small firms that operate in narrow, specialized niches (often called “hidden champions”). These selected firms receive targeted help, including dedicated financing, tax support, and research and development (R&D) assistance. • This policy is a key part of China’s strategy to build deep industrial strength by creating dense, interconnected ecosystems.
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Conclusion:

MSMEs can play a vital role in growth of the economy as India enters the **Amrit Kaal** phase. They can help in inclusive and balanced development and make India a global manufacturing hub. The Government has been supporting the MSMEs through various initiatives, the need is to focus on the implementation and realizing the outcomes.

UPSC GS-3: Economics

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Tribunals in India – Significance & Challenges – Explained Pointwise

Recently, Parliament passed the Tribunals Reforms Bill, 2026, providing for an independent National Tribunals Commission (NTC) to oversee the appointments, administration and functioning of 16 major tribunals. This article examines the constitutional framework, historical evolution, significance, challenges for tribunals in India.

What are Tribunals, and what are their key characteristics?

- Tribunal is a specialized, **quasi-judicial body** established to resolve specific disputes, such as administrative or tax-related issues. It **adjudicates disputes, determines rights, and reviews administrative decisions**.
- They serve as alternatives to traditional courts and specialize in providing faster, cost-effective, and expert resolutions for particular kinds of cases.
- **Objective:** Tribunals reduce the burden on regular courts and provide specialized dispute resolution that is swift, efficient, and accessible.

Key Characteristics:

- **Quasi-judicial nature:** Tribunals exercise judicial power but aren't part of the traditional court hierarchy (though they perform similar functions).
- **Specialization:** They deal exclusively with matters requiring specific, domain-based expertise (e.g. tax, telecom, or electricity).
- **Faster Disposal:** They aim to offer a quicker and more efficient resolution mechanism than the regular civil courts.
- **Procedural flexibility:** They are not bound by the strict rules of evidence and procedure under the CPC (Civil Procedure Code). However, they follow principles of natural justice instead, making proceedings faster and less formal than regular courts.
- **Statutory creation:** Each tribunal is created by a specific Act of Parliament or State Legislature (not directly by the Constitution) for e.g. CAT under the Administrative Tribunals Act 1985, NGT under the National Green Tribunal Act 2010, ITAT under the Income Tax Act.
- **Composition:** They typically include both judicial members (retired judges or lawyers) and administrative/technical members who possess specialized knowledge in the relevant field.
- **Subject to Judicial Review:** In **L. Chandra Kumar v. Union of India (1997)**, the Supreme Court held that tribunal orders are subject to judicial review by High Courts under Article 226/227, striking down provisions that excluded High Court jurisdiction.

What are the constitutional and legal provisions related to Tribunals in India?

The original Constitution did not include provisions related to tribunals. However, the **42nd Amendment Act of 1976** introduced **Part XIV-A**, titled "**Tribunals**," which consists of two articles:

- **Article 323A** – Pertains to administrative tribunals.
- **Article 323B** – Covers tribunals for other specific matters

Provisions	Description
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Article 323A	Grants Parliament the power to establish administrative tribunals for resolving disputes related to recruitment and service conditions of individuals employed in the Central and state governments, local bodies, public corporations, and other public authorities
Article 323B	Authorizes both Parliament and State legislatures to create tribunals for various matters, including industrial and labor disputes, foreign exchange, land reforms, elections, rent and tenancy rights, and more.

Administrative Tribunals Act, 1985:

To implement Article 323A, Parliament enacted the Administrative Tribunals Act, 1985, empowering the Central Government to establish:

- **Central Administrative Tribunal (CAT)** for central government employees.
- **State Administrative Tribunals (SATs)** for state government employees.

What are the landmark judgement's related to tribunals in India?

S.P. Sampath Kumar v. Union of India (1987)	Recognized tribunals as substitutes for High Courts and upheld their constitutional validity.
L. Chandra Kumar v. Union of India (1997)	Declared that tribunals cannot act as substitutes for High Courts and must be subject to judicial review under Article 226 and 227.
Madras Bar Association v. Union of India 2014	Administrative support for all tribunals should come under the Ministry of Law and Justice.
Rojer Mathew v. South Indian Bank Limited & ors, 2019	The impact of amalgamation of tribunals should be analysed with judicial impact assessment.
Madras Bar Association v. Union of India, 2020	National Tribunals Commission should be set up to supervise appointments, as well as functioning and administration of tribunals.
Madras Bar Association v. Union of India, 2021	Struck down various provisions in tribunal reforms that undermined judicial independence.

What are the key developments in the Indian tribunal system?

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Pre-Independence Era (Before 1947)	The Income Tax Appellate Tribunal (ITAT) was established as India's first tribunal to reduce court workload and expedite tax dispute resolution
Post-Independence Era (1947-1980)	1950: Industrial Disputes (Appellate Tribunal) Act provided for an appellate tribunal to handle industrial disputes. 1969: The First Administrative Reforms Commission recommended Civil Services Tribunals at national and state levels for service-related disputes. 1974: The Sixth Law Commission suggested high-powered tribunals to reduce High Court case backlogs. 1976: The Swaran Singh Committee recommended setting up: Administrative Tribunals ((both at national level and state level) for service-related cases. All-India Appellate Tribunal for labor disputes. Sector-specific tribunals for revenue, land reforms, and essential commodities. - Supreme Court oversight for tribunal decisions.
Golden Era of Tribunalization (1980-2000)	Establishment of several tribunals, including: Central Administrative Tribunal (CAT) – for administrative matters. Securities Appellate Tribunal (SAT) – for financial sector disputes. Film Certification Appellate Tribunal – for film certification disputes. Appellate Tribunal for Electricity – for tariff-related cases.
2000-2016: Expansion of Tribunals	2000: Debt Recovery Tribunal (DRT) – for resolving disputes between banks and borrowers. 2002: Competition Commission of India (CCI) and Competition Appellate Tribunal (COMPAT) – to regulate fair competition. 2010: National Green Tribunal (NGT) – for environmental disputes. 2016: National Company Law Tribunal (NCLT) & National Company Law Appellate Tribunal (NCLAT) – for corporate and insolvency matters.
2017- Merger of COMPAT with NCLAT	Finance Act 2017 reduced the number of tribunals from 26 to 19 based on functional similarity. It gave the central government authority to define qualifications, appointments, and service conditions for tribunal members.

Tribunal Reforms Act 2021	The Tribunals Reforms (Rationalization and Conditions of Service) Bill, 2021 aimed to streamline the tribunal system . Nine tribunals were abolished , transferring their functions to existing judicial bodies, mainly High Courts.
Tribunals Reforms Bill 2026	The Tribunals Reforms Bill, 2026 was introduced to repeal the Tribunals Reforms Act, 2021. The 2021 Act provides for appointments and terms and conditions of service for various Tribunals. The Bill seeks to provide for these matters in consonance with the directions of the Supreme Court. Certain provisions of the 2021 Act were struck down by the Supreme Court for contradicting the principles of separation of powers and the independence of judiciary.

What are the key provisions of the Tribunals Reforms Bill, 2026?

National Tribunals Commission	1. National Tribunals Commission (NTC): The Bill establishes the National Tribunals Commission. Its functions include: i. Conducting the selection process for filling vacancies in Tribunals. ii. Reviewing performance of Tribunals. iii. Overseeing inquiries into complaints against the conduct of chairpersons or members of the Tribunals iv. Developing and maintaining the National Tribunals Data Grid. 2. Composition of the Commission: The Commission will consist of: i. A Chairperson, who has been a Judge of the Supreme Court or a Chief Justice of a High Court, ii. Two judicial members, who have been a Chief Justice or Judge of a High Court iii. Two technical members. The technical members must have at least 25 years of experience in the fields of public administration, finance, law, accountancy, banking, management, or technology. 3. Appointment: Appointments to the Commission will be made by the central government. Appointments of the chairperson and judicial members must be made after consultation with the Chief Justice of India. 4. Tenure of Chairperson & Members: The chairperson and members of the Commission will hold office for a term of five years, or until the age of 70 years, whichever is earlier. 5. Secretariat: The Commission will have a secretariat, headed by a secretary of the central government. The Secretariat serves as the administrative support system for the National Tribunals Commission.
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Selection process for Tribunals	1. Search-cum-selection Committee: The Commission will constitute a search-cum-selection committee to recommend appointment to a Tribunal. The Committee will be headed by: (i) the chairperson of the Commission in case of appointment of a chairperson of a Tribunal, (ii) a judicial member of the Commission in case of a member. For each vacancy, the Committee will recommend one name for appointment, and one additional name in the waiting list. The central government must make an appointment within three months from the recommendation. 2. Members of the Committee: The chairperson of the Commission will nominate to the Committee a retired: (i) Chief Justice of a High Court in case of appointment of a chairperson of a Tribunal, or (ii) Judge of a High Court in case of a member. Other members of the Committee will include: (i) a technical member of the Commission, (ii) a secretary of the government nominated by the central government, (iii) two expert members, and (iv) the Commission Secretary. 3. Voting Power: Expert members and the Commission Secretary will not have any vote. The chairperson of the Committee will have a casting vote.
Tribunals	1. Term of office: Chairpersons and members of Tribunals will hold office for five years, or until a specified age limit, whichever is earlier. Age limit will be 70 years for chairpersons, and 67 years for members. 2. Re-appointments: Chairpersons and members of Tribunals may be considered for re-appointment subject to: (i) consideration of previous work performance, and (ii) in case of a member, consultation with the chairperson of the concerned Tribunal. 3. Removal of members: The central government may remove a chairperson or member of the Commission or a Tribunal from office if the person: (i) is adjudged insolvent, (ii) is convicted of an offence involving moral turpitude, (iii) has become physically or mentally incapable, (iv) has abused his position, or (v) has acquired financial or other interest which is prejudicial to functions. In case of Tribunal chairpersons and members, additional grounds for removal include: (i) found to be incompetent or inefficient, or (ii) engaging in paid assignment. 4. Terms of appointment and service: The central government will prescribe through Rules: (i) qualifications, (ii) manner of selection, (iii) salaries and allowances, (iv) resignation, removal, and other conditions of service. 5. Applicability: The common rules for selection, tenure, and conditions of service apply uniformly across 16 major tribunals listed in the First Schedule, which include – Central Administrative Tribunal (CAT), Income Tax Appellate Tribunal (ITAT), National Green Tribunal (NGT), National Company Law Appellate Tribunal (NCLAT) etc.

What is the significance of tribunals in the Indian judicial system?

1. **Speedy Justice:** Tribunals are designed to offer **faster dispute resolution** compared to traditional courts for e.g. The **Consumer Disputes Redressal Commissions** resolve cases within 3-6 months, NCLT expedited cases under the **Insolvency and Bankruptcy Code (IBC), 2016**, ensuring faster debt recovery.
2. **Specialized Expertise:** Tribunals were designed to handle complex, sector-specific disputes requiring technical expertise for e.g. **Power sector (APTEL)**, **taxation (ITAT)**, **corporate law (NCLAT)**, **copyright (IPAB)**. **National Green Tribunal (NGT)** includes environmental experts, enabling the bench to interpret complex environmental impact assessments without relying solely on external expert testimony.
3. **Reducing Court Burden:** By handling **specialized cases**, tribunals reduce the workload of **high courts** and the **Supreme Court** for e.g. **Central Administrative Tribunal (CAT)** has significantly reduced litigation burden in service-related disputes.
4. **Procedural Flexibility:** Traditional courts are bound strictly by the technicalities of the Code of Civil Procedure, 1908 (CPC) and the Indian Evidence Act, 1872. However, tribunals are not bound by the strict rules of evidence and procedure under the CPC. Freedom from strict procedural codes allows for rapid hearings, written arguments, and expedited orders.
5. **Economic Governance:** Tribunals like the **NCLT** and **DRT** play a critical role in ensuring economic stability and ease of doing business for e.g. Creditors have recovered approximately Rs 3.55 lakh crore by resolving 1,068 insolvency cases under the IBC, 2016, as of September 2024 since 2016.
6. **Environmental Protection & Protecting Fundamental Rights:** The **National Green Tribunal (NGT)** has played a pivotal role in environmental protection cases like the **Vizag Gas Leak (2020)**. It is also instrumental in addressing environmental issues, such as the Yamuna pollution case and illegal mining in Aravalli Hills.
7. **Cost-Effective and Accessible Justice:** Tribunals provide a cost-effective and accessible forum for resolving disputes, especially for **marginalized groups**.
8. **Alternative Dispute Resolution (ADR):** Tribunals provide an alternative dispute resolution mechanism, which can be less adversarial and more conducive to finding mutually agreeable solutions.

What are various challenges faced by Tribunals in India?

1. **Case Backlogs Rising:** Instead of reducing court burdens, tribunals have developed massive pendencies of their own. Key commercial tribunals. As of 2025, over **3.56 lakh cases**, worth **₹24.72 lakh crore** (about 7.5% of India's GDP), were pending across key commercial tribunals, with cases like company law matters taking an average of **752 days** to conclude, more than double the statutory limit.
2. **Chronic Vacancies:** As of late 2025, roughly 18% of sanctioned tribunal member posts (94 of 518) were vacant. Prolonged vacancies directly undermine the "speedy justice" rationale tribunals were created for, since benches can't function at full strength.
3. **Inadequate Physical & Digital Infrastructure:** The tribunals suffer from a massive infrastructure deficit, with many operating from rented, dilapidated premises. They also lack a modern, unified digital case management system, leading to fragmented and unreliable data.
4. **Judicial Overreach:** The **Supreme Court's intervention** in the **Telecom Disputes Settlement and Appellate Tribunal (TDSAT)** ruling on the **Adjusted Gross Revenue (AGR)** dispute has raised questions about the legal standing of tribunals.
5. **Appointment Concerns:**
 - a. **Post-Retirement Placements:** Tribunals are often criticized for becoming "retirement homes" for former civil servants and public sector officials.

- b. **Dilution of Specialization:** Rather than bringing in cutting-edge private-sector experts or domain specialists, technical posts are overwhelmingly filled by generalist bureaucrats who may lack deep legal training or specialized technical knowledge.
 - c. **Control Over Appointments & Tenure:** Executive control over appointment criteria, search-cum-selection committees, and short service tenures creates potential bias and undermines the principle of **separation of powers**.
- 6. **Conflict of Interest:** In most cases before administrative, tax, or regulatory tribunals, the State is the primary respondent/litigant. However, tribunals historically depend on their respective parent ministries for funding, office space, staff, and logistics.
- 7. **Lack of Uniformity:** Different tribunals follow varying procedures, leading to inconsistency. For instance, the **Armed Forces Tribunal (AFT)** and **Central Administrative Tribunal (CAT)** have different rules for evidence submission.
- 8. **Ineffective Implementation:** The appointment process for tribunal members is slow and opaque, leading to prolonged vacancies. For e.g. **The Law Commission's 272nd Report (2017)** recommended a **central nodal agency**, but no progress has been made.
- 9. **Economic Impact:** Delays in tribunal decisions have significant economic consequences. For e.g. **unresolved tax disputes worth ₹12 lakh crore** are pending before various tribunals, affecting government revenue and investor confidence.
- 10. **Dilution of Specialization:** Rather than bringing in cutting-edge private-sector experts or domain specialists, technical posts are overwhelmingly filled by generalist bureaucrats who may lack deep legal training or specialized technical knowledge.
- 11. **Prolonged Dispute Life Cycle:** Instead of offering finality, tribunal orders are frequently challenged in High Courts and subsequently the Supreme Court, effectively creating an extra layer of litigation rather than speeding up final resolution.
- 12. **Mergers and Abolitions Causing Hindrance:** The merger of tribunals like **COMPAT** with **NCLAT** has led to overburdened benches and loss of specialization.

What is the significance of the reforms proposed under the Tribunals Reforms Bill, 2026?

- 1. **Elimination of Conflict of Interest:** By transferring administrative, selection, and oversight functions to the independent, judicially-led National Tribunals Commission (NTC), the Bill decouples tribunals from executive ministries.
- 2. **Compliance with Constitutional Principles:** The Bill directly addresses the Supreme Court's directives in the landmark Madras Bar Association rulings, bringing the tribunal architecture into full alignment with the basic structure doctrine regarding judicial independence.
- 3. **Strict Statutory Timelines:** The Bill enforces a mandatory **3-month deadline** for the Central Government to finalize and issue appointments after receiving NTC recommendations. The NTC secretariat is required to transmit recommendations to the government within **3 days**, removing bureaucratic bottlenecks.
- 4. **Uniform and Secure Tenure:** It provides for a fixed, uniform 5-year tenure for Chairpersons (up to age 70) and Members (up to age 67), removing the executive's power to grant short, insecure terms that could influence tribunal decisions.
- 5. **Modernisation of Governance:** It sets the stage for a modern, uniform tribunal ecosystem with clear service conditions, promoting "ease of justice" and "ease of doing business".

What are the major concerns surrounding the Tribunals Reforms Bill, 2026?

1. **Centralisation of tribunal administration:** The proposed National Tribunals Commission (NTC) could concentrate substantial administrative powers at the central level, raising concerns about excessive centralisation.
2. **Executive Influence Remains:**
 - a. **Presence of Executive Members on Selection Panels:** Search-cum-Selection Committees set up by the NTC still include Secretaries nominated by the Central Government. This could dilute the independence of candidate evaluations.
 - b. **Executive influence over tribunal members:** The role of the government in determining the qualification, manner of selection, salaries, allowances and other service conditions of tribunal members remains a concern.
3. **Bureaucratic Over-Representation:** Technical members on the NTC require at least 25 years of experience in fields such as public administration, finance, or law. This condition favors senior, retired civil servants, potentially perpetuating the “bureaucratization” of tribunals rather than recruiting the technical domain experts.
4. **Re-appointment Clause:** The Bill allows tribunal members to be considered for re-appointment based on performance evaluations and administrative reviews. Enabling re-appointments could create incentives for tribunal members to favor government litigants toward the end of their terms in hopes of securing a second tenure.
5. **Data privacy concerns:** The proposed **National Tribunals Data Grid**, while useful for monitoring pendency and performance, raises questions regarding data security, access and privacy.

What should be the way forward?

1. **Structured Tribunal Management System:** A **Central Tribunal Division** within the Ministry of Law and Justice should be implemented to streamline operations. Case management technology and AI-based analytics should be deployed to track tribunal performance.
2. **Implement a Double-Shift System to Expedite Disposal:** To clear the backlog, tribunals should operate in two shifts, a proposal discussed in 2011 but never implemented. This would increase case disposals without increasing infrastructure costs.
3. **Strengthen the Specialization and Independence of Tribunals:** Instead of appointing retired bureaucrats, **tribunals must have domain-specific technical panels** to ensure **subject matter expertise**. Reduce judicial interventions by strengthening tribunal autonomy under the **Tribunals Reforms Act**.
4. **Digital Transformation of Tribunals:** Fully digitalize tribunal processes through **an e-Tribunals initiative**, ensuring real-time case tracking. Integrate **online dispute resolution (ODR) mechanisms** to reduce case inflow into traditional tribunals. **E.g. The UK’s HM Courts & Tribunals Service.**
5. **Minimizing Executive Control:** The legislature should reduce bureaucratic control over tribunal functioning, as recommended in **Roger Mathew (2019) case**.
6. **Enhancing Judicial Autonomy:** Ensure tribunals operate with **minimal interference** from higher courts, as emphasized in the **L. Chandra Kumar vs Union of India (1997) case**.

Conclusion: Tribunals play a critical role in India’s legal system by combining judicial powers with technical expertise to resolve disputes efficiently in domains requiring specialized knowledge. The decisions of these tribunals are generally subject to judicial review by the relevant High Court, and ultimately the Supreme Court. They serve as essential pillars of an effective governance system that requires specialized mechanisms for complex regulatory issues.

Read more: [PRS](#), [The Hindu](#)

UPSC Syllabus- GS 2- Quasi-judicial bodies

National Food Security Act – Provisions, Significance & Challenges – Explained Pointwise



India's journey towards food security reached a significant milestone with the enactment of the National Food Security Act (NFSA) 2013, transforming the "right to food" into a legal entitlement and marking a shift from a welfare to a rights-based approach. Recently, the **Department of Food and Public Distribution** proposed the **Draft National Food Security (Amendment) Bill, 2026**. It seeks to change the Antyodaya Anna Yojana (AAY) entitlement from a flat **35 kg per household per month** to **7 kg per person per month**, subject to a maximum household ceiling of 35 kg.

What is the National Food Security Act (NFSA), 2013?

- The National Food Security Act 2013 was enacted with the objective of providing food and nutritional security by ensuring access to adequate quantity of quality food at affordable prices for people to live a life with dignity.
- Under NFSA, the government is obliged to give subsidized foodgrains every month to the beneficiaries identified by each state government based on the economic status of households.

- The Act covers up to **75% of the rural population** and up to **50% of the urban population** for receiving subsidized food grains under the Targeted Public Distribution System (TPDS), thus covering about two-thirds of the population.

What are the key provisions of the National Food Security Act?

1. **Centre-State responsibilities:** The Centre is responsible for allocating foodgrains from the central pool, while States/UTs identify beneficiaries and implement the Targeted Public Distribution System (TPDS).
2. **Identification of Beneficiaries:** The identification of eligible households is done by the State Governments, adhering to inclusion/exclusion criteria set by the central government.
3. **Two categories of beneficiary households:**
 - a. **Antyodaya Anna Yojana (AAY):** AAY households receive 35 kg of foodgrains monthly.
 - b. **Priority Households (PHH):** Each PHH member gets 5 kg of foodgrains monthly, including rice at Rs 3/kg, wheat at Rs 2/kg, and coarse grain at Rs 1/kg.
4. **Nutritional Support for Children:** Children between 6 months and 14 years receive nutritious, free meals through the Integrated Child Development Services (ICDS) and Mid-Day Meal (MDM) schemes.
5. **Maternity Entitlement:** Pregnant women and lactating mothers are entitled to a maternity benefit of at least ₹6,000 for six months to partially compensate for wage loss and ensure nutritional support.
6. **Food security allowance:** If entitled foodgrains or meals are not supplied, beneficiaries have a right to receive a food security allowance from the concerned government.
7. **Women empowerment:** The eldest woman aged 18 years or above in an eligible household is to be treated as the head of the household for the purpose of issuing ration cards.
8. **Grievance Redressal Mechanism:** The Act mandates a 3-tier grievance redressal mechanism, including an internal mechanism (like helplines), a **District Grievance Redressal Officer (DGRO)**, and a **State Food Commission** to handle complaints and monitor implementation.
9. **Transparency and accountability:** Requires disclosure of TPDS records, **social audits**, and the establishment of **vigilance committees**.

Amendments proposed by the Draft National Food Security (Amendment) Bill, 2026:

1. **Per-person entitlement for AAY households:** Presently, every AAY household is entitled to **35 kg of foodgrains per month**, irrespective of household size. The draft Bill proposes to **provide 7 kg of foodgrains per person per month** to every member of an AAY household.
2. **35 kg household ceiling retained:** The amendment proposes a maximum entitlement of **35 kg per AAY household per month**.
3. **State-wise specification:** The exact extent of entitlement would be **specified by the Central Government for each State** under the AAY scheme.

What is the significance of the National Food Security Act?

1. **Philosophical Shift – From Welfare to Rights:** The most profound change brought by the NFSA is its rights-based approach. Previously, food distribution was a matter of government policy, but the Act legally obligates the state to ensure the food security of its citizens. By explicitly stating that food access is a legal right for two-thirds of the population, the NFSA ensures that the government is legally obligated to provide subsidized food grains. This allows citizens to seek judicial recourse if entitlements are denied.

2. **Unprecedented Reach:** By covering up to **67% of the total population** (75% of rural and 50% of urban residents), NFSA serves as one of the largest safety-net programs in human history, protecting nearly 800 million people.
3. **Food & Nutritional Security:** Through the Public Distribution System (PDS), the Act ensures monthly entitlements of rice, wheat, and coarse grains at highly subsidized rates to nearly 800 million beneficiaries. By guaranteeing affordable access to staples, the NFSA combats undernutrition and food insecurity among the poor.
4. **Enhanced Social Inclusion:** The Act prioritizes marginalized sections, including SC/STs, women, and children, helping to address inequality. It also ensures women's empowerment with provisions for female household heads as ration card holders.
5. **Poverty Reduction:** The assured supply of foodgrains acts as a form of income transfer. By reducing household expenditure on essential food items, it frees up a significant portion of the income of poor families, allowing them to spend on education, health, and other needs. This indirectly aids in poverty reduction.
6. **Child Nutrition:** Integrating Anganwadi services and the Mid-Day Meal scheme (PM-POSHAN) ensures continuous nutritional support from age 6 months through Class VIII, boosting school attendance, cognitive development, and child health outcomes.
7. **Women's Empowerment:** The Act explicitly mandates that the eldest woman in a household (aged 18 or older) be designated as the official Head of Household on ration cards. This gives women direct control over household food supplies and financial decisions within the family unit.
8. **Anchors SDG commitments:** The NFSA supports India's commitment to **Sustainable Development Goal 2 (Zero Hunger)** by ensuring access to adequate food and nutrition, while also contributing to poverty reduction by protecting vulnerable households from food insecurity and strengthening social protection mechanisms.
9. **Crisis Management:** During national crises, such as the COVID-19 pandemic, the NFSA mechanism allowed the government to immediately scale up distribution (e.g. through schemes like PMGKAY), ensuring no person went hungry when livelihoods were lost. The existing buffer stock and distribution network were instrumental in this massive relief effort.
10. **Driver of PDS Reforms & Accountability:** The NFSA necessitated and accelerated long-pending reforms in the Public Distribution System (PDS), drastically improving its efficiency and reducing leakage such as:
 - **Technology Integration:** The mandate for effective delivery led to the widespread adoption of e-PDS (electronic PDS), including Aadhaar linking and the use of Point of Sale (PoS) devices at Fair Price Shops. This has significantly eliminated "ghost" beneficiaries and reduced the diversion of grains.
 - **Structural Accountability:** The Act introduces statutory grievance officers (DGROs), State Food Commissions, and compulsory social audits to reduce leakages, corruption, and exclusion errors in the Targeted Public Distribution System (TPDS).
 - **Portability (ONORC):** The success of the NFSA is closely tied to the One Nation, One Ration Card (ONORC) scheme, which ensures that NFSA entitlements are portable. This means a beneficiary can collect their subsidized food grains from any Fair Price Shop (FPS) across the country, hugely benefiting migrant workers.

What are the major limitations of the National Food Security Act?

1. **Leakages and diversion in PDS:** Despite Aadhaar-linking and ePoS machines, diversion of foodgrains from the Public Distribution System to the open market remains a persistent problem in several states.

2. **Quality of Foodgrains:** Storage inefficiencies in Food Corporation of India (FCI) godowns often result in damaged, pest-infested, or poor-quality foodgrains reaching beneficiaries.
3. **Fiscal Burden and Sustainability:** The shift to free foodgrain distribution (merging NFSA subsidy into PMGKAY since 2023) has substantially increased the food subsidy bill, raising sustainability concerns:
 - **Food Subsidy:** The difference between the Minimum Support Price (MSP) paid to farmers and the Central Issue Price (CIP) charged to beneficiaries (₹1, ₹2, ₹3) is borne by the government as the food subsidy. This subsidy is one of the largest items of non-developmental expenditure, putting pressure on the national fiscal deficit.
 - **Buffer Stocks:** Maintaining adequate buffer stocks for distribution requires significant investment in storage and incurs heavy costs related to interest, storage, and wastage.
4. **Supply Chain and Infrastructure Gaps:** Shortcomings in logistics, transportation, and storage infrastructure lead to wastage and inefficiency. Old and insufficient warehouses, especially in remote regions, make timely and quality delivery challenging.
5. **Exclusion and Inclusion Errors:**
 - **Exclusion Errors:** NFSA coverage caps (75% rural, 50% urban) were defined using the 2011 Census. Because the 2021 Census was delayed, population growth over the past decade means an estimated 14 crore eligible citizens remain excluded from legal entitlements.
 - **Inclusion Errors:** Due to political pressures and weak local auditing, non-poor households frequently retain ration cards, diluting the benefits intended for the most vulnerable.
 - **Technology-driven exclusion:** Biometric authentication failures (due to manual labor-worn fingerprints, elderly beneficiaries, connectivity issues in remote areas) have paradoxically caused genuine beneficiaries to be denied their entitlements.
6. **Limited Nutrition Focus:** The Act focuses mainly on calorie security through grains, neglecting dietary diversity and micronutrient requirements. Provisions for pulses, oils, and fresh foods are minimal or absent.
7. **Functioning of Fair Price Shops (FPS):** While the implementation of PoS devices has improved transparency, challenges remain. These include internet connectivity issues in remote areas, resulting in transaction failures, and residual corruption by FPS dealers regarding timing, weighing, and behavior.
8. **Weak Enforcement:** State-level Grievance Redressal Officers (GROs) often lack the authority, resources, or political will to effectively penalize violators or ensure timely resolution of complaints. The mandated Vigilance Committees are often defunct or non-functional.
9. **Market Distortion:** Massive state procurement at Minimum Support Prices (MSP) primarily benefits rice and wheat farmers in specific states, driving land degradation, groundwater depletion, and suppressing private grain markets.

What should be the Way Forward?

1. **Update Beneficiary Lists:** Beneficiary lists are outdated, having not been updated since the 2011 Census, leaving nearly 14 crore eligible people excluded. There is an urgent need to conduct a fresh, transparent, and participatory identification process to capture the current demographics and include internal migrants, the homeless, and the destitute.
2. **Dynamic Exclusion Criteria:** Instead of relying solely on old BPL (Below Poverty Line) lists, States should implement dynamic exclusion criteria using technology and data points (e.g. vehicle ownership, government employment status, electricity consumption) to regularly update and clean beneficiary lists.

3. **Universalizing ONORC:** While the One Nation, One Ration Card (ONORC) scheme has been implemented, continuous investment in seamless biometric and internet infrastructure is needed. The goal should be to make ration portability a frictionless experience, especially for internal migrant workers.
4. **Incorporate Millets & Coarse Grains:** Scale up procurement and distribution of climate-resilient coarse grains (ragi, bajra, jowar). This combats hidden hunger (micronutrient deficiencies) while reducing agricultural water stress.
5. **Mandating Fortification:** Central and state governments should mandate the fortification of all rice and wheat supplied through the PDS with essential micronutrients like Iron, Folic Acid, and Vitamin B12. This is a highly cost-effective public health measure.
6. **Integrating with Local Produce:** Pilot programs should be launched to link Fair Price Shops (FPS) with local self-help groups (SHGs) or farmer producer organizations (FPOs) to provide seasonal, locally sourced, and subsidized fresh fruits and vegetables to beneficiaries, particularly through ICDS and Mid-Day Meal schemes.
7. **Smart Procurement and Storage:** Modernize the food supply chain by shifting from traditional bag storage to steel silos and implementing End-to-End Computerization of the PDS. This drastically reduces storage costs and physical wastage (spoilage and theft).
8. **Empower State Food Commissions:** Make District Grievance Redressal Officers (DGROs) and State Food Commissions fully independent, adequately staffed bodies with statutory authority to enforce the Food Security Allowance when delivery fails.
9. **Mandatory Social Audits:** Standardize community-led social audits involving Gram Sabhas and local self-help groups (SHGs) to inspect ration quality, weighments, and distribution registers periodically.
10. **Implement Shanta Kumar Committee (2015) Recommendations:**
 - a. Reduce coverage from 67% to around 40% of the population, focusing subsidies on the genuinely vulnerable.
 - b. Increase the entitlement for priority households from 5 kg to 7 kg per person per month.
 - c. Gradually shift from physical foodgrain distribution to **cash transfers**, beginning with large cities, followed by grain-surplus states and eventually allowing deficit states to choose between cash and foodgrains.
 - d. The subsidised issue price of foodgrains for priority households should be **linked to the Minimum Support Price (MSP)**, rather than keeping it fixed.

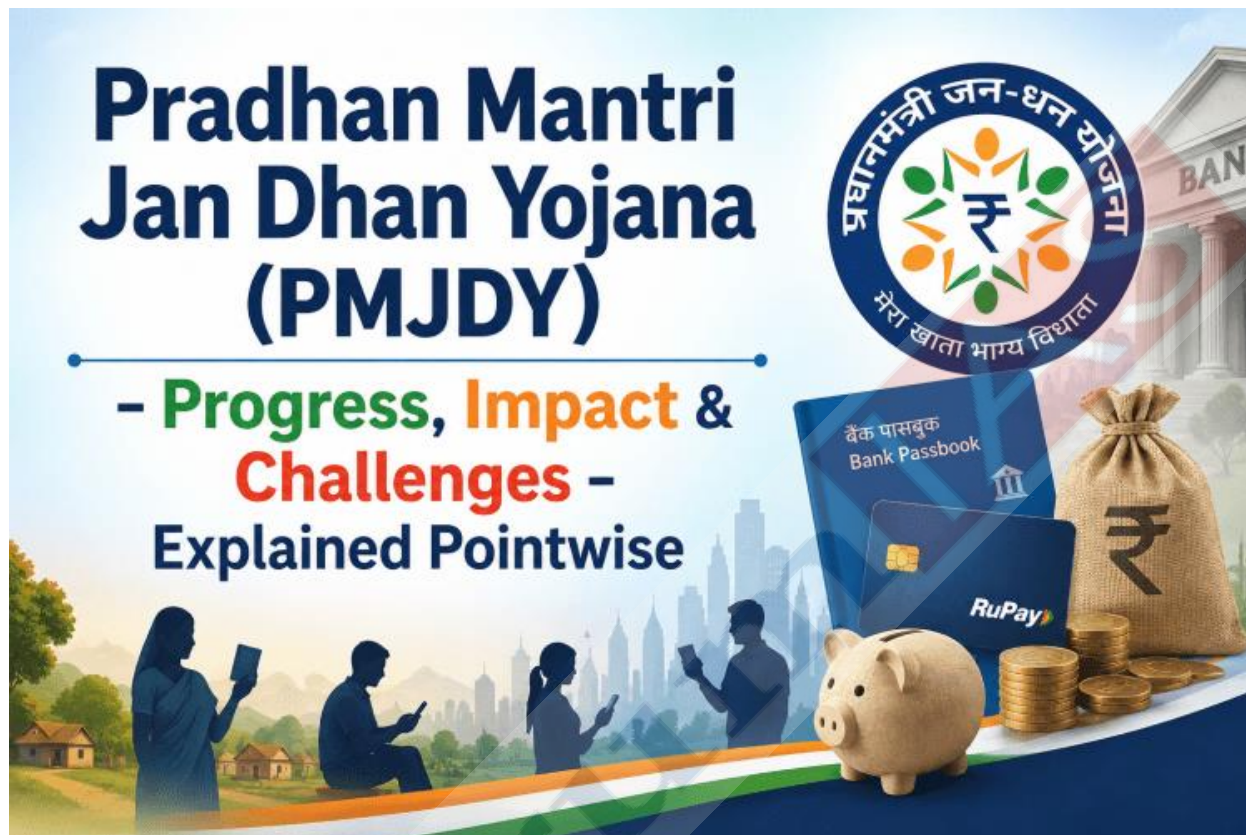
Conclusion:

The NFSA can evolve from a basic food distribution program into a dynamic, transparent, and nutrition-sensitive social security pillar for the nation if its challenges are addressed & next-gen reforms are implemented properly. These next generation food reforms must protect people from hunger while also addressing the dietary drivers of diabetes & other NCDs.

UPSC GS-3: Agriculture

Read More: [Vikaspedia](#), [The Hindu](#)

Pradhan Mantri Jan Dhan Yojana (PMJDY) – Progress, Impact & Challenges – Explained Pointwise



Launched on August 28, 2014, the **Pradhan Mantri Jan Dhan Yojana (PMJDY)** marked a major step towards bringing unbanked sections of society into the formal financial system. Completing **12 years** this year, the scheme has played a crucial role in advancing financial inclusion and enhancing the dignity and economic empowerment of millions, particularly women, youth and marginalised communities.

In this article, we will look at the features of the scheme, the achievements of the scheme, the challenges it faces and the way forward for achieving better financial inclusion through this scheme.

What are the features of Pradhan Mantri Jan Dhan Yojana (PMJDY)?

- Pradhan Mantri Jan Dhan Yojana (PMJDY) is **National Mission for Financial Inclusion** to ensure access to financial services, such as a **basic savings & deposit accounts, remittance, credit, insurance, pension** in an affordable manner.
- The Pradhan Mantri Jan Dhan Yojana was launched on August 28, 2014 under **National Mission on Financial Inclusion** & under the slogan, "**Mera Khata, Bhagya Vidhata**" (My Account, Fortune Maker). On the day of the launch of the scheme, banks **organised 77,892 camps** around the country, and **opened about 1.8 crore accounts**.
- **Objective of the Scheme:** The primary objective of this scheme is to **provide accessible banking services to all citizens**, particularly the underprivileged sections of society. It sought to bring poor &

historically marginalised into the economic mainstream, enabling access to the formal banking system & ensuring they become stakeholders & beneficiaries of India's growth story.

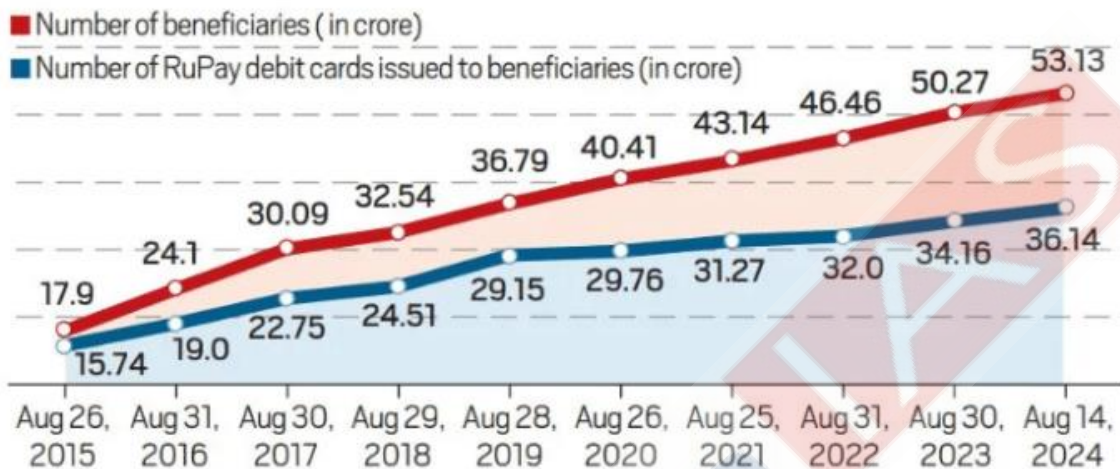
Key Features of the scheme:

Account Accessibility	Pradhan Mantri Jan Dhan Yojana (PMJDY) aims to ensure that every household has at least one bank account.
Zero Balance Accounts	The accounts under PMJDY can be opened without the need for a minimum balance. This makes it easier for low-income individuals to access banking services. These accounts earn interest on deposits like a regular account.
Overdraft Facility	The account holders are eligible for an overdraft facility of up to Rs.10,000. It is specifically aimed at women account holders.
Accident Insurance Cover	Accident Insurance Cover of Rs.1 lakh is available with Ru Pay card issued to the PMJDY account holders. It has been enhanced to Rs. 2 lakh to new PMJDY accounts opened after 28.8.2018.
Direct Benefit Transfers	PMJDY accounts are also eligible for Direct Benefit Transfers (DBT), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojana (PMSBY), Atal Pension Yojana (APY), and the Micro Units Development & Refinance Agency Bank (MUDRA) scheme.
Financial Literacy	The scheme focuses on promoting financial literacy among account holders.
Bank Mitras	The scheme employs Bank Mitras (bank representatives) to enhance accessibility of the scheme. These Bank Mitras provide branchless banking services across the country, especially in rural and remote areas.

What has been the progress of the Pradhan Mantri Jan Dhan Yojana (PMJDY)?

1. Large number of new bank accounts: As per the latest data, a staggering **53.1 crore accounts** have been opened under the scheme. This includes **29.56 crore women** beneficiaries account. The **number of bank accounts opened in the PMJDY is more than the population of the European Union,** and almost the same as the population of the United States.

PROGRESS OF THE PM JAN DHAN SCHEME



Progress of the Jan Dhan scheme.

Source- The Indian Express

DEPOSITS IN JAN DHAN ACCOUNTS (IN RS CR)



Deposits in Jan Dhan accounts.

Source- The Indian Express

1. **Bank accounts bank wise:** The largest share of PMJDY accounts is with public sector banks.

- Public Sector Banks- **41.42** crore accounts
- Regional Rural Banks- **9.89** crore accounts
- Private sector banks- **1.64** crore accounts
- Rural Cooperative Banks- **0.19** crore accounts

3. State wise analysis of accounts under PMJDY:

- Most of the accounts have been opened in **Uttar Pradesh (9.45 crores)** and the least has been opened in **Lakshadweep (only 9,256 accounts)**.
- **15 states apart from UP have more than 1 crore PMJDY bank accounts** – Bihar, West Bengal, Madhya Pradesh, Rajasthan, Maharashtra, Assam, Odisha, Karnataka, Jharkhand, Gujarat, Chhattisgarh, Tamil Nadu, Andhra Pradesh, Telangana, and Haryana.

What is the impact and achievement of Pradhan Mantri Jan Dhan Yojana?

1. **Banking to the unbanked:** The opening of **staggering 53.1 crore bank accounts** has promoted financial inclusion in the country. As per the World Bank's Findex database, **78% of Indian adults** (population with 15 years or more of age) had a bank account in 2021 as compared to 53% in 2014. According to EPW (2024), India's account ownership marked a historical growth rate of 26% between 2014 & 2017 – which can be attributed to the world's largest financial inclusion drive. This growth rate is 4 times more than the global account growth rate & 3 times more than the developing countries account growth rate in the same period.
2. **Narrowing of the Rural-Urban Financial access Gap:** Out of the total bank accounts opened under the PMJDY, **67% have been opened in rural/semi-urban areas**. This has helped in narrowing the gap in access to the formal banking system between rural and urban areas.
3. **Bridging the Gender Gap between financial access:** Out of the new accounts opened, roughly **56% of the new account holders are women**. This has helped bridge the gender gap in access to financial services.
4. **Expansion of Commercial Bank Infrastructure:** The opening of more than half a billion bank accounts has fueled demand for banking services. This has encouraged commercial banks to expand their infrastructure in recent years. **For e.g.**

Financial Infrastructure	2013	2023	%increase
Scheduled commercial banks Branches	1,05,992	1,54,983	46%
Number of ATMs	1,66,894	2,16,914	30%

Number of Points of Sale (POS) machines	10.88 lakh	89.67 lakh	82%
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1. **Promotion of Direct Benefit Transfer (DBT):** The Jan Dhan Yojana as an integral component of the JAM trinity (Jan Dhan, Aadhaar and mobile), has **enabled the government to shift to a more efficient system for transferring benefits directly to beneficiaries**. As per government data, the JAM trinity has helped in **total cumulative transfers** of Rs 38.5 lakh crore.
2. **Prevention of financial leakages:** The direct benefit transfer through the Jan Dhan accounts, has helped in prevention of financial leakages by weeding out ineligible or fake beneficiaries. **For e.g.** According to RBI report, the DBT through Jan Dhan account as **resulted in a gain of Rs 3.48 lakh crore in the implementation of government schemes** including MG-NREGS and PM-Kisan.
3. **Support to citizens in times of distress:** The JAM architecture has been used by the government to provide support to citizens during times of distress. **For e.g.** The **transfer of Rs 500 to 20 crore women Jan Dhan account holders** during the initial days of the pandemic.
4. **Promotion of Digital payments and Digital economy:** JAM framework forms an **integral part** of the **Unified Payments Interface (UPI)**, which has transformed the payment systems in the country. This has eased and increased banking transactions in the economy, leading to significant economic gains. **For e.g.** Large share of low value transactions as part of the UPI, shows the ease of the ability of low income households, to engage in formal financial transactions in their daily lives.
5. **Significant positive externalities:** The impact of PMJDY has gone beyond just financial access, generating significant positive externalities. A 2022 study, **'Access to Banking, Savings & Consumption Smoothing in Rural India'**, found that access to banking improves consumption smoothing by alleviating savings constraints. A 2021 SBI Research report observed that higher PMJDY balances were associated with declines in crime rates, and that States with higher account penetration reported significant reductions in the consumption of intoxicants such as alcohol & tobacco.

What are the Challenges with the scheme?

The Pradhan Mantri Jan Dhan Yojana (PMJDY) has made significant strides in promoting financial inclusion in India since its launch in 2014. However, several challenges continue to impede its effectiveness.

1. **Account Dormancy and inactivity:** Despite the high number of accounts opened (over 53 crore by 2023), many accounts remain dormant and inactive. **For e.g.** According to a report, ~86.3% of PMJDY accounts are operational. This suggests that a significant portion of accounts opened remain dormant.
2. **Use as mule accounts:** There are concerns regarding the use of PMJDY accounts as mule accounts in fraudulent activities, such as **money laundering** or **storage of black money**. **For e.g.** Reports of **large sums of money being deposited in dormant PMJDY accounts** raised concerns about the misuse **post-demonetization** in 2016.
3. **Infrastructural Issues:** According to **KPMG report**, the **inadequacy of physical and digital infrastructure**, particularly in rural areas, has hindered the ability of account holders to perform transactions. **For e.g.** Lack of bank branches or functional ATM in villages of states like Bihar and Uttar Pradesh.
1. **Technological Barriers:** **Poor internet connectivity** and **inadequate banking technology** has affected the effective management of banking services for remote Jan Dhan account holders.

2. **Lack of Financial literacy:** The lack of financial literacy among beneficiaries is a critical barrier in the effective implementation of Pradhan Mantri Jan Dhan Yojana (PMJDY). For e.g. **Unawareness** about **overdraft facilities** and **insurance cover** provided for beneficiaries under PMJDY.
3. **Duplication of Accounts:** The opening of multiple Jan Dhan accounts under different schemes **complicates data management** and **skews the understanding of the actual number of beneficiaries**.
4. **Exclusion of Certain Populations:** Certain marginalized groups, including tribal populations and people living in extremely remote areas, remain excluded from the scheme due to social and geographical barriers. For e.g. **Low Banking penetration** in the **tribal regions** of **Chhattisgarh** and **Jharkhand**.
5. **Gender Disparity:** Women in some conservative rural areas are **less likely** to use **PMJDY accounts independently due to social norms**. This restricts their mobility and financial autonomy.

What Should be the Way Forward?

1. **Enhancement of Financial Literacy:** Implementation of widespread financial literacy campaigns, in **partnership with local community leaders, NGOs, and educational institutions** will promote financial literacy and better use of Jan Dhan Accounts.
2. **Encouragement of active use of accounts:** The active use of PMJDY accounts should be incentivized by linking them with various government schemes, subsidies, and benefits. For e.g. Introduction of schemes where **account holders receive benefits** like **interest on savings, overdraft facilities, or cashback for digital transactions**.
3. **Greater Integration of Financial Services:** The integration of financial services like **microcredit, pension, insurance products** with the Jan Dhan accounts will help in encouraging the active use of Jan Dhan accounts.
4. **Improvement of Banking Infrastructure:** Expansion of the banking network, particularly in underserved rural and remote areas, by **setting up more branches, ATMs, and digital banking touchpoints**. Encouragement of the use of Business Correspondents (BCs) and mobile banking units to reach remote areas, will further deepen the process of financial inclusion.
5. **Regular Monitoring and Feedback Mechanism:** Establishment of a **system for regular monitoring and evaluation of the PMJDY's progress**, and **collection of feedback from beneficiaries** to identify areas for improvement will ensure that the scheme adapts to changing needs.

Conclusion:

PMJDY has been a significant step towards financial inclusion that has democratized the access to payments & enabled millions to enter the digital economy. However, it should not be seen as a one-time achievement, rather, it should be used as a stepping-stone towards deepening the financial inclusion & unlocking the second-order effects that can truly transform the lives, livelihoods, and the pathways to shared prosperity.

Source: [The Hindu](#)

UPSC Syllabus- GS 3- Indian Economy (Financial Inclusion)