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The Analyst

CURRENT AFFAIRS Handout

3rd February 2026



India-US Deal : 50% tariffs cut to 18%

CONTEXT: US President announced a deal with India that slashes US tariffs on Indian goods to 18 percent from 50 per cent.



Wonderful to speak with my dear friend President Trump today. Delighted that Made in India products will now have a reduced tariff of 18%. Big thanks to President Trump on behalf of the 1.4 billion people of India for this wonderful announcement.

When two large economies and the world's largest democracies work together, it benefits our people and unlocks immense opportunities for mutually beneficial cooperation.

President Trump's leadership is vital for global peace, stability, and prosperity. India fully supports his efforts for peace.

I look forward to working closely with him to take our partnership to unprecedented heights.

@POTUS

@realDonaldTrump

11:02 pm · 02 Feb 26 · 259K Views



It was an Honor to speak with Prime Minister Modi, of India, this morning. He is one of my greatest friends and, a Powerful and Respected Leader of his Country. We spoke about many things, including Trade, and ending the War with Russia and Ukraine. He agreed to stop buying Russian Oil, and to buy much more from the United States and, potentially, Venezuela. This will help END THE WAR in Ukraine, which is taking place right now, with thousands of people dying each and every week! Out of friendship and respect for Prime Minister Modi and, as per his request, effective immediately, we agreed to a Trade Deal between the United States and India, whereby the United States will charge a reduced Reciprocal Tariff, lowering it from 25% to 18%. They will likewise move forward to reduce their Tariffs and Non Tariff Barriers against the United States, to ZERO. The Prime Minister also committed to "BUY AMERICAN," at a much higher level, in addition to over \$500 BILLION DOLLARS of U.S. Energy, Technology, Agricultural, Coal, and many other products. Our amazing relationship with India will be even stronger going forward. Prime Minister Modi and I are two people that GET THINGS DONE, something that cannot be said for most. Thank you for your attention to this matter!

PRESIDENT D

What do the numbers say?

WORLD ECONOMIES: WHAT THE NUMBERS SHOW

	GDP current prices*		GDP in 2025 relative to GDP in 1995	GDP in 1995 as %age of US GDP in 1995	GDP in 2025 as %age of US GDP in 2025
	1995	2025			
Argentina	288	684	2.4	3.8%	2.2%
China	738	19,232	26.1	9.7%	63%
Germany	2,595	4,745	1.8	34%	15.6%
India	360	4,187	11.6	4.7%	13.7%
Japan	5,546	4,186	0.8	72.6%	13.7%
Pakistan	99	373	3.8	1.3%	1.2%
Russian Federation	336	2,076	6.2	4.4%	6.8%
UK	1,345	3,839	2.9	17.6%	12.6%
US	7,640	30,507	4	100%	100%

Pakistan data available up to 2024. Source: IMF, The Indian Express Research *Billions of US dollars



I don't care what India does with Russia. They can take their dead economies down together, for all I care. We have done very little business with India, their Tariffs are too high, among the highest in the World.

DONALD TRUMP

MODI-TRUMP SEAL INDIA-US TRADE DEAL

KEY HIGHLIGHTS

President Trump posts that **U.S. and India agreed to a new trade deal** effective immediately.

Trump says he spoke with Indian Prime Minister Narendra Modi and **praised him as a close friend** and strong leader

Leaders discussed trade and **efforts to end the Russia-Ukraine war**

Trump says PM **Modi agreed to stop buying Russian oil**

India to **increase oil purchases from the United States** and potentially Venezuela

Trump says this **move would help end the war** in Ukraine

U.S. to **reduce reciprocal tariffs** on India from 25% to 18%

India to **reduce tariffs and non-tariff barriers** on U.S. goods to zero

India committed to **"Buy American"** at a much higher level

India to **purchase over \$500 billion** worth of U.S. energy, technology, agriculture, coal, and other products

Trump says **U.S.-India relations will grow even stronger** going forward



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Indian Exports Uncompetitive After 50% US Tariff

Category	Exports to US (\$ billion)	US share in India's exports (%)	US MFN tariff (%)	New tariff (%)	Total tariff (%)
Smartphones	10.6	43.9	0	Temporary exemption	0
Diamonds, gold, related products	10	40	21	50	52.1
Pharmaceuticals	9.8	39.8	0	Temporary exemption	0
Machinery, mechanical appliances	6.7	20	1.3	50	51.3
Steel, aluminium, copper	4.7	16.6	1.7	50	51.7
Petroleum products	4.1	4.3	6.9	0	6.9
Textiles	3	48.4	9	50	59
Apparel (knitted)	2.7	34.5	13.9	50	63.9
Apparel (woven)	2.7	32.2	10.3	50	60.3
Organic chemicals	2.7	13.2	4	50	54
Vehicles and parts	2.6	11.4	1	25	26
Shrimp	2	32.4	0	50	50
Carpets	1.2	58.6	2.9	50	52.9
Furniture, bedding, mattresses	1.1	44.8	2.3	50	52.3

Source: Analysis by Global Trade Research Initiative using Indian government data and US tariff orders
Note: MFN stands for most favored nation. Export data is for fiscal year 2024-25

Sectors & Competition - US tariffs

Product category	US share in India's exports	US market share by Indian competitors
Apparel	32.1%	China (22.45%), Vietnam (17.99%)
Machinery and mechanical appliances	21.8%	Mexico (19.92%), China (16.03%)
Vehicles and parts	12.7%	Mexico (35.06%), Japan (13.10%)
Exempted from tariffs		
Pharmaceuticals	54.5%	Ireland (23.66%), Switzerland (8.94%)
Electrical, Smartphone, electronic products	35.8%	China (26.15%), Mexico (18.02%)

Data: 2024-25

Source: GTRI

INDIA, U.S. AGRICULTURE EXPORTS

Total Exports	2022	2023	2024	Jan-Jun 2024	Jan-Jun 2025	Growth in %
US	2,348.5	2,040.7	2,378.8	1,135.8	1,693.2	49.1
India	6,658.8	5,811.5	6,211.9	2,798.9	3,472.7	24.1

Exports in millions of dollars; Source: US Department of Agriculture

Reasons for US Tariffs

US Concerns on Trade Deficit

- Key issue – high India-US goods trade deficit
- Recent data – India increased imports from US
- Outcome – trade gap narrowing

Trade Balance Trends (Goods)

- India's surplus with US
 - April – \$3.17 bn
 - November – \$1.73 bn
- Surplus nearly halved



Indian Agriculture Exports To USA



India's agricultural exports to the U.S. have shown a strong upward trend, with significant growth in the first half of 2025 compared to the same period in 2024. Key categories such as seafood, processed fruits & vegetables, and rice have recorded double-digit growth, highlighting rising U.S. demand for Indian agri-products. Overall, India's agri-exports to the U.S. surged by 24.1%, reflecting the strength and competitiveness of Indian agriculture in global trade.

	2022	2023	2024	Jan-Jun 2024	Jan-Jun 2025	% Growth
Seafood	3016.5	2545.1	2483.8	1062.5	1407.9	32.5
Spices	333.9	359.3	410.2	194.7	206.9	6.3
Rice	301	347.4	391.2	176.8	199.6	12.9
Processed F&V	206.5	202.5	227.6	102.8	134.6	30.9
Baked Goods*	190.3	219.4	247.5	115.4	123.5	7.1
Essential Oils	228.9	180	212.1	109	114.2	4.8
Sugars**	218.5	174.6	171	84.6	119	40.8
Vegetable Oils	208.2	151.3	174.8	76.4	77.9	2
Food Preparations	81.1	105.2	137.9	62.5	58.7	-6
TOTAL	6,658.8	5,811.5	6,211.9	2,798.9	3,472.7	24.1

Exports in millions of dollars *Includes Cereals & Pasta; **Includes Sweeteners & Beverage Bases. Source: US Department of Agriculture



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India records trade deficit with 9 of top 10 trading partners in 2023-24

Press Trust of India
NEW DELHI

India has recorded a trade deficit, the difference between imports and exports, with nine of its top 10 trading partners, including China, Russia, Singapore, and Korea, in 2023-24, according to official data.

The data also showed that the deficit with China, Russia, Korea, and Hong Kong increased in the last fiscal compared to 2022-23, while the trade gap with the UAE, Saudi Arabia, Russia, Indonesia, and Iraq narrowed.

The trade deficit with China rose to \$85 billion, Russia to \$57.2 billion, Korea to \$14.71 billion and Hong Kong to \$12.2 billion in 2023-24 against \$83.2 billion, \$43 billion, \$14.57 billion and \$8.38 billion, respectively, in 2022-23.

China has emerged as India's largest trading partner with \$118.4 billion of two-way commerce in



2023-24, edging past the U.S.

The bilateral trade between India and the U.S. stood at \$118.28 billion in 2023-24. Washington was the top trading partner of New Delhi during 2021-22 and 2022-23. India has a free trade agreement with four of its top trading partners – Singapore, the UAE, Korea and Indonesia (as part of the Asian bloc). India has a trade surplus of

\$36.74 billion with the U.S. in 2023-24. America is one of the few countries with which India has a trade surplus. The surplus is also there with the U.K., Belgium, Italy, France and Bangladesh. India's total trade deficit in the last fiscal narrowed to \$238.3 billion as against \$264.9 billion in the previous fiscal.

According to trade experts, a deficit is not always bad, if a country is import-

ing raw materials. However, it puts pressure on the domestic currency.

"A rising trade deficit can cause the country's currency to depreciate because more foreign currency is needed for imports. This depreciation makes imports more expensive, worsening the deficit," Economic think tank Global Trade Research Initiative Founder Ajay Srivastava said.

Impact of US Tariffs

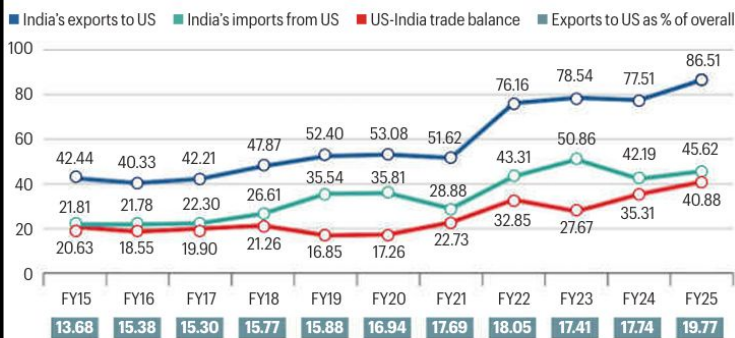
Impact of US Tariffs on Trade Flows

- 50% tariffs imposed – **27 August**
- immediate effect – **exports decline**
- India exports to US
 - August – \$6.86 bn**
 - October – \$6.30 bn**
- India imports from US
 - August – \$3.60 bn**
 - October – \$4.84 bn**

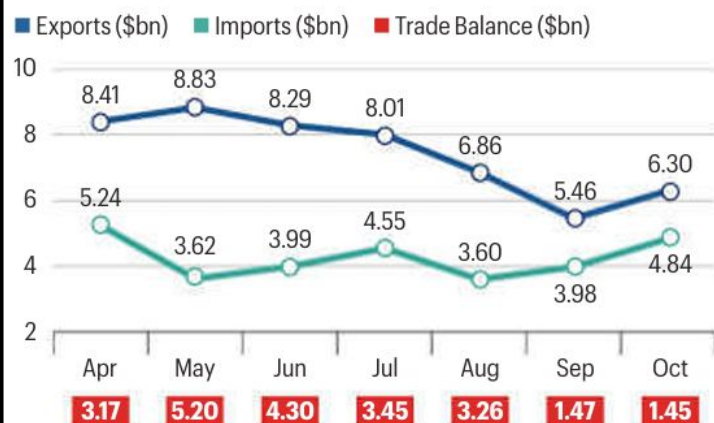
Sector-wise Export Impact

- worst hit – **labour-intensive sectors**
 - garments
 - footwear
 - sports goods
- November rebound – **exports +22%**
- Key driver – **electronics exports**
- Reason – **outside tariff net**

INDIA'S TRADE WITH THE US



India's goods trade surplus with US shrinks



Oil Import Share (April–October)

- US share
 - 2024 – 4.43%**
 - 2025 – 7.48%**
- Russia share
 - Earlier – 37.88%**
 - Now – 32.18%**



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Additional Tariffs & Negotiation Stress

- Extra tariffs – **25%**
- Issue – **politically sensitive**
- Effect – **trade deal stalled**
- India hit hardest – **50% tariff level**
- Contrast – **US reduced tariffs on China after truce**

Crude Oil Trade Shift

- India crude imports from US – **rising steadily**
- US sanctions on Russia
- Effect – **Russian oil exports to India declined**

RUSSIA'S OIL EXPORTS TO INDIA



Figures in thousand bpd

Source: Preliminary data from Kpler

Nuclear Sector Reforms

- US push – **nuclear expansion & small reactors**
- India response – **opened nuclear sector to FDI**

LPG & Energy Deals

- PSU refiners signed – **1-year US LPG deal**
- LPG imports – **~2.2 MTPA**
- share – **~10% of India's LPG imports**
- Crude imports from US – **near 10%**

India's Fuel Import Profile

- LPG use – **cooking fuel**
- major suppliers
 - Saudi Arabia
 - UAE
 - Qatar
 - Kuwait
- US position
 - **5th largest crude supplier**
 - **2nd largest LNG supplier**
- LPG import dependence – **>60%**

INDIA

US welcomes India's SHANTI Act, calls it key for stronger energy and nuclear ties



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India's Response

Trade Diversification Strategy

- Accelerated FTAs with large markets
- EU – **negotiations intensified**
- New Zealand – **talks concluded**
- Oman – **trade deal signed**
- Ongoing talks
 - GCC
 - Russia-led **EAEU**



INDIA-UK FTA INKED



What is an FTA (Free Trade Agreement)?

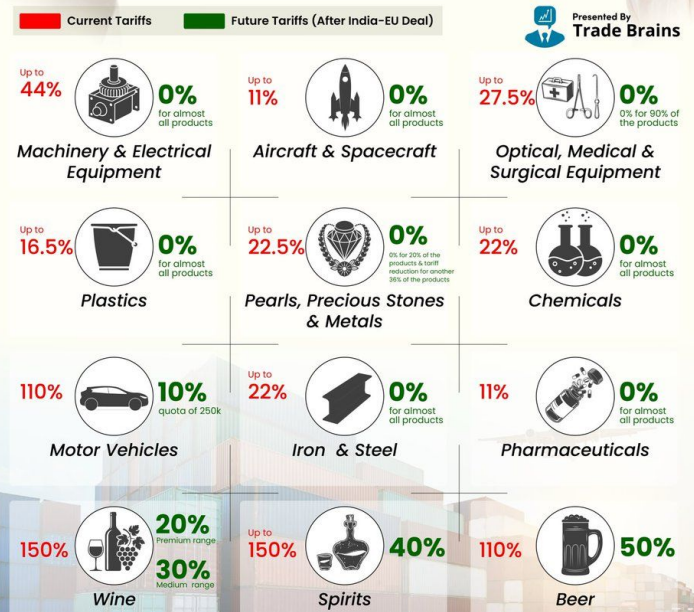
A Free Trade Agreement is a deal between countries to make trade easier by:

- Reducing or removing import and export duties
- Lowering trade barriers for goods and services
- Covering areas like investment, intellectual property, and government procurement

Source: Ministry of Commerce & Industry

INDIA-EU TRADE DEAL

* Image shows highlights of the proposed tariff reductions under the India-EU trade deal.



The Way Forward

Trade & Exports

- focus on labour-intensive exports and scale electronics, reduce logistics and compliance costs

Energy & Imports

- diversify crude, LNG and LPG sources through long-term contracts
- accelerate renewables and green hydrogen to cut import dependence

Industry & MSMEs

- stable QCO regime, simplified compliance
- export-linked PLI support and predictable industrial policy



India-US Deal : 50% tariffs cut to 18%



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Trade Agreements & Investment

- fast-track FTAs with GCC using China+1 opportunity
- attract GVC-linked FDI, deepen technology partnerships, strengthen IPR

Institutions & Strategy

- strengthen trade negotiation capacity and data-driven monitoring
- align trade with foreign policy while preserving strategic autonomy
- move from reactive trade management to strategic, resilient integration

Mains Practise Question

Question : What are the key implications of recent India-US trade developments? How should India move forward to strengthen its trade and economic resilience? (10 Marks, 150 words)



CONTEXT: The Finance Minister laid the 16th Finance Commission report in the Lok Sabha.

Finance Commission

About :

FC is constituted by the President of India under Article 280 of the Constitution every five years or earlier. Submits its report to the President, who places it before both Houses of Parliament.

Composition :

A Chairperson & Four Members
Appointed by the President.



Qualification :

Parliament sets Qualifications :

• **Chairman:** Experience in Public Affairs

• **Members:** High Court Judge, Finance & Accounts, Administration, Economics



Term :

Hold office as specified by the President. Eligible for reappointment.



Functions :

Advises the President on :

- Tax distribution between Centre & States.
- Grants-in-aid to States (Art. 275).
- Funds for Panchayats & Municipalities.
- Other financial Matters



- **Share of States in Central Taxes**
 - **41% of divisible pool** (same as 15th FC)
- **Divisible Pool Explained**
 - Gross tax revenue **minus:**
 - Cost of collection
 - **Cesses and surcharges**
- **Criteria for Tax Devolution : formula-based approach**
 - Assigns **weights to multiple parameters** (e.g., population, income distance, area, forest cover, etc.)
 - Determines **state-wise share** in central taxes
 - Exact criteria and weights are :

UPSC PRELIMS PYQ 2023

Q. Consider the following:

1. Demographic performance
2. Forest and ecology
3. Governance reforms
4. Stable government
5. Tax and fiscal efforts

For the horizontal tax devolution, the Fifteenth Finance Commission used how many of the above as criteria other than population area and income distance?

- (a) Only two
(b) Only three
(c) Only four
(d) All five

- **Finance Commission (FC)**
 - Constitutional body under **Article 280**
 - Constituted by the **President every 5 years**
 - Recommends **Centre–State fiscal relations**
- **16th Finance Commission**
 - **Chairman:** Dr. Arvind Panagariya
 - **Report tabled:** 1 February 2026
 - **Award period:** 2026–27 to 2030–31



16th Finance Commission Recommendations



CONTEXT: The Finance Minister laid the 16th Finance Commission report in the Lok Sabha.

UPSC PRELIMS PYQ 2025

Q: Which of the following statements with regard to recommendations of the 15th Finance Commission of India are correct?

- I. It has recommended grants of ₹4,800 crores from the year 2022-23 to the year 2025-26 for incentivizing States to enhance educational outcomes.
- II. 45% of the net proceeds of Union taxes are to be shared with States.
- III. ₹45,000 crores are to be kept as performance-based incentive for all States for carrying out agricultural reforms.
- IV. It reintroduced tax effort criteria to reward fiscal performance.

Select the correct answer using the code given below.

- (a) I, II and III
- (b) I, II and IV
- (c) I, III and IV
- (d) II, III and IV

Devolution Criteria

Per Capita GSDP Distance (Income Distance)

- Defined as: difference between a state's per capita GSDP and the **average per capita GSDP of the top 3 large states**
- Per capita GSDP: **Average of 2018-19 to 2023-24**, excluding **2020-21**
- Lower per capita GSDP → higher share** (equity objective)

Demographic Performance

- Redefined by 16th FC**
- Based on **population growth between 1971-2011**
- Replaces **TFR-based approach** used by 15th FC
- Lower population growth → higher share**

Table 1: Criteria for distribution of central taxes among states

Criteria	15 th FC (2021-26)	16 th FC (2026-31)
Income Distance	45%	42.5%
Population (2011)	15%	17.5%
Demographic Performance	12.5%	10%
Area	15%	10%
Forest	10%	10%
Tax and Fiscal Efforts	2.5%	-
Contribution to GDP	-	10%
Total	100%	100%

Sources: Reports of the 15th and 16th Finance Commissions; PRS.

Forest

- Weightage to:
 - Share in **total forest area**, and
 - Share in **increase in forest area (2015-2023)**
- Includes open forests**
- Broader than 15th FC (which considered only dense & moderately dense forests)

Contribution to GDP

- New parameter introduced by 16th FC**
- Replaces **tax & fiscal efforts** parameter of 15th FC
- Calculated as:
 - $\sqrt{(\text{State GSDP})} \div \Sigma \sqrt{(\text{GSDP of all states})}$
- GSDP measured as **average nominal GSDP (2018-19 to 2023-24)**, excluding **2020-21**



16th Finance Commission Recommendations

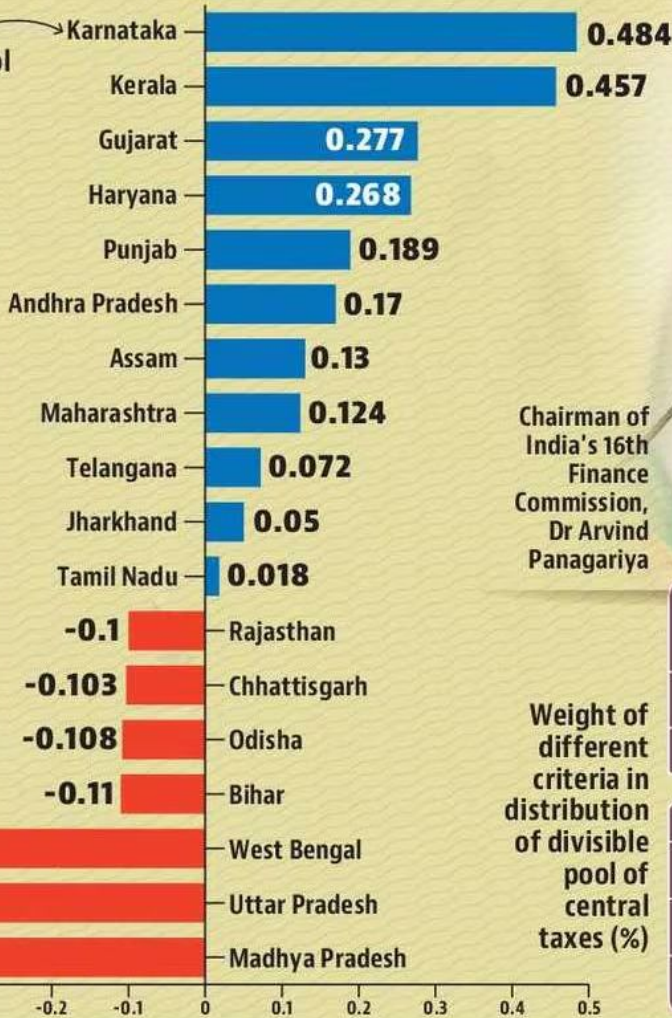
CONTEXT: The Finance Minister laid the 16th Finance Commission report in the Lok Sabha.

Hindustan Times

How shares in divisible pool of taxes will change

Change in state's share in divisible pool of taxes between 15th FC and 16th FC
Change (percentage points)

While states have gained and lost share in the divisible pool, the changes are small. Therefore, Uttar Pradesh, Bihar, and Madhya Pradesh still have the highest share in the divisible pool.



Chairman of India's 16th Finance Commission, Dr Arvind Panagariya

Weight of different criteria in distribution of divisible pool of central taxes (%)



Source: 16th FC report



16th Finance Commission Recommendations



CONTEXT: The Finance Minister laid the 16th Finance Commission report in the Lok Sabha.

Grants-in-Aid

- **Total Grants Recommended:**
 - ₹9.47 lakh crore for 2026–27 to 2030–31
- **Components of Grants:**
 - Urban local bodies
 - Rural local bodies
 - Disaster management
- **Grants Discontinued (vs 15th FC):**
 - Revenue deficit grants
 - Sector-specific grants
 - State-specific grants

Table 2: Grants-in-aid for 2026-31 (in Rs crore)

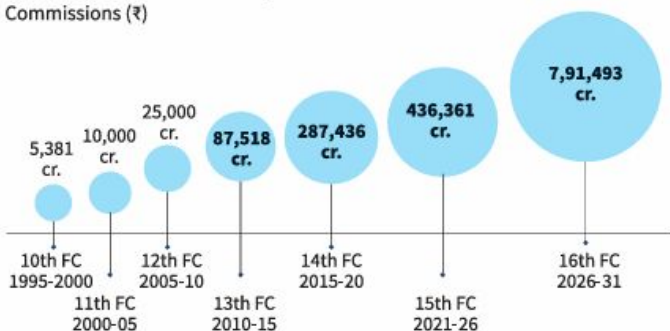
Grants	Amount
Local governments	7,91,493
Rural local bodies	4,35,236
Basic Grant	3,48,188
Performance Grant	87,048
Urban local bodies	3,56,257
Basic Grant	2,32,125
Performance Grant	58,032
Special Infrastructure Component	56,100
Urbanisation Premium	10,000
Disaster management	1,55,916
Total	9,47,409

Source: Report of the 16th Finance Commission; PRS.

Urban windfall

The data for the charts were sourced from Janaagraha's report titled 'The XVI Finance Commission's Recommendations for Urban India: Analysis and Implications (2026-31)'

CHART 1: Allocations to local governments across various Finance Commissions (₹)



Total local government allocations increased to ₹7.91 lakh crore (2026-31) from ₹4.36 lakh crore (2021-26)

CHART 2: Allocations to Rural and Urban Local Governments in % across various Finance Commissions

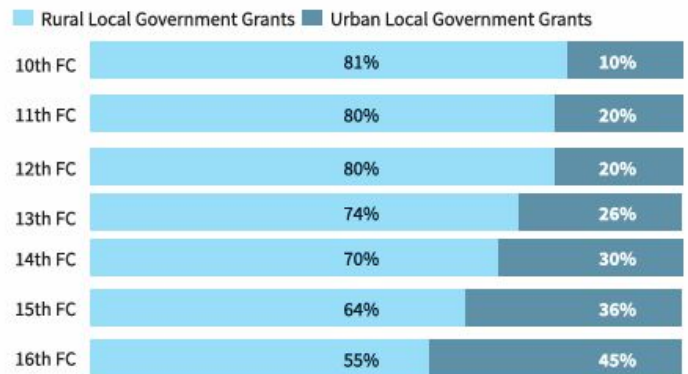
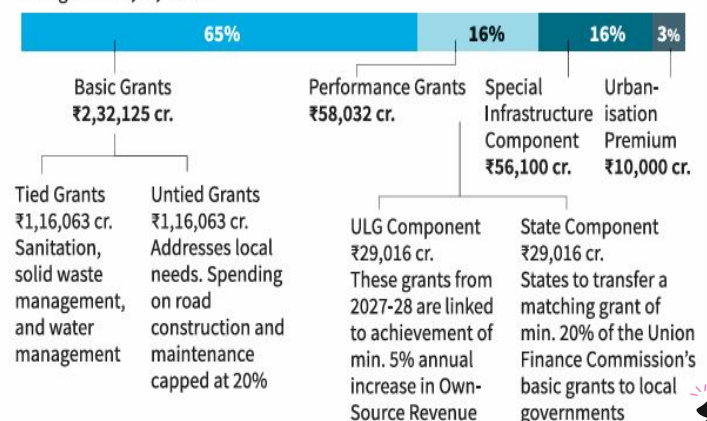


TABLE 4: State-wise allocations to Urban Local Governments across Finance Commissions. ULG allocations increased to ₹3.56 lakh crore from ₹1.55 lakh crore. Data for select States

State	15th FC (₹ cr.)	16th FC (₹ cr.)	Change
Kerala	3,242	16,683	415%
Goa	149	726	387%
Maharashtra	11,611	46,803	303%
Gujarat	6,367	23,764	273%
Tamil Nadu	7,187	25,069	249%
Telangana	3,682	11,548	214%
Haryana	2,520	7,834	211%
Karnataka	6,409	18,483	188%
Punjab	2,764	7,834	183%
Nagaland	249	667	168%
Manipur	353	609	73%
Uttar Pradesh	19,432	33,543	73%
Chhattisgarh	2,900	4,990	72%
Rajasthan	7,696	12,680	65%
Odisha	4,498	5,078	13%
Meghalaya	363	377	4%
Assam	3,197	3,249	2%
Bihar	9,999	9,169	-8%
Arunachal Pradesh	459	233	-49%
Himachal Pradesh	855	435	-49%

CHART 5: Component-wise breakdown of the 16th Finance Commission's allocations to Urban Local Governments in %

ULG grants ₹3,56,257 cr.



16th Finance Commission Recommendations



CONTEXT: The Finance Minister laid the 16th Finance Commission report in the Lok Sabha.

Concerns from Revised Devolution Criteria

- **Lower weight to Income Distance (42.5%)** reduces redistributive support to poorer States.
- **Higher weight to Population (2011)** disadvantages States with successful population control.
- **Removal of Tax & Fiscal Effort criterion** weakens incentives for revenue-constrained States.
- **Introduction of "Contribution to GDP" (10%)** favours economically advanced States, reinforcing regional disparities.
- **Reduced weight to Demographic Performance** dilutes rewards for social sector achievements.

The Path Ahead

- **Sector-specific grants** – health, education, nutrition
- **State-specific grants** – backward, demographically weaker States
- **Revenue deficit grants** – fiscal equalisation
- **Outcome-linked conditional grants** – human development indicators
- **Performance grants (within framework)** – governance, service delivery
- **Capacity building of States** – tax administration, own revenue

Karnataka gains, MP, UP lose

(Rs crore)

	16FC	15FC	Change between 16FC and 15FC
Madhya Pradesh	112,134	119,811	-7,677
Arunachal Pradesh	20,665	26,816	-6,151
Uttar Pradesh	268,911	273,795	-4,884
West Bengal	110,119	114,820	-4,701
Meghalaya	9,631	11,706	-2,076
Bihar	151,832	153,511	-1,679
Odisha	67,460	69,109	-1,648
Chhattisgarh	50,427	51,999	-1,572
Rajasthan	90,446	91,972	-1,526
Manipur	9,554	10,928	-1,374
Nagaland	7,341	8,684	-1,343
Tripura	9,783	10,806	-1,023
Sikkim	5,113	5,922	-809
Goa	5,571	5,891	-321
Tamil Nadu	62,531	62,256	275
Uttarakhand	17,415	17,064	351
Jharkhand	51,236	50,473	763
Mizoram	8,608	7,631	977
Telangana	33,181	32,082	1,099
Himachal Pradesh	13,950	12,668	1,282
Maharashtra	98,306	96,414	1,893
Assam	49,725	47,741	1,984
Andhra Pradesh	64,362	61,768	2,595
Punjab	30,464	27,579	2,885
Haryana	20,772	16,682	4,090
Gujarat	57,311	53,083	4,228
Kerala	36,355	29,380	6,975
Karnataka	63,050	55,663	7,387

Source: Budget, Finance Commission • Created with Datawrapper

- **Periodic mid-term review** – inter-State divergence
- **Cooperative federalism mechanisms** – GST Council, Inter-State Council



16th Finance Commission Recommendations



CONTEXT: The Finance Minister laid the 16th Finance Commission report in the Lok Sabha.

GST COUNCIL

1

A joint forum of the Center and state

2

Will function under the chairmanship of Union Finance Minister and will have ministers nominated by states and UTs as members

3

The council will act as a benchmark and will guide the states and union on issues like tax rates, exemption lists, threshold limits etc

4

The central government shall have a weightage of 1/3rd of the total votes cast

5

The votes of all state governments taken together shall have a weightage of 2/3rd of the total votes cast

Mains Practise Question

Question : What are the major criteria used by the 16th Finance Commission for distribution of central taxes? How do these criteria reflect a shift in approach from earlier Finance Commissions? (10 Marks, 150 words)

VAJIRAM & RAVI



Forest Rights Act, 2006



SYLLABUS: GS Paper 2: Executive, Fundamental Rights

Newspaper: The Hindu; Page Number: 10

Land Rights

- Proper implementation of the **Forest Rights Act, 2006**.
- Individual ownership titles for forest land cultivated for generations.
- Correction of title formats that exclude tribals from **government schemes and institutional loans**.

Irrigation & Agriculture

- Construction of **small dams** and **river-linking** (west-flowing to east-flowing rivers).
- Year-round irrigation (currently only one paddy crop).
- **MSP** for crops beyond paddy (corn, soybean, onion, millets, fruits, etc.).

Employment & Education

- Completion of pending recruitments under **Panchayats (Extension to Scheduled Areas) Act, 1996**.
- Filling vacant teacher and staff posts in Zilla Parishad schools.
- Better educational access and **24x7 electricity**.

Objectives

- Strengthen **Gram Sabha-based local self-governance**
- Ensure **livelihood security and poverty alleviation**
- Promote **community-led forest conservation and management**

Forest Rights Act, 2006 (FRA)

- Enacted to **recognise forest and land rights** of Scheduled Tribes (STs) and Other Traditional Forest Dwellers (OTFDs)
- Aims to **correct historical injustice**
- Integrates **livelihood security with forest conservation**
- Formally called *Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act, 2006*

Need for FRA, 2006

- Tribals historically **dependent on forests** for food, shelter, livelihood
- **Colonial forest laws** severed tribal-forest relationship
- Post-Independence continuation of **exclusionary forest governance**
- **Non-recognition of customary/ancestral rights**
- **Displacement** due to development and conservation projects

Key Provisions

- Recognition of **individual and community forest rights**
- Rights for **habitation and self-cultivation**
- **Ownership, access, use, and disposal** of Minor Forest Produce (MFP)
- Recognition of **community rights (Nistar)**
- **Habitat rights** for PVTGs and pre-agricultural communities
- **Community Forest Resource (CFR) rights** to protect, regenerate, conserve, and manage forests



SYLLABUS: GS Paper 2: Executive, Fundamental Rights

Newspaper: The Hindu; Page Number: 10

Protection and Conservation Rights

- Community right to **protect, manage, and conserve forests**
- Authority to **protect wildlife and biodiversity**
- Shift from exclusionary to **participatory conservation**

Protection from Eviction

- No arbitrary displacement from **national parks and protected areas**
- Displacement only after **due process and safeguard**



Important Features of the PESA Act



- Gram Sabha approves plans, programmes, and projects for social and economic development.



- Gram Sabha is competent to safeguard and preserve traditions, customs, and cultural identity of the people.

- Gram Sabha identifies beneficiaries for development schemes.



- Gram Sabha is endowed with ownership of Minor Forest Produce (MFPs).

- Approval of Utilisation Certificates (UCs) by the Gram Sabha.



- Reservation of seats for Scheduled Tribes in Panchayats.

- Gram Sabha / Panchayat at the appropriate level (PAL) is consulted for:

Gram Sabha / Panchayat at the appropriate level (PAL) is consulted for:

- ✓ Land acquisition

- ✓ Management of minor water bodies

- ✓ Grant of licenses or mining leases

- ✓ Prohibition or regulation of tribal land

- ✓ Management of village markets and other local resources



- Prohibition or regulation of sale and consumption of intoxicants



- Prevention of alienation of tribal land



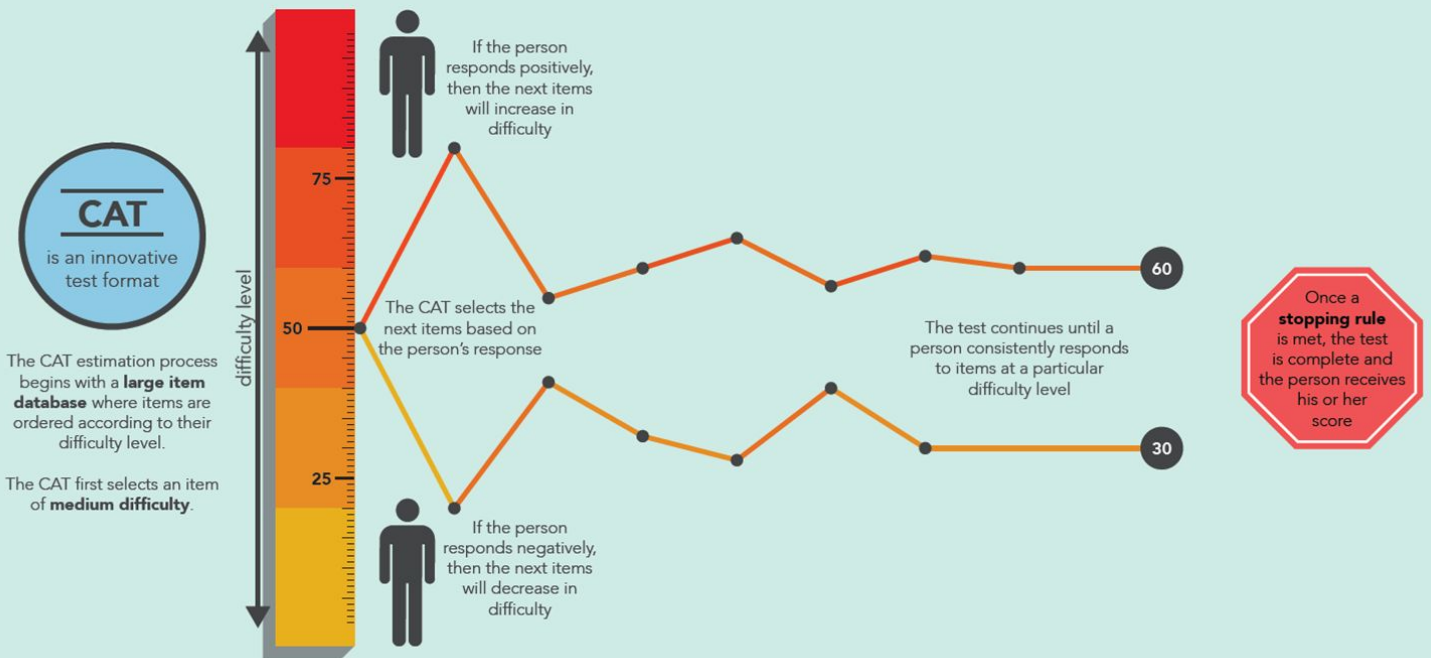
- Management of village markets and other local resources



SYLLABUS: GS Paper 3: IT and Computers

Newspaper: The Hindu; Page Number: 10

COMPUTERIZED ADAPTIVE TESTING



BENEFITS



Accuracy



Breadth of areas measured



Relevant questions



Tailored



Time saving

What is Adaptive Testing?

- **Dynamic, computer-based assessment** using **Item Response Theory (IRT)**.
- **Different questions for different candidates**, drawn from a calibrated question bank.
- Starts with **medium difficulty**:
 - Correct → **harder** question
 - Incorrect → **easier** question
- After each response, the system **re-estimates ability**.
- Test ends when **ability precision** or **syllabus coverage** criteria are met.
- **Fewer but better-targeted questions**, yet scores remain on a **common scale**.



Adaptive testing for Competitive Exams



SYLLABUS: GS Paper 3: IT and Computers

Newspaper: The Hindu; Page Number: 10

Why Adaptive over Linear Tests?

- Moves focus from **test-cracking** to **conceptual understanding**.
- **Built-in fairness**: higher-ability students access higher-weight questions.
- **Greater precision** with fewer items.
- Used globally for **25+ years** (e.g., GRE/GMAT).

Legal & Practical Challenges in India

- **Article 14 (Equality)** concerns: different question sets may be challenged.
- Risks from **algorithm opacity** and **non-transparent normalisation**.
- **Trust deficit**: explaining why fewer hard questions can outscore many easy ones.
- **Infrastructure risks** (especially Tier-3 cities): glitches could trigger litigation.
- Need robust **documentation, grievance redressal, proctoring, and incident handling**.

How to Ease the Transition

- Build **large, calibrated item banks** with strict syllabus coverage.
- **Pre-test items** securely to avoid leakage.
- Ensure **algorithm transparency, disclosures, and equity audits**.
- **Phased rollout** with extensive **mock testing** to familiarise candidates.
- Prepare testing agencies for **scientific and legal defence**



SYLLABUS: GS Paper 3: Capital Markets

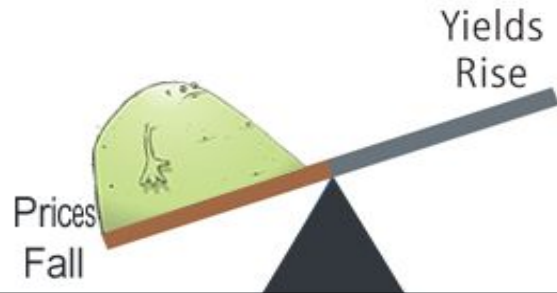
Newspaper: The Indian Express; Page Number: 13

WHAT IS A BOND YIELD?

- The return an investor receives from a bond
- Expressed as a percentage
- Calculated based on the bond's interest payments and its current price



If interest rates **RISE**:



If interest rates **FALL**:



Bond Price Bond Yield
100 ₹ 10%
80 ₹ 12.5% (Inverse Relation)

Market Interest rate Bond yield
8% 10% (Direct Relation)
12% 12.5%

Case - I

Market Interest rate
↳ 8%
(Jan. 2024)

100 ₹
10% (yearly)

April 2024

Market Interest Rate
↳ 12%

A B C D
70 ₹ 75 ₹ 78 ₹ 80 ₹

Effective Int. Rate = 12.5%

Case II

Market Interest rate
↳ 8%
(Jan. 2024)

100 ₹
10% (yearly)

April 2024

Market Interest Rate
↳ 7%

A B C D
105 ₹ 107 ₹ 108 ₹ 110 ₹

Effective Int. Rate = 9%

YIELDS **FALL** WHEN...

QUALITY **RISES** SO...

RISK AVERSION **FALLS** SO...

DEMAND **INCREASES** WHICH...

DRIVES PRICES **UP**...

YIELDS **RISE** WHEN...

QUALITY **FALLS** SO...

RISK AVERSION **RISES** SO...

DEMAND **FALLS** WHICH...

DRIVES PRICES **DOWN**...



SYLLABUS: GS Paper 3: Growth & Development Inclusive, IT & Computers, Infrastructure;
Newspaper: The Hindu; Page Number: 15

Lalatendu Mishra
MUMBAI

Now that India's Unified Payments Interface (UPI) is handling about 21 billion transactions every month and has become a crucial financial infrastructure for consumers and small merchants, a funding framework is essential to keep UPI free for majority users, say industry officials.

UPI's success reshaped everyday commerce, bringing millions of small merchants into the formal economy and making instant digital payments routine across income groups, they added.

For individuals and kirana stores, UPI's zero-cost structure has been central



Crucial service: A customer buying dairy products using UPI Digital payment at a shop in Bengaluru. THE HINDU FILE

to this transformation and remains a policy priority.

Stating that person-to-person transactions continue to be free, and small and micro-merchants remain exempt from charges, officials said for sustainability a long-term funding

framework should be put in place to support this scale of activity.

System priorities

"UPI has reached a level of scale where sustainability and reliability must be treated as system priori-

ties. Keeping UPI free for consumers and small merchants is essential and should not change," said Vishwas Patel, chairman, Payments Council of India.

"At the same time, a payments infrastructure of this magnitude needs predictable investment in uptime, fraud prevention, and dispute resolution."

"A differentiated approach that recognises the role of large, high-volume merchants can help strengthen the ecosystem without compromising inclusion," he added.

UPI today enables merchant transactions, mandates, credit-linked products, recurring payments and early-stage cross-border use cases.

About UPI

- Real-time digital payment system by NPCI
- Link multiple bank accounts in one app

How UPI Works

- Send & collect via VPA
- Secure 2-Factor Authentication

Technology Backbone

- **IMPS** Instant Transfer
- **AePS** Aadhaar Services
- **BHIM** App by NPCI

Impact on India's Digital Payment Ecosystem

Scale & Adoption

- 228+ billion transactions in 2025
- ₹300+ Lakh Crore annual value
- 21.6+ billion Tx in Dec 2025
- 700M+ transactions per day by 2025
- 685+ Banks on UPI

Global Standing

- World's Largest Real-Time System
- 50% of Global RT Payments
- 85% of India's Digital Payments

Ease, Safety & Convenience

- 24x7 Instant Payments
- VPA + 2FA Security
- QR Code Merchant Payments



SYLLABUS: GS Paper 3: Growth & Development Inclusive, IT & Computers, Infrastructure;

Newspaper: The Hindu; **Page Number:** 15

List of Countries ▾

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Sr. No.	Country Name
1	Bhutan
2	France
3	Mauritius
4	Nepal
5	Singapore
6	Sri Lanka
7	UAE
8	Qatar

UPSC Prelims 2025

Consider the following countries :

- I. United Arab Emirates
- II. France
- III. Germany
- IV. Singapore
- V. Bangladesh

How many countries amongst the above are there other than India where international merchant payments are accepted under UPI?

- (a) Only two (b) Only three
(c) Only four (d) All the five



Aircraft Accident Investigation Bureau



SYLLABUS: GS Paper 3: Infrastructure

Newspaper: The Indian Express; Page Number: 06

Aircraft Accident Investigation Bureau (AAIB)

- India's independent civil aviation accident investigation authority
- Established in 2012
- Functions under the Ministry of Civil Aviation
- Created to ensure functional independence from regulators like Directorate General of Civil Aviation (DGCA)
- Aligned with International Civil Aviation Organization (ICAO) standards (Annex 13)

Legal Framework

- Aircraft Act, 1934 – Section 7: Empowers Government to frame accident-investigation rules
- Earlier investigations were handled by DGCA under Aircraft Rules, 1937 (Chicago Convention, Article 26)

Governing Rules

- Aircraft (Investigation of Accidents and Incidents) Rules, 2012
- Amended in 2017 and 2021
- AAIB designated as an Attached Office of the Ministry of Civil Aviation

Jurisdiction

- Investigates all Accidents and Serious Incidents involving:
- Aircraft > 2,250 kg All-Up Weight (AUW), and
- Turbojet aircraft
- May investigate other cases if directed by the Government

Core Functions : Classifies occurrences into:

- Accidents
- Serious Incidents
- Incidents
- Enjoys immediate and unrestricted access to evidence from any agency
- No prior judicial or governmental approval required



Q1. Regarding Forest Rights Act, 2006, consider the following statements:

1. It recognises forest rights only for Scheduled Tribes residing inside notified forest areas.
2. The Gram Sabha has a role in initiating the process of determining forest rights.
3. Rights recognised under the Act include ownership of minor forest produce.

How many of the statements given above is/are correct?

- a) Only One
- b) Only Two
- c) All Three
- d) None

Answer: b

Q2. Consider the following statements:

1. Adaptive tests can achieve higher measurement precision than linear tests even with fewer questions.
2. Adaptive tests ensure equality under Article 14 because all candidates receive identical difficulty-level questions.
3. In adaptive tests, a candidate may score higher despite attempting fewer high-difficulty questions than another candidate.

Which of the statements given above is/are correct?

- a) 1 only
- b) 3 only
- c) 1 and 3 only
- d) 1, 2 and 3

Answer: c

Q3. Regarding government bond yields, consider the following statements:

1. When bond prices rise in the secondary market, their yields rise.
2. A steepening yield curve always indicates expectations of higher economic growth.

3. If inflation expectations rise, nominal bond yields may rise even when the policy rate is unchanged.

Which of the statements given above is/are correct?

- a) 2 and 3 only
- b) 1, 2 and 3
- c) 1 and 2 only
- d) 3 only

Answer: d

Q4. Regarding the working of UPI payments, consider the following statements:

1. Every UPI transaction involves real-time fund settlement between two banks through the central bank.
2. A UPI ID must always be linked to a debit card for transactions to be executed.
3. UPI transactions are executed using a "pull" or "push" request authenticated by the payer.

How many of the statements given above is/are correct?

- a) Only One
- b) Only Two
- c) All Three
- d) None

Answer: a

Q5. Consider the following statements:

1. It functions under the Ministry of Civil Aviation and conducts investigations independent of aviation regulators.
2. Its investigation reports can directly fix criminal liability on pilots and airline operators.
3. It investigates only civil aircraft accidents occurring within Indian territory.

Which of the statements given above is/are correct?

- a) 1 and 3 only
- b) 1 and 2 only
- c) 2 only
- d) 3 only

Answer: a





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