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DAILY PRACTICE QUESTIONS

BEST FOR UPSC | UP PCS EXAM

DATE : AUGUST 1, 2026

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CONTACT INFO:
+91 92896 33341 | +91 96679 33341

EMAIL ID:
info@sixsigmaias.com

WEB PAGE:
www.sixsigmaias.com

ADDRESS:
C-6, GROUND FLOOR, SECTOR 2,
NEAR SECTOR 15 METRO STATION, NOIDA – 201301, UTTAR PRADESH

DAILY PRACTICE QUESTIONS FROM STATIC PART

Q.1 With reference to the **Iqta system during the Delhi Sultanate**, consider the following statements:

1. An *Iqta* was essentially a grant of revenue assignment and did not automatically confer proprietary ownership over land to the holder.
2. During the reign of Alauddin Khalji, the central government substantially strengthened its control over the *Muqtis* by separating revenue collection from military administration.

How many of the above statements are correct?

(a) Only one
(b) Both statements
(c) Neither statement
(d) Cannot be determined from the available historical evidence

Answer: (a) Only one

Explanation:

- **Statement 1 is correct.** The *Iqta* was primarily a revenue assignment. The *Muqti* was entitled to collect revenue in lieu of salary but had no proprietary ownership over the land.
- **Statement 2 is incorrect.** Alauddin Khalji tightened supervision over the *Muqtis* through audits, transfers and direct control, but he did not completely separate revenue collection from military administration. Such greater administrative differentiation evolved gradually under later rulers, especially during Muhammad bin Tughlaq and Firuz Shah Tughlaq.

Value Addition:

- *Iqta* was transferable.
- The Sultan retained ultimate ownership over land.
- Excess revenue, after meeting authorised expenditure, was to be deposited in the central treasury.

Q.2 Which one of the following ecosystem services is **most appropriately classified as a "supporting ecosystem service"** under the Millennium Ecosystem Assessment framework?

(a) Flood regulation by wetlands
(b) Pollination of agricultural crops by insects
(c) Nutrient cycling that maintains soil fertility
(d) Carbon sequestration by forests

Answer: (c) Nutrient cycling that maintains soil fertility

Explanation:

The Millennium Ecosystem Assessment classifies ecosystem services into four categories:

- **Provisioning Services:** Food, freshwater, timber.
- **Regulating Services:** Climate regulation, flood control, disease regulation.

- **Cultural Services:** Recreation, spiritual values.
- **Supporting Services:** Fundamental ecological processes such as nutrient cycling, soil formation and primary production that enable all other ecosystem services.

Thus, **nutrient cycling** is the most appropriate supporting ecosystem service.

Q.3 Consider the following statements regarding **capital account transactions and external sector management**:

1. Foreign Direct Investment (FDI) is generally considered more stable than Foreign Portfolio Investment (FPI) because it usually involves a long-term productive interest.
2. A persistent current account deficit necessarily results in depletion of foreign exchange reserves if the capital account records a surplus.
3. Under India's present exchange rate regime, the Reserve Bank of India may intervene in the foreign exchange market without targeting any fixed exchange rate.

How many of the above statements are correct?

(a) Only one
(b) Only two
(c) All three
(d) None

Answer: (b) Only two

Explanation:

- **Statement 1 is correct.** FDI generally represents long-term investment with managerial control and is relatively less volatile than FPI.
- **Statement 2 is incorrect.** A current account deficit can be financed by capital inflows. If capital inflows exceed the current account deficit, reserves may even increase.
- **Statement 3 is correct.** India follows a managed float exchange rate regime. RBI intervenes to reduce excessive volatility rather than maintain a fixed exchange rate.

Concept Check:

- Current Account Deficit (CAD) ≠ automatic reserve depletion.
- Balance of Payments = Current Account + Capital Account + Reserve Changes.

Q.4 Consider the following statements regarding the **Constitutional Amendment procedure in India**:

1. Every Constitutional Amendment Bill must necessarily be introduced only after obtaining the prior recommendation of the President.
2. A Constitutional Amendment Bill cannot be introduced in a State Legislature.
3. There is no provision for a joint sitting of Parliament in case the two Houses disagree on a Constitutional Amendment Bill.
4. Certain Constitutional Amendments require ratification by not less than one-half of the State Legislatures after being passed by Parliament.

How many of the above statements are correct?

(a) Only one
(b) Only two
(c) Only three
(d) All four

Answer: (c) Only three

Explanation:

- **Statement 1 is incorrect.** Prior recommendation of the President is **not required** for introducing a Constitutional Amendment Bill.
- **Statement 2 is correct.** Such Bills can be introduced only in either House of Parliament.
- **Statement 3 is correct.** Article 368 provides **no joint sitting** for Constitutional Amendment Bills.
- **Statement 4 is correct.** Amendments affecting federal provisions require ratification by at least half of the State Legislatures.

Important UPSC Trap:

- President's recommendation → **Not required before introduction.**
- President's assent after passage → **Mandatory.**

Q.5 Consider the following statements:

Assertion (A): The western coastal plains of India are generally much narrower than the eastern coastal plains.

Reason I: The Western Ghats run almost parallel and very close to the Arabian Sea coast over much of their length.

Reason II: The eastward-flowing rivers generally form extensive deltas along the Arabian Sea coast.

Which one of the following is correct?

(a) Assertion is correct, Reason I is correct, Reason II is correct, and both Reasons explain the Assertion.
(b) Assertion is correct, Reason I is correct, but Reason II is incorrect.
(c) Assertion is incorrect, Reason I is correct, but Reason II is incorrect.
(d) Assertion is correct, Reason I is incorrect, but Reason II is correct.

Answer: (b) Assertion is correct, Reason I is correct, but Reason II is incorrect.

Explanation:

- **Assertion is correct.** The western coastal plains are generally narrow, whereas the eastern coastal plains are much broader.
- **Reason I is correct.** The Western Ghats lie very close to the Arabian Sea coast, leaving only a narrow coastal strip.
- **Reason II is incorrect.** Large delta-forming rivers such as the Mahanadi, Godavari, Krishna and Kaveri discharge into the **Bay of Bengal**, not the Arabian Sea. Most west-flowing rivers are short and form estuaries rather than extensive deltas.

Key UPSC Facts:

- Western Coastal Plains → Narrow, estuaries, submerged coast.
- Eastern Coastal Plains → Broad, deltaic coast, major east-flowing rivers.
- Western Ghats create one of the sharpest escarpments between plateau and coast in India.

DAILY PRACTICE QUESTIONS FROM CURRENT AFFAIRS

Q.1 Consider the following statements regarding the Nifty500 Ahimsa Index:

1. The Nifty500 Ahimsa Index excludes companies solely on the basis of Environmental, Social and Governance (ESG) scores without applying any sector-specific exclusion criteria.
2. Companies engaged in activities such as animal testing for cosmetics, leather production and meat processing are subject to negative screening while constructing the index.

How many of the above statements are correct?

(a) Only one

(b) Both statements

(c) Neither statement

(d) Cannot be determined from the information available

Answer: (a) Only one

Explanation:

- **Statement 1 is incorrect.** The Nifty500 Ahimsa Index is **not merely an ESG index**. It applies **Ahimsa (non-violence)-based exclusionary screening**, eliminating companies involved in activities inconsistent with the principle of non-violence, in addition to financial eligibility criteria.
- **Statement 2 is correct.** The index excludes companies significantly involved in businesses such as **animal slaughter, meat processing, leather, animal-tested cosmetics (where applicable), and similar activities**, thereby aligning investments with ethical investing principles.

Value Addition:

- Developed from the **Nifty 500 universe**.
- Represents a thematic ethical investment index.
- UPSC may confuse ESG investing with values-based investing; they are not identical.

Q.2 Which one of the following reforms is **most closely associated with the recently announced EPFO 3.0 initiative?**

(a) Introduction of Universal Basic Pension financed through the Consolidated Fund of India

(b) Enabling members to access provident fund services through a banking-like digital ecosystem with simplified withdrawals

(c) Replacement of Employees' Provident Fund Scheme by the National Pension System for all organised sector workers

(d) Mandatory migration of all EPFO subscribers to the Atal Pension Yojana

Answer: (b)

Explanation:

EPFO 3.0 aims to transform EPFO into a **technology-driven, member-centric platform**, offering:

- Instant and simplified claim settlement.
- Banking-like digital services.
- Reduced documentation.
- Greater automation.
- Improved digital accessibility.

The reforms **do not abolish EPF**, nor do they merge it with NPS or APY.

Q.3 Consider the following statements regarding **Qdenga®, India's first approved dengue vaccine**:

1. Qdenga® is a live attenuated tetravalent dengue vaccine designed to provide protection against all four dengue virus serotypes.
2. The vaccine has been approved for universal inclusion under India's Universal Immunisation Programme immediately after regulatory approval.
3. Previous dengue infection is not necessarily a mandatory precondition for administration of the vaccine under approved indications.

How many of the above statements are correct?

(a) Only one

(b) Only two

(c) All three

(d) None

Answer: (b) Only two

Explanation:

- **Statement 1 is correct.** Qdenga® is a **live attenuated tetravalent vaccine** targeting DENV-1, DENV-2, DENV-3 and DENV-4.
- **Statement 2 is incorrect.** Regulatory approval **does not automatically imply inclusion in the Universal Immunisation Programme (UIP)**. Such inclusion requires separate policy decisions.
- **Statement 3 is correct.** Unlike some earlier dengue vaccines that required prior infection, Qdenga has broader approved indications depending upon regulatory guidance.

UPSC Trap:
Approval ≠ National Immunisation Programme inclusion.

Q.4 Consider the following statements regarding the **Updated Index of Core Industries (ICI)**:

1. The Index of Core Industries serves as one of the leading indicators for the Index of Industrial Production (IIP).
2. Coal, Crude Oil, Natural Gas, Refinery Products, Fertilisers, Steel, Cement and Electricity constitute the eight core industries.
3. The combined weight of the eight core industries in the Index of Industrial Production exceeds 50%.

How many of the above statements are correct?

(a) Only one

(b) Only two

(c) All three

(d) None

Answer: (b) Only two

Explanation:

- **Statement 1 is correct.** ICI is an important **leading indicator** for industrial production.
- **Statement 2 is correct.** These are the eight notified core industries.
- **Statement 3 is incorrect.** The eight core industries together account for **about 40.27%** of the IIP, **not more than 50%**.

Exam Tip:
Remember **40.27%**—a favourite factual UPSC number.

Q.5 Consider the following statements regarding **Maglev Trains**:

1. Magnetic levitation eliminates direct physical contact between the train and the track during operation.
2. All operational Maglev systems employ superconducting magnets cooled to cryogenic temperatures.
3. Owing to the absence of wheel-rail friction, Maglev trains are completely free from mechanical wear and energy losses during movement.
4. Electromagnetic Suspension (EMS) and Electrodynamic Suspension (EDS) represent two distinct technological approaches used in Maglev systems.

How many of the above statements are correct?

(a) Only one

(b) Only two

(c) Only three

(d) All four

Answer: (b) Only two

Explanation:

- **Statement 1 is correct.** Levitation removes wheel-track contact.
- **Statement 2 is incorrect.** Many commercial systems (e.g., Shanghai Maglev) use **electromagnetic suspension**, not necessarily superconducting magnets.
- **Statement 3 is incorrect.** Mechanical friction is eliminated, but **air resistance, electromagnetic losses and component wear still exist**.
- **Statement 4 is correct.** EMS and EDS are the two principal Maglev technologies.

UPSC Twist:
"No friction" does **not** mean "no energy loss."

Q.6 The **Karlapat Bauxite Block**, recently seen in the news, is located in which one of the following districts?

(a) Koraput

(b) Kalahandi

(c) Rayagada

(d) Sundargarh

Answer: (b) Kalahandi

Explanation:

- Karlapat Bauxite Block is situated in **Kalahandi district of Odisha**.
- It lies in the vicinity of the **Karlapat Wildlife Sanctuary**, one of Odisha's important biodiversity-rich protected areas.
- The block has attracted attention due to mining-related developments and associated environmental concerns.

UPSC Value Addition:

- **State:** Odisha
- **District:** Kalahandi
- **Mineral:** Bauxite
- Nearby protected area: **Karlapat Wildlife Sanctuary**
- Odisha is India's leading producer of **bauxite**, making such map-based locations highly relevant for the Prelims.

DAILY PRACTICE QUESTIONS FOR MAINS ANSWER WRITING PRACTICE

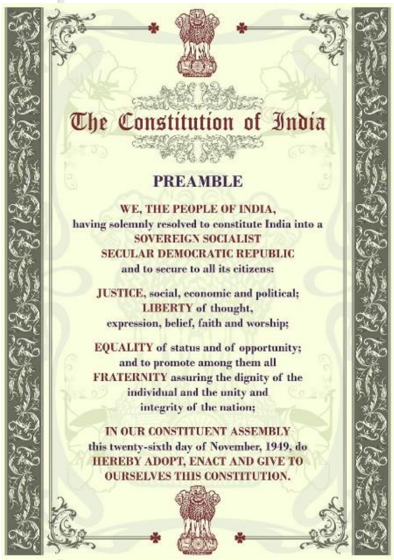
(GS Paper-I | Society)

Q.1 "India's cultural diversity has been both a source of strength and a challenge for nation-building. Discuss the role played by constitutional values and social institutions in promoting national integration." (15 Marks | 250 Words)

Sample Answer

Introduction

India is one of the world's most culturally diverse nations, characterized by multiple religions, languages, ethnic groups, customs and traditions. Rather than viewing diversity as an obstacle, the framers of the Constitution envisioned it as the foundation of India's democratic identity. National integration in India has therefore evolved not through cultural uniformity but through constitutional morality, democratic institutions and shared civic values. In a rapidly changing social environment marked by globalization, migration and digital communication, preserving unity amidst diversity has become even more significant.



Body

The Constitution provides the strongest foundation for national integration by embedding principles of justice, liberty, equality and fraternity in its Preamble. These ideals ensure that every citizen, irrespective of caste, religion, language or region, enjoys equal dignity and opportunities. Articles 14 to 18 guarantee equality before law and prohibit discrimination, thereby weakening traditional social hierarchies. Simultaneously, Articles 25 to 30 safeguard religious freedom and protect the cultural and educational rights of minorities, allowing diverse communities to preserve their identities while remaining integral parts of the Indian Union. Fundamental Duties under Article 51A further encourage citizens to promote harmony and uphold the spirit of common brotherhood transcending religious, linguistic and regional differences. Thus, constitutional values convert diversity into an instrument of democratic unity rather than conflict.

Social institutions play an equally significant role in translating constitutional ideals into everyday practice. The family serves as the first institution where values such as tolerance, cooperation and mutual respect are cultivated. Educational institutions reinforce these values through constitutional education, civic awareness and exposure to India's composite culture. The National Education Policy (NEP) 2020 also emphasizes constitutional values, multilingualism and experiential learning to strengthen national consciousness among students. Similarly, civil society organizations encourage inter-community dialogue, social inclusion and participatory development, thereby reducing social tensions. Religious and cultural institutions, when guided by principles of inclusivity, foster mutual respect among diverse communities. The media and digital platforms also influence national integration by disseminating information and connecting citizens across regions, although their positive role depends upon responsible journalism and the prevention of misinformation.

Despite these institutional safeguards, several challenges continue to impede national integration. Communal polarization, caste-based discrimination, regionalism, linguistic chauvinism and identity politics periodically create social divisions. The rapid spread of misinformation through social media has intensified hate speech and deepened societal fault lines. Economic inequalities and uneven regional development further contribute to feelings of exclusion among marginalized groups. These challenges demonstrate that constitutional guarantees alone cannot ensure integration unless they are supported by ethical governance, inclusive development and active civic participation.

Strengthening national integration therefore requires a multidimensional approach. Constitutional literacy should become an integral component of education so that citizens understand not merely their rights but also their duties. Cooperative federalism should continue to strengthen trust between the Union and the States while respecting India's pluralistic character. Programmes such as **Ek Bharat Shreshtha Bharat**, cultural exchange initiatives and inter-state educational collaborations promote emotional integration by enabling citizens to appreciate the country's cultural diversity. Inclusive economic growth, social justice and equal access to opportunities remain equally essential because social harmony cannot flourish amidst persistent inequalities.

Conclusion

India's experience demonstrates that unity is not achieved by eliminating diversity but by nurturing mutual respect within a constitutional framework. Constitutional values provide the legal and moral foundation, while social institutions translate these principles into social behaviour. As Dr. B.R. Ambedkar emphasized, constitutional morality must become a way of life rather than merely a constitutional ideal. Only then can India's remarkable diversity continue to remain its greatest strength in nation-building.

(GS Paper-II | Polity & Governance)

Q.2 "The success of democratic decentralisation depends more upon actual devolution than constitutional provisions." Critically examine. (15 Marks | 250 Words)

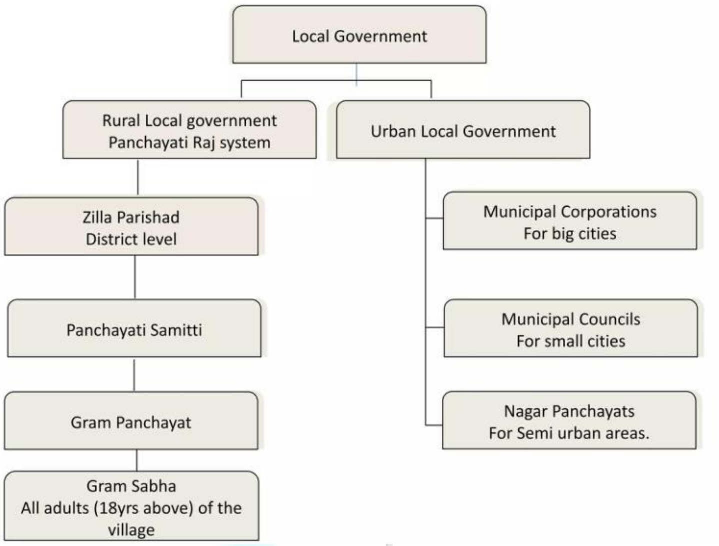
Sample Answer

Introduction

Democratic decentralisation refers to the transfer of political, administrative and financial authority from higher levels of government to local institutions so that governance becomes more participatory, accountable and responsive. The 73rd and 74th Constitutional Amendments institutionalised Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs), but the effectiveness of decentralisation depends largely on whether States genuinely devolve powers, finances and functionaries to these institutions.

Body

The constitutional amendments fundamentally transformed local governance by granting constitutional status to Panchayats and Municipalities, providing for regular elections, reservation for Scheduled Castes, Scheduled Tribes and women, establishment of State Finance Commissions and State Election Commissions, and preparation of the Eleventh and Twelfth Schedules listing subjects that may be devolved to local bodies. These provisions created a uniform constitutional framework across the country and strengthened grassroots democracy by ensuring continuity and representativeness.



However, constitutional recognition has not automatically translated into effective decentralisation because the actual transfer of authority remains largely dependent upon State Governments. In many States, departments relating to agriculture, health, education, irrigation and rural development continue to function under line departments instead of local governments. Local bodies frequently possess limited control over their staff, resulting in administrative dependence upon State bureaucracies. Financial autonomy also remains inadequate because most Panchayats rely heavily on grants from the Union and State Governments rather than robust local revenue sources. Delays in the constitution of State Finance Commissions and inadequate implementation of their recommendations have further weakened fiscal decentralisation.

Another important challenge concerns the quality of local governance itself. Many elected representatives lack adequate administrative and financial training, reducing the effectiveness of decision-making. Political interference, irregular Gram Sabha meetings, elite capture and inadequate social audits weaken participatory democracy. Urban Local Bodies face additional constraints arising from rapid urbanisation, infrastructure deficits and overlapping institutional jurisdictions. Consequently, despite constitutional safeguards, local governments often function as implementing agencies rather than autonomous institutions of self-government.

Recent initiatives have attempted to bridge these gaps. The **e-GramSwaraj Portal**, digital accounting systems, GIS-based planning, online public financial management and the **SVAMITVA Scheme** have improved transparency, planning and asset management. The Fifteenth Finance Commission has also enhanced grants to local bodies while emphasizing performance-linked incentives. These reforms indicate that technology and financial support can strengthen decentralisation only when accompanied by genuine political commitment to devolve authority.

Conclusion

The constitutional amendments laid the foundation for democratic decentralisation, but they represent only the beginning of the process. True decentralisation requires meaningful transfer of powers, adequate financial resources, administrative capacity and institutional autonomy. As the **Second Administrative Reforms Commission** observed, local governments must evolve from being mere implementing agencies into genuine institutions of self-government. Achieving this vision is essential for realizing the constitutional ideal of participatory democracy and ensuring that governance remains responsive to the needs of every citizen.

(GS Paper III – Economy)

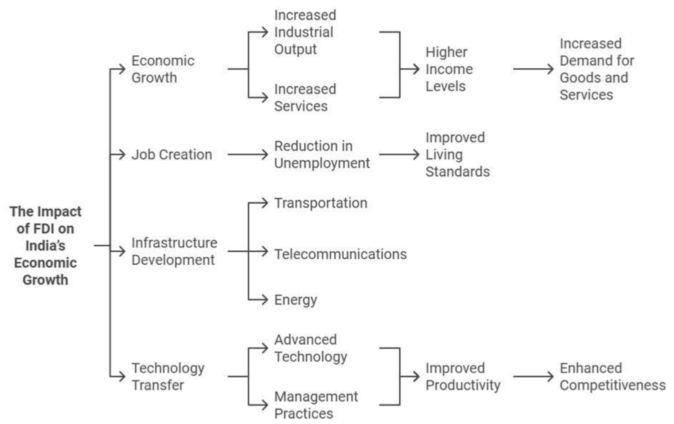
Q.3 "Globalisation has accelerated India's economic growth but has simultaneously increased its macroeconomic vulnerabilities. Critically examine with suitable examples." (15 Marks | 250 Words)

Sample Answer

Introduction

Globalisation refers to the increasing integration of national economies through trade, investment, technology, capital flows and movement of knowledge. Since the economic reforms of 1991, India has progressively integrated with the global economy, transforming its production structure, trade profile and investment landscape. While globalisation has emerged as a major engine of economic growth, it has also exposed India to external shocks, financial volatility and strategic dependencies. Therefore, a balanced assessment of its opportunities and challenges is essential for understanding India's developmental trajectory.

Body



The integration of India with the global economy has significantly enhanced its economic potential. Liberalisation encouraged greater inflows of Foreign Direct Investment (FDI), enabling technology transfer, managerial expertise and productivity improvements across manufacturing and services. The information technology and business process outsourcing sectors emerged as global leaders, making India one of the world's largest exporters of software services. Greater participation in international trade diversified export markets and contributed substantially to foreign exchange earnings. Simultaneously, integration into global value chains improved industrial competitiveness and facilitated access to advanced production technologies. These developments have strengthened India's position as one of the fastest-growing major economies and enhanced its influence in global economic governance through institutions such as the G20, WTO and BRICS.

However, increased integration has also amplified India's exposure to external vulnerabilities. Global financial crises, geopolitical conflicts and supply chain disruptions have demonstrated that excessive dependence on international markets can adversely affect domestic growth. The COVID-19 pandemic severely disrupted global production networks, leading to shortages of critical medical supplies and industrial inputs. Similarly, the Russia–Ukraine conflict affected global energy and food markets, resulting in imported inflation and increased pressure on India's current account deficit. Fluctuations in crude oil prices continue to influence inflation, fiscal balances and exchange rate stability because India remains heavily dependent on imported energy.

Financial globalisation has created additional macroeconomic risks. Foreign Portfolio Investment (FPI), unlike FDI, is highly volatile and responds rapidly to changes in global interest rates and investor sentiment. Tightening of monetary policy by advanced economies often triggers capital outflows from emerging markets, causing depreciation of the rupee and increasing financial market volatility. Such episodes require calibrated intervention by the Reserve Bank of India to maintain macroeconomic stability without compromising market confidence.

Another concern relates to strategic dependence in critical sectors. Semiconductor shortages during the pandemic highlighted India's dependence on external suppliers for high-technology components. Similar vulnerabilities exist in electronics, rare earth minerals and advanced manufacturing inputs. Recognising these challenges, the Government has introduced initiatives such as the Production Linked Incentive (PLI) Scheme, Atmanirbhar Bharat, National Logistics Policy and semiconductor manufacturing incentives to strengthen domestic capabilities while remaining integrated with global markets.

The future of globalisation is increasingly characterised by concepts such as **friend-shoring**, **China-plus-One strategy** and **resilient supply chains**. India has an opportunity to emerge as a preferred investment destination by leveraging its demographic dividend, expanding digital infrastructure and improving ease of doing business. However, sustained success requires investments in innovation, skill development, infrastructure and export competitiveness.

Conclusion

Globalisation has undoubtedly transformed India's economic landscape by accelerating growth, innovation and international competitiveness. Nevertheless, recent global crises have demonstrated that economic openness must be complemented by domestic resilience, diversified supply chains and strategic self-reliance. India's long-term objective should therefore be not de-globalisation but **"resilient globalisation,"** where international integration is supported by strong domestic manufacturing, technological capability and sound macroeconomic management.

(GS Paper IV – Ethics, Integrity & Aptitude)

Q.4 "Integrity in public life cannot be ensured merely through legal provisions; it requires ethical leadership at every level of governance." Discuss with suitable examples. (10 Marks | 150 Words)

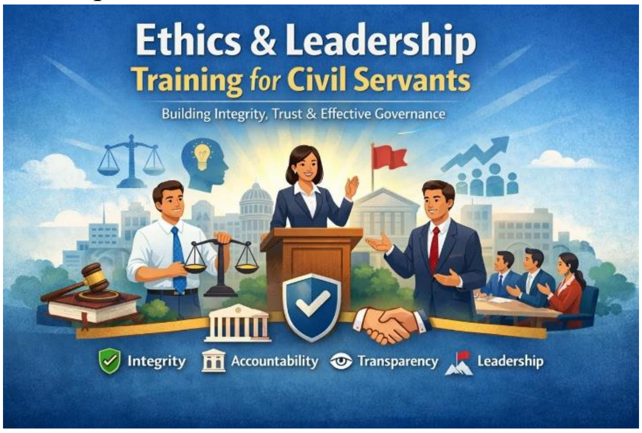
Sample Answer

Introduction

Integrity represents consistency between values, decisions and actions. In public administration, it signifies unwavering commitment to honesty, impartiality, accountability and public welfare. Although legal provisions establish minimum standards of conduct, they alone cannot guarantee ethical governance because many administrative situations require moral judgment beyond the scope of written rules. Consequently, ethical leadership becomes indispensable for sustaining public trust and strengthening democratic institutions.

Body

The legal framework governing public administration in India includes constitutional provisions, conduct rules, anti-corruption laws and institutional mechanisms such as the Central Vigilance Commission, Lokpal and Comptroller and Auditor General. These institutions create accountability by prescribing standards of behaviour and penalising misconduct. However, governance frequently presents situations where legality and morality are not identical. Administrative officers often encounter ethical dilemmas involving conflicting public interests, political pressures or humanitarian considerations that cannot be resolved solely through legal interpretation. In such circumstances, integrity becomes a matter of personal conviction rather than statutory obligation.



Ethical leadership influences institutional culture by demonstrating that public office is a public trust rather than a source of personal privilege. A civil servant who transparently awards public contracts despite external pressure, honestly implements welfare programmes without discrimination or promptly accepts responsibility for administrative failures strengthens citizens' confidence in democratic institutions. Similarly, officials who protect whistle-blowers, encourage transparency and place public welfare above personal or political interests inspire ethical conduct throughout the administrative hierarchy. Such leadership creates an organisational environment in which integrity becomes self-sustaining rather than merely enforced through fear of punishment.

The importance of ethical leadership has become even greater in the era of digital governance. Artificial intelligence, big data and digital platforms have increased administrative efficiency but have simultaneously created concerns relating to privacy, algorithmic bias and misuse of public data. Ethical decision-making is therefore essential to ensure that technological innovation remains consistent with constitutional values and human dignity. Values such as empathy, compassion, objectivity and accountability enable administrators to balance efficiency with justice while maintaining public confidence.

India's constitutional philosophy itself reinforces the importance of ethical leadership. The Preamble, Fundamental Duties and Directive Principles collectively emphasise justice, equality and fraternity as guiding principles of governance. These constitutional ideals acquire practical significance only when administrators internalise them as ethical commitments rather than merely legal obligations.

Conclusion

Laws can punish unethical behaviour, but they cannot create ethical character. Sustainable good governance therefore depends upon leaders who demonstrate integrity through their decisions, conduct and commitment to public service. As the **Second Administrative Reforms Commission** observed, ethics constitute the foundation of effective governance because institutions ultimately derive their credibility from the integrity of the individuals who lead them. Such ethical leadership remains indispensable for achieving the constitutional vision of transparent, accountable and citizen-centric administration.

(Current Affairs)

Q.5 "Polymer banknotes have emerged as a significant innovation in currency management across the world. Examine the advantages and challenges associated with polymer banknotes. In this context, discuss the significance of the Reserve Bank of India's recent initiative regarding polymer currency." (15 Marks | 250 Words)

Sample Answer

Introduction

Currency is not merely a medium of exchange but also a symbol of a nation's economic sovereignty, public confidence and financial stability. With technological advancements and increasing concerns regarding counterfeit currency, durability and sustainability, many countries have shifted from traditional cotton-paper banknotes to polymer-based banknotes. Against this backdrop, the Reserve Bank of India (RBI) has renewed discussions on polymer banknotes as part of its long-term strategy to modernize currency management, enhance security and reduce lifecycle costs. The initiative reflects India's broader objective of adopting advanced technologies while maintaining the integrity and efficiency of its monetary system.

Body

Polymer banknotes are manufactured using a specially designed plastic substrate instead of conventional cotton-based paper. First introduced in Australia in 1988, they are now used either fully or partially by several countries because of their superior durability and advanced security features. Unlike paper currency, polymer notes are highly resistant to moisture, dust, tearing and repeated folding, enabling them to remain in circulation for a much longer period. Although the initial production cost of polymer notes is higher, their extended lifespan substantially lowers replacement expenditure over time, making them economically efficient in the long run.

One of the most significant advantages of polymer currency lies in its enhanced resistance to counterfeiting. Polymer substrates facilitate sophisticated security features such as transparent windows, holographic strips, colour-shifting inks, micro-text, latent images and intricate optical designs that are considerably more difficult to replicate using conventional printing techniques. This is particularly relevant for India, where counterfeit currency has periodically posed challenges to financial security and monetary stability. Improved security features also strengthen public confidence in the authenticity of currency while reducing the costs associated with detection and replacement of fake notes.

Another important benefit relates to environmental sustainability. Although polymer notes are derived from plastic polymers, their longer circulation life reduces the overall consumption of raw materials, printing ink and transportation resources required for frequent replacement. At the end of their usable life, polymer notes can be recycled into various plastic products, thereby contributing to circular economy objectives when supported by appropriate recycling infrastructure. Their non-porous surface also makes them more resistant to moisture, dirt and microbial contamination, improving hygiene during circulation, particularly in densely populated economies where cash continues to play an important role.

Despite these advantages, polymer currency also presents several practical challenges. Establishing polymer note production requires substantial investment in specialised printing technology, security equipment and manufacturing facilities. Existing ATMs, currency counting machines, sorting equipment and vending systems may require recalibration or replacement to ensure compatibility with the new substrate. Public adaptation also becomes important because polymer notes exhibit different physical characteristics, including flexibility and texture, which may initially create handling difficulties. Furthermore, effective recycling mechanisms must be developed to ensure environmentally responsible disposal of worn-out polymer notes.

In the Indian context, the RBI's initiative should be viewed as part of a broader currency management strategy rather than an immediate nationwide transition. The central bank has consistently emphasized improving the quality, security and longevity of Indian banknotes through continuous technological innovation. Evaluating polymer currency aligns with RBI's objective of strengthening the integrity of India's currency system while reducing long-term maintenance costs. Any future rollout is expected to be gradual, based on pilot studies, cost-benefit analysis, climatic suitability and public acceptance. Such a calibrated approach is particularly important because India has one of the world's largest cash circulation networks, requiring careful assessment before introducing any major currency reform.

The proposal also acquires significance in the context of India's rapidly evolving financial ecosystem. While digital payment platforms such as UPI have significantly expanded cashless transactions, physical currency continues to remain indispensable, especially in rural areas, the informal economy and regions with limited digital infrastructure. Consequently, improving the quality and security of physical banknotes remains a critical component of inclusive financial management. Polymer currency should therefore be viewed as complementary to digital payments rather than as an alternative to them.

Conclusion

Polymer banknotes represent an important technological advancement in modern currency management by combining durability, security and operational efficiency. For a large cash-dependent economy like India, their adoption must be based on comprehensive economic, technological and environmental evaluation rather than short-term considerations. The Reserve Bank of India's cautious approach reflects sound monetary governance, balancing innovation with financial stability. If implemented after rigorous pilot testing and infrastructure preparedness, polymer banknotes could significantly strengthen India's currency ecosystem by reducing counterfeiting, lowering long-term costs and enhancing public confidence in the nation's monetary system.

Value Addition for UPSC

Countries Using Polymer Banknotes: Australia, Canada, United Kingdom, New Zealand, Singapore, Malaysia, Vietnam, Romania, Brunei, Nigeria (selected denominations) and several others.

Key Advantages: Greater durability, superior security, lower lifecycle cost, improved hygiene and recyclability.

Key Challenges: Higher initial production cost, infrastructure upgradation, public adaptation and end-of-life recycling.

Expected UPSC Keywords: Currency Management, Counterfeit Currency, Financial Stability, Monetary Governance, Lifecycle Cost, Security Features, Sustainable Currency, RBI, Digital Economy, Circular Economy.