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1. Impact of Merchant Discount Rate Reintroduction on UPI Volumes

Key Highlights & Summary

- **Selective MDR Reintroduction:** The National Payments Corporation of India (NPCI) has selectively reintroduced the Merchant Discount Rate (MDR) on specific Person-to-Merchant (P2M) UPI transactions to create a sustainable revenue model for digital payment aggregators and banks.
- **Minimal Impact on Total Volumes:** According to Finance Ministry projections, overall transaction volumes are unlikely to be significantly impacted because only about 4% of total UPI transactions are eligible for the charge.
- **Core Exemptions Safeguarded:** All Person-to-Person (P2P) transfers, P2M transactions up to ₹2,000, recurring auto-debit payments (UPI AutoPay), and micro-merchants receiving up to ₹1 lakh monthly via QR codes remain entirely exempt from MDR.
- **Sector-Specific Capped Structure:** Essential sectors like railways, telecom, insurance, fuel, utilities, education, and agriculture carry a flat MDR of ₹5 per transaction above ₹2,000, while securities and mutual fund payments carry an MDR of 0.02% capped at ₹300.

- **Ecosystem Reinvestment and Growth:** Collected MDR revenue will fund infrastructure development, load capacity expansion, fraud prevention, and digital network innovation, with 5% specifically allocated to building QR infrastructure for small merchants.
- **Consumer Protection and Cost Absorption:** Merchants are expected to absorb these operational fees due to cash-handling savings, as NPCI prohibits payment app providers from imposing additional platform fees on end-consumers.

Essential Definitions

- **Merchant Discount Rate (MDR):** A processing fee levied on merchants by financial institutions and payment gateways for servicing electronic transaction channels.
- **Person-to-Merchant (P2M) Transaction:** A digital payment transaction executed by an individual retail consumer to purchase goods or services from a commercial business entity.
- **UPI AutoPay:** A feature within the Unified Payments Interface ecosystem that allows users to enable recurring standing instructions for regular utility and subscription payments.

Legal and Constitutional Framework

- **Payment and Settlement Systems Act, 2007:** Empowers the Reserve Bank of India (RBI) to authorize, regulate, and supervise retail payment clearinghouses, including NPCI's operational mandates.
- **Section 269SU of the Income Tax Act, 1961:** Requires high-turnover business establishments to mandatorily provide digital payment facilities to encourage cashless economic transactions.
- **Consumer Protection Act, 2019:** Prevents unfair trade practices by prohibiting merchants from levying unauthorized hidden surcharges on retail consumers during digital checkout processes.

Conclusion Reintroducing a structured MDR framework on a small fraction of high-value transactions balances digital payment infrastructure sustainability with user inclusion. reinvesting MDR revenue into security and merchant infrastructure ensures the long-term resilience and innovation of India's digital payments ecosystem.

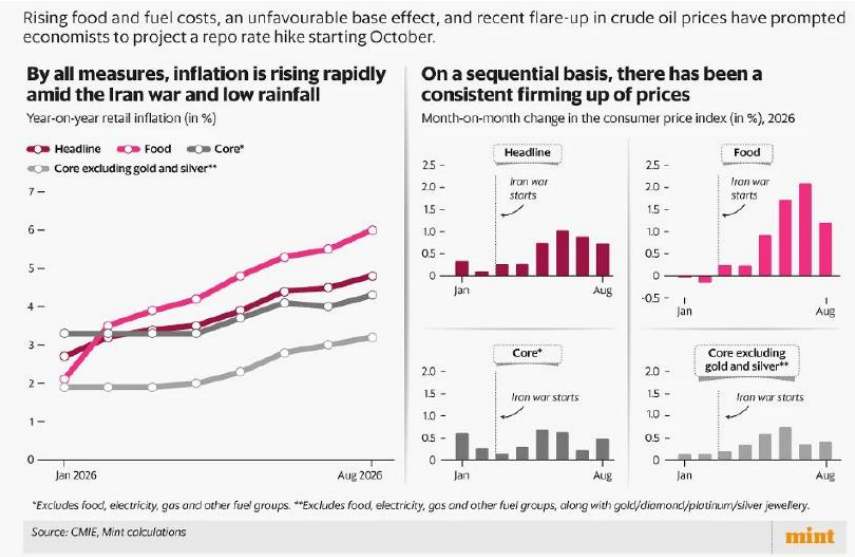
UPSC Relevance

- **GS Paper III (Economy):** Indian Economy, Digital Public Infrastructure (DPI), Monetary Policy, Financial Inclusion, and FinTech Industry Regulations.
- **Prelims Focus:** Statutory powers of RBI under the Payment and Settlement Systems Act 2007, NPCI institutional structure, and mechanics of MDR revenue distribution.

2. Is Inflation Getting Too Hot to Handle?

Key Highlights & Summary

- **Surging Headline and Sectoral Metrics:** India's headline retail inflation rose to 4.8% in August 2026, driven by food inflation climbing to 6.0%, core inflation reaching 4.3%, and core inflation excluding precious metals rising to 3.1%.
- **Supply Shocks and Climate Disruption:** Food inflation remains elevated due to a 15% deficit in normal rainfall, while fuel costs have escalated across petrol (7.5%), diesel (8.4%), LPG (5.3%), and solid fuels (7.8%).
- **Geopolitical Crude Oil Flare-up:** Brent crude prices surged above $108 per barrel amid West Asian geopolitical risks, pushing India's average crude oil basket price to $109.80 per barrel by mid-September.
- **Unfavourable Base Effect Threat:** Projections indicate headline inflation could breach the Reserve Bank of India's (RBI) upper tolerance threshold of 6% by October-November due to an unfavourable statistical base effect coupled with ongoing sequential momentum.



- **Monetary Policy Stance:** Strong GDP growth (7.8% in Q1 FY27) alongside persistent supply-side shocks has prompted analysts to predict a potential repo rate hike cycle by the RBI's Monetary Policy Committee starting October.
- **Core Price Transmission:** Rising input and fuel costs under solid domestic demand conditions are increasingly being passed through to retail consumers, creating risks of unanchored household inflation expectations.

Essential Definitions

- **Headline Inflation:** The total inflation figure derived from the complete Consumer Price Index (CPI) basket, including volatile components like food and energy.
- **Core Inflation:** A measure of price movement that excludes volatile food and energy groups to capture underlying long-term price trends.
- **Base Effect:** The distortionary impact of the price level from the corresponding period of the previous year on the calculation of the current rate of inflation.

Legal and Constitutional Framework

- **Reserve Bank of India Act, 1934 (Section 45ZB):** Provides the statutory basis for establishing the Monetary Policy Committee (MPC) tasked with setting policy rates to maintain price stability.
- **Flexible Inflation Targeting (FIT) Framework:** A legal mandate under the RBI Act directing the central bank to maintain CPI inflation at 4% with an upper tolerance limit of 6% and a lower limit of 2%.

- **Article 246 read with Entry 36 of Union List:** Grants Parliament exclusive authority over currency, coinage, legal tender, foreign exchange, and central banking policy.

Conclusion Escalating geopolitical friction and domestic agricultural headwinds threaten to push CPI inflation past the central bank's 6% threshold. Decisive monetary recalibration through rate adjustments, combined with targeted fiscal supply-side management, remains critical to anchor long-term inflation expectations and safeguard macroeconomic growth.

UPSC Relevance

- **GS Paper III (Economy):** Indian Economy, Inflation dynamics, Monetary Policy Committee (MPC) operations, Supply chain disruptions, and Macroeconomic stability.
- **Prelims Focus:** Differences between Headline and Core CPI, statutory mandates under Section 45ZB of the RBI Act, FIT framework targets, and global crude price impact mechanisms.

3. NZ Parliament Passes India Free Trade Agreement

Key Highlights & Summary

- **Legislative Ratification:** New Zealand's Parliament passed enabling legislation to ratify its Free Trade Agreement (FTA) with India by a 93-29 vote, bringing the landmark pact closer to operationalization.
- **Implementation Timeline:** Indian Commerce Secretary Rajesh Agrawal confirmed active domestic steps for swift implementation, with officials targeting the second half of October for the agreement to take effect.
- **Tariff Elimination and Trade Commitments:** New Zealand will extend duty-free access across 100% of tariff lines, while India offers tariff liberalization on 70% of tariff lines (covering about 95% of bilateral trade value). Immediate tariff removal applies to 57% of NZ exports to India, expanding to 95% post-implementation.

- **Bilateral Trade Target:** The agreement aims to double bilateral goods and services trade by 2030, building on trade figures that reached $2.4 billion in 2024, despite merchandise trade contracting to $1.15 billion in 2025-26.
- **Investment Commitments:** New Zealand has committed to facilitating $20 billion in direct investments into India over 15 years, targeting manufacturing, infrastructure, and technology innovation.
- **Sectoral Coverage & Protections:** Boosts export prospects for Indian textiles, leather, gems, engineering goods, and pharmaceuticals, while preserving safeguards for sensitive domestic sectors, notably most dairy products.

Essential Definitions

- **Free Trade Agreement (FTA):** A preferential international trade treaty between two or more countries that reduces or eliminates tariffs, import quotas, and non-tariff barriers on goods and services.
- **Tariff Line:** A specific product classification code in a national tariff schedule used by customs authorities to apply import tariffs and duty rates.
- **Bilateral Trade:** The economic exchange of goods, services, and capital directly between two sovereign nations.

Legal and Constitutional Framework

- **Article 253 of the Constitution:** Authorizes Parliament to enact legislation for implementing international treaties, agreements, or conventions with foreign nations.
- **Entry 14 of Union List (Seventh Schedule):** Assigns exclusive legislative power over entering into treaties and agreements with foreign countries and implementing them to the Union Government.
- **Customs Act, 1962:** Provides statutory powers to notify preferential import duty rates and rules of origin under bilateral trade agreements.

Conclusion The ratification of the India-New Zealand FTA marks a significant milestone in India's strategic trade policy, balancing commercial expansion in key labor-intensive manufacturing sectors with crucial safeguards for domestic dairy and agrarian producers.

UPSC Relevance

- **GS Paper II (International Relations):** Bilateral agreements involving India, Foreign trade policy, and Global geopolitical partnerships.
- **GS Paper III (Economy):** External trade, Export diversification, Foreign Direct Investment (FDI), and Protection of sensitive domestic sectors like agriculture.

4. New Crop of Space Startups Comes Looking for Funding

Key Highlights & Summary

- **Rising Funding Momentum:** Indian spacetech startups raised $331 million in 2026, surpassing the $210 million total raised in 2025, according to Tracxn data.
- **Emergence of Next-Cohort Companies:** Beyond early pioneers like Skyroot Aerospace and Pixxel, a new wave of spacetech firms—including Sisir Radar, Sanyark Space, and PierSight—is actively seeking growth capital.

- **Consolidation of Capital:** Deal volume dropped to 37 from 69, indicating that larger funding checks are concentrated among a smaller group of mature startups.
- **Sector-Specific Innovations:** Sanyark Space is developing low-Earth orbit PNT (positioning, navigation, and timing) and communication constellations, while PierSight targets maritime surveillance and Sisir Radar develops synthetic aperture radar systems.
- **Capital Concentration at Top:** Skyroot Aerospace ($1 billion+ valuation unicorn) and Pixxel ($100 million round at $400 million valuation) accounted for nearly half of total sector funding in 2026.
- **Investor Caution on Long Cycles:** Growth investors remain cautious due to extended gestation periods, high capital intensity, and the risk of valuation corrections before commercial viability.

Essential Definitions

- **Spacetech Ecosystem:** The domain comprising commercial enterprises involved in space research, launch vehicles, satellite manufacturing, downstream imagery analysis, and space situational awareness.
- **PNT (Positioning, Navigation, and Timing):** Satellite-based infrastructure delivering precise location, navigation routes, and atomic clock synchronization services for civilian and defense applications.
- **Growth Capital:** Equity funding provided to established startups to scale commercial operations, expand capacity, or deploy orbital hardware.

Legal and Constitutional Framework

- **Indian Space Policy 2023:** Institutional framework permitting Non-Government Entities (NGEs) to engage in end-to-end space activities, including launch systems, satellite communication, and data services.
- **IN-SPACe (Indian National Space Promotion and Authorisation Centre):** Single-window autonomous agency under the Department of Space regulating, authorizing, and promoting private space enterprises.
- **FDI Policy in Space Sector (2024 Amendment):** Allows up to 100% Foreign Direct Investment in space components, 74% under automatic route for satellite manufacturing/data, and 49% for launch vehicles.

Conclusion The expansion of private funding beyond primary market leaders signals maturing investor confidence in India's spacetech capabilities. Sustained policy support through IN-SPACe and 100% FDI clearance will be crucial for these deeptech ventures to navigate long gestations and establish global commercial viability.

UPSC Relevance

- **GS Paper III (Science & Technology):** Indigenization of technology, space technology developments, private sector participation in space, and growth of deeptech startups.

- **Prelims Focus:** Mandate of IN-SPACe and NSIL, FDI caps under Indian Space Policy 2023 amendments, and applications of low-Earth orbit satellite constellations.

5. Finance Ministry Rules Out Regulatory Regime for Crypto

Key Highlights & Summary

- **Rejection of Regulatory Framework:** The Ministry of Finance ruled out establishing a specific regulatory regime for private cryptocurrencies, stating that regulation could grant the sector undue legitimacy and create a false sense of security for retail investors.
- **Shift Towards RBI's Digital Rupee:** The Ministry informed the Parliamentary Standing Committee on Finance that it will instead prioritize pushing the Reserve Bank of India's Central Bank Digital Currency (CBDC) or e-Rupee, with a long-term goal of leveraging it for welfare benefit delivery.
- **Inherent Regulatory Challenges:** Due to the anonymous nature of crypto transactions outside state-controlled financial systems, establishing effective regulatory oversight presents fundamental contradictions, as activity often migrates toward decentralized, non-custodial arrangements beyond regulatory reach.
- **Contraction in Crypto Holding Value:** Despite KYC-verified crypto accounts growing to 39.3 million by May 2026 (from 36 million in April 2025), total estimated holding value dropped significantly from ₹34,000 crore ($4.5 billion) to ₹20,436 crore ($2.4 billion).
- **Low Average Holding Per Account:** As of May 2026, the average cryptocurrency holding across registered KYC-verified accounts in India declined to approximately ₹5,000.
- **Taxation Without Formal Recognition:** While private cryptocurrencies remain unrecognized as legal tender, the government continues to levy a flat 30% tax on all profits derived from Virtual Digital Assets (VDAs).

Essential Definitions

- **Virtual Digital Assets (VDAs):** A broad legal classification encompassing cryptocurrencies, non-fungible tokens (NFTs), and other digital cryptographic tokens defined under Indian tax laws.
- **Central Bank Digital Currency (CBDC):** A sovereign digital form of fiat currency issued and backed directly by a nation's central bank (such as RBI's e-Rupee).
- **Non-Custodial Arrangements:** Decentralized wallet mechanisms where users retain private keys directly without relying on centralized intermediaries, making external oversight difficult.

Legal and Constitutional Framework

- **Income Tax Act, 1961 (Section 115BBH & Section 194S):** Mandates a 30% tax rate on income from VDA transfers alongside a 1% Tax Deducted at Source (TDS) on specified crypto transactions.

- **Prevention of Money Laundering Act (PMLA), 2002:** Subjects VDA service providers and exchanges to mandatory registration with Financial Intelligence Unit-India (FIU-IND) and strict KYC/AML compliance.
- **Article 246 read with Entry 36 of Union List:** Grants Parliament exclusive authority over currency, legal tender, foreign exchange, and central banking framework.

Conclusion By withholding formal regulation while maintaining high capital gains taxation and anti-money laundering compliance, India's stance deters speculative retail crypto participation. Moving toward the sovereign e-Rupee ensures digital financial innovation while safeguarding domestic financial stability.

UPSC Relevance

- **GS Paper III (Economy & Science/Tech):** Virtual Digital Assets, Central Bank Digital Currency (CBDC), Monetary Policy, FinTech, and Macro-financial stability risks.
- **Prelims Focus:** PMLA provisions applicable to VDA service providers, Section 115BBH tax rates, distinction between private crypto vs. CBDC, and FIU-IND reporting rules.

6. RBI Absorbs ₹2.9 Trillion via VRRR Auctions

Key Highlights & Summary

- **Massive Liquidity Absorption:** The Reserve Bank of India (RBI) absorbed ₹2.90 trillion from the banking system through two Variable Rate Reverse Repo (VRRR) auctions to drain persistent excess liquidity.
- **Auction Performance:** In the first auction, RBI accepted ₹2.50 trillion against bids worth ₹3.17 trillion at a weighted average rate of 5.24%. The second auction saw full acceptance of bids worth ₹40,302 crore against a ₹1 trillion notification.
- **Surplus Scale:** Systemic banking liquidity stood at a massive surplus of approximately ₹9.85 trillion as of mid-September, driven by heavy foreign exchange inflow swaps and government spending.
- **Aligning Market Rates:** The primary objective of conducting frequent VRRR operations is to realign overnight money market rates closer to the benchmark repo rate.

- **Open Market Operations (OMO) Sales:** Complementing VRRR, the RBI announced OMO sales of government securities totaling ₹1 trillion in three tranches to manage structural liquidity.
- **Drivers of Liquidity Surge:** Capital inflows from FCNR(B) deposit mobilizations, subsequent dollar-rupee swaps by RBI, and month-end government welfare disbursements significantly boosted bank liquidity.

Essential Definitions

- **Variable Rate Reverse Repo (VRRR):** A liquidity management tool used by central banks to absorb short-term surplus funds from commercial banks at market-determined variable interest rates.

- **Open Market Operations (OMO):** The buying or selling of government securities in the open market by the central bank to regulate money supply and systemic liquidity.
- **Systemic Liquidity Surplus:** A market condition where total cash reserves held by commercial banks exceed their immediate regulatory and operational requirements.

Legal and Constitutional Framework

- **Reserve Bank of India Act, 1934:** Grants statutory power to the RBI under Section 17 to execute open market operations, repo, and reverse repo transactions to maintain price and financial stability.
- **Liquidity Adjustment Facility (LAF) Framework:** Operational guidelines governed by RBI regulations setting the interest rate corridor and liquidity management instruments.
- **Article 246 read with Entry 36 of Union List:** Assigns legal jurisdiction over central banking, currency, and monetary control strictly to Parliament and the Union Government.

Conclusion Active liquidity management through VRRR and OMO sales demonstrates the RBI's proactive approach to preventing non-aligned money market volatility. Absorbing structural surpluses ensures effective monetary policy transmission while containing potential inflationary risks.

UPSC Relevance

- **GS Paper III (Economy):** Monetary Policy framework, Liquidity Adjustment Facility (LAF), Inflation management, and RBI liquidity management tools.
- **Prelims Focus:** Mechanics of VRRR vs. Repo rates, statutory basis under the RBI Act 1934, Open Market Operations, and impact of systemic liquidity on money markets.

7. Let's Set Up a Fraud Risk Index to Strengthen Investor Protection

Key Highlights & Summary

- **Proposal for Fraud Risk Index:** Former SEBI chairman G.N. Bajpai and former NFRA member Praveen Tiwari advocate creating an unbiased, composite Fraud Risk Index (FRI) to help retail and institutional investors assess corporate governance risks.
- **Economic Cost of Corporate Frauds:** Estimates indicate that around 5% of organizational revenues are lost annually due to fraud, eroding public trust in capital markets and impairing capital formation.
- **Misuse of the IBC Architecture:** An IBBI paper highlights how bad actors misuse the Insolvency and Bankruptcy Code (IBC) framework to deflect attention from underlying financial frauds and block legal recourse.
- **Distinction from Credit Ratings:** Unlike traditional credit ratings that focus primarily on short-term debt repayment capacity, the FRI evaluates structural fraud risks like rapid asset growth, promoter shareholding, related-party transactions, and auditor qualifications.
- **Multi-Agency Data Integration:** The proposed index would aggregate corporate filing data from the Reserve Bank of India, SEBI, Ministry of Corporate Affairs, and stock exchanges to generate objective risk scores.

- **Empowering Market Discipline:** A single-number FRI acts as an early warning system that compels corporate boards to take self-corrective actions while restricting fraud-prone entities from accessing public capital.

Essential Definitions

- **Fraud Risk Index (FRI):** A quantitative assessment tool designed to evaluate and aggregate indicators of corporate governance failure, financial misstatement, and potential fraud risks within a firm.
- **Insolvency and Bankruptcy Board of India (IBBI):** The statutory regulator overseeing insolvency proceedings, financial turnaround mechanisms, and bankruptcy professionals in India.
- **Related-Party Transactions (RPT):** Commercial dealings or financial transfers between a company and its business affiliates, directors, or major shareholders that require regulatory oversight to prevent fund diversion.

Legal and Constitutional Framework

- **Companies Act, 2013 (Section 447):** Defines punishment for corporate fraud, establishing stringent criminal liabilities, monetary penalties, and non-bailable enforcement standards.
- **SEBI (LODR) Regulations, 2015:** Mandates detailed disclosure standards, audit committee approvals, and governance norms for listed entities to protect retail investor interests.
- **National Financial Reporting Authority (NFRA):** Established under Section 132 of the Companies Act, 2013 to enforce accounting standards and oversee auditor compliance in public interest entities.

Conclusion Establishing a standardized Fraud Risk Index bridges the information asymmetry faced by retail investors in capital markets. By converting regulatory data into actionable early-warning scores, India can improve corporate transparency, safeguard public investments, and foster long-term capital formation.

UPSC Relevance

- **GS Paper III (Economy):** Indian Economy, Capital market reforms, Corporate Governance, Financial sector stability, and the role of regulatory bodies like SEBI, IBBI, and NFRA.
- **Prelims Focus:** Statutory powers under Companies Act 2013, NFRA mandate, IBBI framework operations, and key parameters of corporate governance indicators.

8. Saudi Arabia Accuses Houthis of Targeting Mecca with a Drone

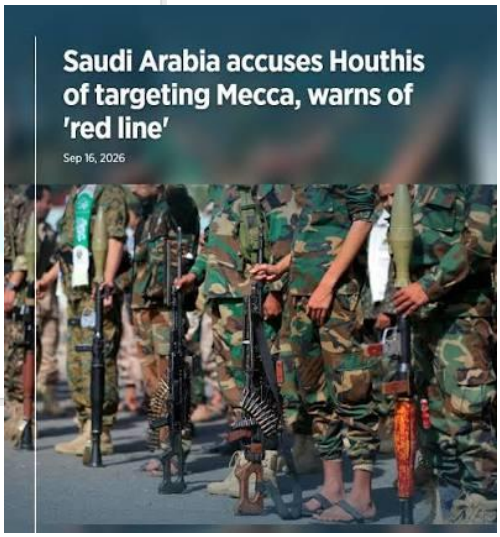
Key Highlights & Summary

- **Foiled Drone Strike on Mecca:** Saudi Arabia accused Yemen's Iran-backed Houthi rebels of launching a drone attack targeting the holy city of Mecca, declaring the sanctity of the site a strictly non-negotiable "red line".

- **Houthi Rejection:** Houthi officials denied the allegations, calling the Saudi claims a recycled lie used to cover up extensive air operations over Yemeni territory.
- **Maritime Blockade Declared:** Escalating regional hostilities, the Houthis declared a maritime blockade against Saudi vessels in the Red Sea after taking control of key sections along Yemen's coastline.
- **Control of Strategic Bottleneck:** By establishing positions near the Bab el-Mandeb Strait, Houthi forces directly threaten a crucial maritime corridor responsible for vital global oil shipments.
- **Compound Global Energy Strain:** The ongoing maritime disruption in the Red Sea, alongside risks in the Strait of Hormuz, continues to choke global oil transit and elevate international energy market volatility.
- **Diplomatic Realignments:** While Saudi Arabia seeks broader security support, key regional allies like Turkey and Pakistan have expressed diplomatic solidarity while advocating restraint and diplomatic solutions.

Essential Definitions

- **Bab el-Mandeb Strait:** A strategic choke point connecting the Red Sea to the Gulf of Aden and the Indian Ocean, serving as a key maritime passage for global energy and trade shipping.
- **Strait of Hormuz:** A critical narrow waterway between Oman and Iran that connects the Persian Gulf with the Gulf of Oman, handling a major portion of world petroleum transportation.
- **Non-State Actors:** Organizations or armed groups that hold significant political or military influence but are not affiliated with or controlled by any sovereign nation-state.



Legal and Constitutional Framework

- **UN Convention on the Law of the Sea (UNCLOS), 1982:** Establishes international legal rights regarding freedom of navigation, innocent passage, and maritime jurisdiction in international straits and high seas.
- **UN Security Council Resolution 2722 (2024):** Formally condemns Houthi attacks on commercial and merchant shipping while demanding the immediate cessation of hostile actions in maritime transit corridors.
- **Article 51 of the UN Charter:** Authorizes the inherent legal right of individual or collective self-defense if an armed attack occurs against a sovereign member state.

Conclusion The targeted security escalation around Islamic holy sites and vital energy choke points underlines the fragility of West Asian stability. Ensuring uninterrupted navigation through the Bab el-Mandeb Strait remains critical for global supply chain resilience and international economic security.

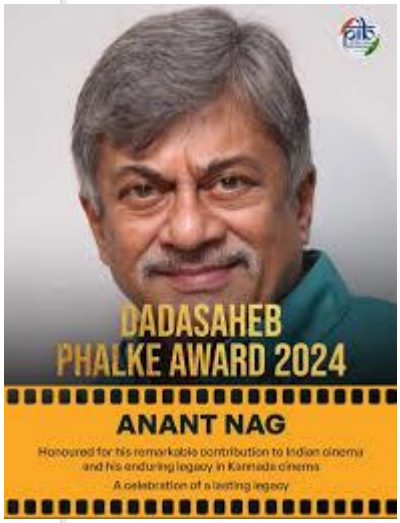
UPSC Relevance

- **GS Paper II (International Relations):** Impact of West Asian instability on India's interest, regional geopolitics, protection of Indian diaspora, and energy security.
- **Prelims Focus:** Geopolitics and mapping of Bab el-Mandeb Strait, Red Sea, Strait of Hormuz, UNCLOS provisions on transit passage, and UN Security Council resolutions.

9. Dadasaheb Phalke Honour for Kannada Film Artist Anant Nag

Key Highlights & Summary

- **Highest Cinematic Recognition:** Veteran actor Anant Nag has been named the recipient of the Dadasaheb Phalke Award for 2024, India's highest honor in cinema, for his five-decade contribution to Indian film culture.
- **Presentation Venue:** The official honor will be conferred at the 72nd National Film Awards ceremony scheduled to take place in Kevadia, Gujarat.
- **Historic Milestone for Kannada Cinema:** Anant Nag becomes only the second Kannada film actor to win the award after Dr. Rajkumar in 1995 (cinematographer V.K. Murthy received it in 2008 for Hindi cinema).
- **Versatile Career:** Having debuted with the Kannada film *Sankalp* (1973), his filmography spans over 300 films across Kannada, Hindi, Marathi, Konkani, Malayalam, and Telugu, along with parallel cinema and television classics like *Malgudi Days*.
- **Consecutive National Honours:** The prestige comes shortly after Nag was conferred with the Padma Bhushan in 2025, India's third-highest civilian honor.
- **Public Service Record:** Beyond cinema, Nag contributed to public governance as a member of the Karnataka Legislative Council (1988–1994), Legislative Assembly (1994–1999), and Minister of State for Bangalore City Development.



Essential Definitions

- **Dadasaheb Phalke Award:** The highest national award in the field of cinema, presented annually for outstanding contributions to the growth and development of Indian cinema.
- **Parallel Cinema:** A distinct film movement in Indian cinema, originating in the late 1940s, characterized by realistic socio-political themes, art-house aesthetics, and rejection of mainstream commercial melodrama.
- **Swarna Kamal (Golden Lotus):** The highest class of medal awarded under the National Film Awards scheme, accompanying the Dadasaheb Phalke trophy along with a shawl and cash prize.

Legal and Constitutional Framework

- **Executive Administration:** Organized and administered under the aegis of the Directorate of Film Festivals, an executive office under the Ministry of Information and Broadcasting.

- **Article 18(1) of the Constitution:** Clarifies that state-conferred awards and honors (such as National Film Awards and Padma Honors) do not constitute titled nobility under Article 18.
- **Union List Entry 60 (Seventh Schedule):** Assigns exclusive legislative jurisdiction over sanctioning cinematograph films for exhibition and national media policy to Parliament.

Conclusion The conferment of the Dadasaheb Phalke Award on Anant Nag highlights the enduring legacy of regional language performance art and parallel cinema. Elevating versatile actors beyond mainstream regional borders reinforces the cultural unity and artistic diversity of Indian cinema.

UPSC Relevance

- **GS Paper I (Art & Culture):** Indian Cinema, Performing Arts, Evolution of Parallel Cinema movement, and landmark cultural institutions.
- **Prelims Focus:** History and background of Dadasaheb Phalke (1913 *Raja Harishchandra*), first recipient Devika Rani (1969), administering body (Ministry of I&B), and components of the award.

10. Nationalism Beyond Borders: The Question of Loyalty

Key Highlights & Summary

- **Redefining Diaspora Loyalty:** During a global outreach event in London, RSS Chief Mohan Bhagwat stated that a citizen's fundamental political loyalty lies with their *Karmabhoomi* (land of work/adoption) rather than their *Janmabhoomi* or *Punyabhoomi* (birthplace or sacred land).
- **Reconciling Dual Identity:** The statement addresses the dilemma of overseas Indian diaspora communities balancing cultural heritage with political allegiance to their adopted Western nations amidst rising global nativism.
- **Dichotomy of Nationalism Types:** The discussion highlights the conceptual friction between territorial nationalism (citizenship defined by physical geographical boundaries) and cultural nationalism (nationhood defined by shared cultural or civilizational identity).
- **Historical Framing of Loyalty:** Foundational Hindutva philosophy by V.D. Savarkar historically linked national allegiance to considering India as both *Pitrubhumi* (fatherland) and *Punyabhoomi* (sacred land), creating ideological friction regarding non-Hindu minorities.
- **Alignment with Nehruvian Diaspora Policy:** Bhagwat's assertion that overseas citizens must prioritize their host nations aligns with India's long-standing diplomatic doctrine established under Jawaharlal Nehru regarding diaspora integration.
- **Call for Uniform Application:** The commentary argues that evaluating loyalty based on residence rather than faith tradition must apply symmetrically within domestic Indian governance (*Lucknow*) just as it does abroad (*London*).

Essential Definitions

- **Territorial Nationalism:** A civic form of nationalism maintaining that all individuals residing within a political state's territorial boundaries constitute the nation, irrespective of religion, language, or ethnicity.
- **Cultural Nationalism:** A form of nationalism where the nation is defined by a shared culture, civilizational tradition, or heritage, transcending sovereign geographic borders.
- **Janmabhoomi vs. Karmabhoomi:** Sanskrit conceptual terms denoting the land of one's birth (*Janmabhoomi*) versus the land where one resides, works, and fulfills civic duties (*Karmabhoomi*).

Legal and Constitutional Framework

- **Article 5 to 11 of the Constitution:** Details the legal architecture governing Indian citizenship, establishing a single, unified civic nationality irrespective of religious background.
- **Citizenship Act, 1955 (Section 9):** Enforces strict single citizenship, stipulating automatic termination of Indian citizenship upon voluntarily acquiring the citizenship of another sovereign state.
- **Article 51A(a) of the Constitution:** Mandates a Fundamental Duty for every citizen to abide by the Constitution and respect its ideals, institutions, National Flag, and National Anthem.

Conclusion Evolving global migration patterns necessitate a clear distinction between cultural identity and constitutional loyalty. Uniformly applying civic citizenship principles, where allegiance is defined by constitutional compliance rather than faith tradition, remains essential for domestic cohesion and global diplomatic engagement.

UPSC Relevance

- **GS Paper I (Sociology & History):** Secularism, Communalism, Regionalism, and Social Empowerment; Conceptions of Indian Nationalism and the Freedom Struggle.
- **GS Paper II (Polity & IR):** Constitutional provisions on Citizenship (Articles 5-11), Role of Indian Diaspora in international relations, and Political Theories of Civic vs. Cultural Nationalism.

11. EU Chief Bats for European Security Council; Open to Entry of Canada

Key Highlights & Summary

- **Proposal for European Security Council:** European Commission President Ursula von der Leyen backed establishing a European Security Council to integrate leadership from the EU, Britain, Norway, Ukraine, and Canada.
- **Counter-Hybrid Warfare Strategy:** She called for a dedicated "counter-hybrid playbook" and an "emergency security protocol" that any EU member state can trigger to coordinate responses against sub-threshold aggression like sabotage, arson, and drone incursions.

- **Geopolitical Autonomy Push:** The proposal reflects Europe's broader push to assume primary responsibility for continental defense amid growing doubts surrounding long-term reliance on the US-led NATO alliance framework.

- **Inclusion of Non-EU Allies:** The framework explicitly opens the door to non-EU partners, offering Canada potential "associate membership" within the bloc's security apparatus alongside post-Brexit Britain and Norway.
- **Evolving Security Threats:** The initiative responds to escalating grey-zone incidents across the continent, such as suspected state-sponsored drone attacks on critical infrastructure like Leipzig airport in Germany.
- **Institutional Adaptability:** Von der Leyen stressed that existing European security doctrines and institutional decision-making mechanisms have failed to keep pace with modern hybrid security realities.

Essential Definitions

- **European Security Council:** A proposed multilateral security coordination mechanism aimed at streamlining continental defense policies across EU member states and non-EU democratic allies.
- **Hybrid Warfare:** A military strategy blending conventional military tactics with non-military, covert means such as cyberattacks, sabotage, foreign interference, and economic pressure.
- **Grey-Zone Aggression:** Hostile operational activities conducted by state or non-state actors that deliberately fall below the traditional threshold of armed conflict to avoid triggering open war.

Legal and Constitutional Framework

- **Article 42(7) of Treaty on European Union (TEU):** The mutual assistance clause binding EU member states to provide aid and assistance if a member state is a victim of armed aggression on its territory.
- **Article 222 of Treaty on the Functioning of the EU (TFEU):** The solidarity clause enabling the Union and its member states to act jointly in preventing terrorist threats or responding to natural/man-made disasters.
- **Common Security and Defence Policy (CSDP):** The operational framework under the EU's Common Foreign and Security Policy (CFSP) providing the structure for European defense integration and civilian-military crisis management.

Conclusion The proposed European Security Council and counter-hybrid playbook reflect a structural shift toward European strategic autonomy. By incorporating non-EU allies, the framework seeks to build a resilient defense ecosystem equipped to manage non-conventional security threats.

UPSC Relevance

- **GS Paper II (International Relations):** Bilateral, regional, and global groupings involving major powers; Strategic autonomy in international security architecture; Evolution of post-Cold War defense alliances.

- **GS Paper III (Internal & External Security):** Cyber security threats, Hybrid warfare strategies, Protection of critical national infrastructure, and Non-conventional security challenges.

12. What Lies Beyond India's E20 Push

Key Highlights & Summary

- **E20 Composition & Launch:** E20 petrol consists of 20% anhydrous ethanol and 80% motor gasoline, rolled out by public sector oil marketing companies (OMCs) starting February 2023 to curb crude import dependence.
- **Loss of Fuel Economy:** Joint studies by ARAI, SIAM, and IOCL confirm that E20 reduces fuel mileage by 2% to 6%, depending on vehicle category and vintage, with un-adapted older vehicles suffering steeper drops.
- **Economic Cost Burden:** Reduced mileage forces vehicles to burn more fuel per kilometer, imposing an estimated additional cumulative financial burden of ₹88,234 crore on Indian households over three years.
- **Emission Thresholds:** Net carbon emissions fall only if mileage loss remains below 4%; a mileage loss between 4% and 6% leads to higher total emissions per distance traveled in older legacy engines.
- **Trade and Forex Divergence:** Diverting crops like sugarcane and maize toward ethanol production led to sugar export restrictions and increased maize imports, partially eroding intended crude oil forex savings.
- **Policy Alternatives:** Industry experts advocate offering consumers a choice between E10 and E20 blends, using countercyclical indirect tax adjustments, and expanding public transit infrastructure.

BOX 1: Emissions calculations for 15 kms travelled by an average Indian car

	E10	E20
Emissions*	2.32 KgCO2/ltr	2.23 KgCO2/ltr
	WITH 6% LOSS OF MILEAGE	
Petrol needed	1 ltr	1.06 ltr
Emissions	2.32 KgCO2 (A)	2.23 x 1.06 = 2.37 KgCO2 (B)
Excess Emissions if using E20		0.05 KgCO2 (B-A) **= 50 gCO2**

**Note: 1. Emissions data has been taken from the Federal Register EPA, which reports E10 emissions to be 8.78 kgCO2/gallon and pure ethanol's 5.75 kgCO2/gallon. 1 gallon = 3.79 ltr*

2. We calculate the implicit emissions from 100% gasoline, which is 9.12 KgCO2/gallon, and use that to generate E20 emissions.

Essential Definitions

- **E20 Fuel Blend:** A standardized automotive fuel mixture comprising 20% bioethanol and 80% conventional unleaded petrol.
- **Anhydrous Ethanol:** Highly purified ethyl alcohol containing less than 1% water, specifically processed for blending with fossil-based motor gasoline.
- **Countercyclical Tax Policy:** A fiscal strategy of lowering indirect taxes or cesses on fuel during crude oil price spikes to buffer domestic consumers from inflationary pressures.

Legal and Constitutional Framework

- **National Policy on Biofuels (2018):** Statutory policy framework setting the target of 20% ethanol blending in petrol across India by 2025–26 under the Ministry of Petroleum and Natural Gas.
- **Motor Vehicles Act, 1988:** Provides the statutory basis for regulatory bodies like ARAI to establish emission standards and fuel-vehicle compatibility specifications.

- **Article 246 read with Entry 53 of Union List:** Grants Parliament exclusive legislative authority over petroleum, petroleum products, and other liquids declared to be dangerously inflammable.

Conclusion While India's E20 blending mandate aims to enhance energy security, mileage degradation and crop diversion create trade-offs for consumer costs, net carbon emissions, and agricultural trade balances. A balanced approach offering flexible fuel choices alongside public transit expansion is vital for sustainable energy transitions.

UPSC Relevance

- **GS Paper III (Economy & Environment):** Energy security, Ethanol Blending Programme (EBP), Biofuels Policy 2018, Agricultural crop diversification, Food vs. Fuel security trade-offs, and Air pollution mitigation.
- **Prelims Focus:** E20 composition, role of ARAI/SIAM, raw materials for ethanol production (sugarcane, maize, damaged food grains), and fuel economy principles.

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