

The Hindu Important News Articles For UPSC CSE

Saturday : 08 Aug, 2026

Edition : International ; Table of Contents

Page 03 Syllabus: GS II : Internal Security and Environment / Preliminary Examination	No renewable energy project within 1 km of border: govt.
Page 05 Syllabus : GS II : International relations	India formally names 27 places in Arunachal Pradesh on official map
Page 06 Syllabus: GS III : Indian Economy / Preliminary Examination	Pay wall Removing UPI's free nature will not only be unpopular but also unfair
Page 06 Syllabus: GS II : International relations	The changing logic of the India-U.S. partnership
Page 11 Syllabus: GS III : Indian Economy / Preliminary Examination	India's forex kitty swelled by \$10.5 billion to \$692.87 billion
Page 06: Editorial Analysis Syllabus : GS II : Governance	Kerala can become India's model AI governance State

Daily News Analysis

Page 03: GS III : Internal Security and Environment / Preliminary Examination

The Ministry of Home Affairs (MHA) has issued national security guidelines regulating solar, wind, and hybrid renewable energy (RE) projects along India's International Border (IB), Line of Control (LoC), and Line of Actual Control (LAC). Driven by a surge in RE proposals in strategically sensitive border areas, these norms aim to balance India's green transition goals with border vulnerability management.

Core News Analysis: MHA Guidelines Key Provisions

• Zonal Approvals & Distance Norms:

- **0–1 km Zone:** Declared a "restricted area"; complete blanket ban on all RE projects.
- **1–20 km Zone:** Mandates a No Objection Certificate (NOC) from the Ministry of Defence (MoD).
- **1–50 km Zone:** Mandates security clearance from the Ministry of Home Affairs (MHA).
- **Single-Window Application:** Developers must apply via the Ministry of New and Renewable Energy (MNRE) after state land allotment, rather than approaching MHA/MoD directly.

• Workforce & Ownership Restrictions:

- Strict prohibition on employing engineers, staff, or laborers from Pakistan, Bangladesh, and China without MHA clearance.
- Land transfer to foreign companies is barred without Central Government and MHA security clearance.

• Operational & Infrastructure Security:

- Mandatory installation of anti-drone infrastructure at developer cost, operated by CISF or state police.
- Internal project roads must be built to support military and border security logistics during emergencies.
- Height caps on non-core structures (3m within 1–8 km; 5m within 8–20 km; 15m within 20–50 km), excluding wind turbines.

Related Static Dimensions (UPSC Syllabus Linkages)

• Internal Security :

No renewable energy project within 1 km of border: govt.

Vijaita Singh
NEW DELHI

Amid surge in applications for solar, wind and hybrid renewable energy projects in border areas, the Ministry of Home Affairs (MHA) has issued new national security guidelines, introducing a blanket ban on such projects within 1 km of the international border and mandating security clearance for projects located up to 50 km away.

The guidelines impose restrictions on foreign participation and staffing, stating that the applicants should not engage engineers, staff, employees, labour from Pakistan, Bangladesh and China without the MHA's permission.

It added that project developers will not be allowed to transfer land to foreign companies without



Projects proposed between 1 km to 20 km from the border will require an NOC.

prior approval from the Central government and security clearance from the MHA.

Due to national security Under the guidelines, all solar, wind and hybrid energy projects proposed within 50 km of the Line of Control (LoC), Line of Actual Control (LAC) and the international border will

require security clearance from the MHA. Projects located in the first kilometre from these borders have been declared a "restricted area", where no project activity will be permitted.

The MHA says the move was prompted by a rise in queries received by the Ministry of New and Renewable Energy (MNRE) regarding the suitability of setting up renewable energy projects in border areas that could have national security implications. Projects proposed between 1 km and 20 km from the border will require a No Objection Certificate (NOC) from the Ministry of Defence (MoD), while proposals located anywhere within the broader 50 km zone will need the MHA security clearance. Both approvals will be assessed on a case-by-case basis, it says.

No: 1521, Second Floor, H-Block, 5th Street, Anna Nagar, Chennai-40.

Ph: +91 8754543687, www.gurukulamias.in

Daily News Analysis

- Addresses critical vulnerabilities like espionage, radar signal interference from wind/solar farms, and foreign physical presence along sensitive zones (IB, LoC, LAC).
- Mitigates potential hybrid warfare risks involving critical energy infrastructure.
- **Governance & Policy Coordination :**
 - Highlights inter-ministerial synergy between MNRE, MoD, and MHA to streamline national security and renewable energy expansion.
- **Renewable Energy Expansion vs. Strategic Realities :**
 - Border regions in Rajasthan, Gujarat, and Ladakh offer vast wasteland and high solar/wind radiation. Regulatory hurdles could slow land acquisition and project timelines for India's 500 GW non-fossil capacity goal by 2030.

Conclusion

These guidelines mark a proactive pivot toward securing India's critical infrastructure. By embedding national security safeguards into renewable energy expansion along international borders, the framework ensures that environmental sustainability does not compromise border integrity. Seamless implementation via MNRE's single window will be essential to prevent administrative delays for RE developers.

UPSC Prelims Practice Questions

Question: The requirement of anti-drone systems around sensitive renewable energy projects primarily seeks to address:

- A. Reduction in wind turbulence.
- B. Risks from unauthorized aerial surveillance and drone-based attacks.
- C. Interference with satellite navigation.
- D. Reduction in solar radiation.

Ans: B)

UPSC Mains Practice Questions

Question: "India's transition towards renewable energy must be accompanied by a parallel transition towards energy infrastructure security." Discuss with reference to renewable energy projects in border areas. **(10 Marks, 150 Words)**

No: 1521, Second Floor, H-Block, 5th Street, Anna Nagar, Chennai-40.

Ph: +91 8754543687, www.gurukulamias.in

In a direct counter-measure to Beijing's periodic attempts to assign Chinese names to places in Arunachal Pradesh (which China calls "Zangnan"), India has formally identified 27 geographical locations—including land features, mountain passes, a lake, and a monument—using standard names on the official Survey of India map. Released by the Ministry of Home Affairs (MHA), this strategic step reinforces administrative, public, and cartographic clarity over India's sovereign territory.

Key Points: News Analysis

- **Official Standardization:** The Union Home Ministry formally marked 27 key locations on the official Survey of India map to build accurate public awareness and standardize domestic/international geographic usage.
- **Key Strategic Locations Identified:**
 - **Long Ju:** Situated along the Line of Actual Control (LAC); served as one of the earliest military flashpoints between Indian and Chinese forces in August 1959.
 - **Thag La Pass:** A critical high-altitude pass near the Namka Chu river that witnessed opening battles during the 1962 Sino-Indian War.
 - **Bisa Village:** A strategically vital high-altitude settlement and mountain pass in the border zone.
- **Countering Cartographic Aggression:** India dismissed China's "fictitious names" as "baseless narratives," affirming that unilateral renaming does not alter the historical and ground realities of Indian sovereignty.

Related Static Dimensions

- **India & Its Neighborhood:**
 - **Cartographic Assertiveness:** China utilizes cartographic tactics and domestic "Land Borders Law" to construct legal claims over disputed regions. India's official cartographic mapping directly counters this cognitive and legal warfare.
 - **Bilateral Normalization:** Unilateral territorial renamings by Beijing stall diplomatic mechanisms aimed at restoring peace along the LAC.
- **Internal & Border Security**

India formally names 27 places in Arunachal Pradesh on official map

Vijaita Singh
NEW DELHI

In response to frequent attempts by China to rename some places in Arunachal Pradesh, India on Friday formally identified 27 places – including land, passes, a lake and a monument – in the border State by their standard names on the official Indian map.

"Identifying them formally on the Survey of India map of Arunachal Pradesh is aimed at facilitating their accurate recognition and better awareness among the public at large," the Union Home Ministry said in a statement.

The 27 locations formally marked on the official map include Long Ju located along the Line of Actual Control, which was one of the earliest flashpoints bet

ween India and China in 1959 when Chinese forces entered the area.

The list also includes Bisa village, a strategically important high-altitude mountain pass in the region.

One of the most strategically important high-altitude passes, Thag La, where one of the opening battles between Indian and Chinese forces took place in 1962, has also been formally identified on the official map.

'Baseless narratives'

India has been dismissing Chinese efforts to assign "fictitious names" to Indian territory, asserting such attempts to create "baseless narratives" cannot alter "undeniable reality" and could derail efforts to normalise bilateral ties.

Daily News Analysis

- **Eastern Sector (McMahon Line):** Arunachal Pradesh shares a 1,126 km border with China. Defining clear geographic identifiers aids operational logistics, border infrastructure deployment, and civil-military administration.
- **Vibrant Villages Programme (VVP):** Standardizing geographic features supports the socio-economic development and integration of strategic border villages like Bisa.

• Geography

- **Survey of India:** The National Survey and Mapping Organization under the Ministry of Science and Technology, responsible for official territorial mapping.
- **Important Passes & Features:** Key passes (Thag La, Bum La, Sela Pass) act as crucial physiographic and defense choke points along the Eastern Himalayas.

Conclusion

India's formal cartographic mapping of 27 locations in Arunachal Pradesh reflects a proactive shift from defensive diplomatic statements to firm sovereign assertion. By anchoring historical frontier sites like Long Ju and Thag La within official cartography, India reinforces its territorial integrity against cartographic expansionism, ensuring that border stability remains tied to ground facts rather than invented narratives.

UPSC Prelims Practice Questions

Question: With reference to Arunachal Pradesh, consider the following statements:

1. It shares an international boundary with China.
2. It forms part of the eastern sector of the India-China boundary.
3. The McMahon Line is associated with the eastern sector of the India-China boundary.

Which of the statements given above are correct?

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

Ans: D)

UPSC Mains Practice Questions

Question: "Territorial disputes are increasingly being contested not only on the ground but also through maps, nomenclature and narratives." Discuss with reference to India-China relations. (10 Marks, 150 Words)

No: 1521, Second Floor, H-Block, 5th Street, Anna Nagar, Chennai-40.

Ph: +91 8754543687, www.gurukulamias.in

Daily News Analysis

Page 06 : GS III : Indian Economy / Preliminary Examination

The Lok Sabha passed the **Taxation and Other Laws (Amendment) Bill, 2026**, amending Section 10A of the **Payment and Settlement Systems (PSS) Act, 2007**. This empowers the Union Government to notify electronic payment modes—such as the Unified Payments Interface (UPI) and RuPay cards—that may attract fees, ending the mandatory zero-Merchant Discount Rate (MDR) regime established in 2020.

Core News Analysis: UPSC Perspective

- **Regulatory Shift:** Replaces automatic zero-MDR exemptions with discretionary government powers to specify fee-bearing transaction types.
- **Targeted Scope:** Proposals indicate potential MDR levies on large merchants (turnovers above ₹1–1.5 crore) for high-value transactions (>₹2,000), keeping person-to-person (P2P) and small vendor transactions free.
- **Financial Sustainability:** Payment System Providers (PSPs) and banks have borne operational costs despite government budgetary subsidies (~₹11,349 crore spent since 2021). Restoring charges follows a "user-pays" principle to fund infrastructure, cybersecurity, and innovation.
- **Socio-Economic Concerns:** Risk of cost passthrough from merchants to end-consumers, potentially incentivizing a return to cash usage and impacting formalization.

Related Static Dimensions (UPSC Syllabus Linkages)

- **Indian Economy (GS Paper III - Financial Inclusion & Infrastructure):**
 - **Digital Public Infrastructure (DPI):** India's payment landscape relies on public goods funded via tax support or regulatory mandates.
 - **Merchant Discount Rate (MDR):** Fee charged to merchants by acquiring banks for processing digital payments, crucial for fintech unit economics.
- **Governance & Policy (GS Paper II - Government Policies):**
 - **Regulatory Balance:** Balancing consumer welfare, small business adoption, and fintech sector capital investment.
 - **Role of National Payments Corporation of India (NPCI) & RBI:** Oversight of retail payment systems under the PSS Act, 2007.

Conclusion

Pay wall

Removing UPI's free nature will not only be unpopular but also unfair

The government's decision to allow banks and payment processors to levy a charge on UPI transactions, while still pending, has already led to several policy questions. No official decision has yet been announced, but the preparations are apparent. The only official change that has been made is the amendment to the Payment and Settlement Systems Act that will now allow the government to notify which types of transactions can attract a charge. This was done through the Taxation and Other Laws (Amendment) Bill, 2026, which was passed in the Lok Sabha recently without a debate. Before this law, UPI and RuPay debit card transactions were expressly exempt from any charges. Government sources say that the charge could be allowed only for transactions conducted by large merchants with turnovers of more than ₹1 crore-₹1.5 crore and for transactions above ₹2,000 in value. This would limit the charge to only about 5% of all UPI transactions. However, the amended law gives the government the ability to widen this scope. The fear also is that merchants will pass this cost on to consumers, who will move back to cash, which remains free to use. That said, the issue must also be looked at from the point of view of the payment ecosystem. UPI was made free in 2020. The payments players have argued that they have been bearing the cost of maintaining and running UPI since then. As Reserve Bank of India (RBI) Governor Sanjay Malhotra recently said, "somebody has to pay" for UPI. Presumably, he meant that "somebody" should no longer be the payment processors or banks.

However, the burden of the cost has not solely been borne by these players. Taxpayers are already bearing some of it. In 2021, the government introduced a scheme where it paid these payment processors and banks a subsidy to partially cover the cost of processing transactions up to ₹2,000 done by small merchants. The government has already paid about ₹11,349 crore on this, with another ₹2,000 crore budgeted for 2026-27. The question is whether consumers and merchants should be asked to pay an additional charge when some of their taxes are already being used for this purpose. There is also some anger over the perception that the government pushed people towards UPI through demonetisation, only to now allow it to become chargeable. Finance Minister Nirmala Sitharaman has argued that such a charge will help payment players invest more on infrastructure, innovation, and security. The RBI has the resources to pay for UPI's development. Using this would entail a small reduction in the vast surplus that it transfers to the Centre each year, but it would save the government from an increasingly unpopular decision.

Daily News Analysis

Transitioning from a zero-MDR mandate toward a calibrated fee structure addresses the revenue constraints of payment processors while safeguarding financial inclusion. To protect digital penetration gains, any future fee notifications must strictly insulate small merchants and retail consumers, ensuring India's digital economy maintains momentum.

UPSC Prelims Exam Study Questions

Question: Which of the following best explains the concept of Digital Public Infrastructure (DPI)?

- A. Digital infrastructure owned exclusively by private technology companies.
- B. Shared digital systems that provide foundational platforms for large-scale public and private services.
- C. Physical infrastructure used for manufacturing electronic devices.
- D. Government websites used exclusively for administrative purposes.

Ans:B)

UPSC Mains Exam Study Questions

Question:"The success of UPI reflects the transformative potential of Digital Public Infrastructure, but its long-term sustainability requires a viable payment ecosystem." Discuss.(10 Marks, 150 Words)



No: 1521, Second Floor, H-Block, 5th Street, Anna Nagar, Chennai-40.

Ph: +91 8754543687, www.gurukulamias.in

In an op-ed in The Hindu, Professor G. Venkat Raman examines how U.S. foreign policy—marked by fresh tariffs and transaction-driven "flexible realism"—is reshaping global partnerships. While the India-U.S. strategic relationship over the past decade was largely driven by joint concerns over China's rise, the emerging paradigm shifts the focus toward tangible mutual capabilities, reciprocal economic benefits, and national self-reliance.

The changing logic of the India-U.S. partnership

The Trump administration's latest tariffs on several trading partners, including India, are widely seen as another trade dispute. That interpretation misses the larger picture. Alongside growing demands for greater burden-sharing, tighter technology restrictions and a more reciprocal approach to international partnerships, the tariffs reflect a broader shift in American statecraft. Washington is increasingly judging partners and competitors through the lens of national interest rather than strategic convergence. The immediate impact will be felt in trade negotiations; the more enduring implications are strategic. They signal a changing American approach to alliances and partnerships with important implications for India.

This approach reflects what the Trump administration describes as 'flexible realism'. Unlike the post-Cold War liberal international order, this approach places national interest at the centre of American foreign policy. It treats trade, technology, industrial policy, and security as integrated instruments of statecraft. Partnerships are judged less by shared values or historical goodwill than by the tangible strategic and economic value they deliver. Rather than signalling a retreat from global engagement, it recalibrates how the United States pursues its interests in an increasingly competitive international environment.

The China factor

It is useful to recall the strategic logic that has underpinned the India-United States partnership over the past decade. With China's emergence as Washington's principal strategic competitor, India assumed growing strategic importance in the U.S.'s calculations. Defence cooperation expanded, the Quad gained momentum, technology partnerships deepened, and supply-chain resilience became a shared priority. While democratic values provided a favourable political backdrop, it was the convergence of strategic interests driven by China's rise that gave the partnership its real momentum. For both



G. Venkat Raman

Professor at the Indian Institute of Management, Indore, Madhya Pradesh

New Delhi and Washington, managing the geopolitical consequences of a more powerful China became the principal driver of bilateral cooperation. This shift in American statecraft does not diminish India's strategic importance, but it does redefine the basis on which that importance will be judged. Strategic convergence with the U.S. remains important, but it can no longer be assumed to be the principal driver of the relationship. Washington is increasingly likely to assess even close partners through the lens of reciprocal economic benefit, technological capability, and strategic contribution. Consequently, India can no longer assume that intensifying U.S.-China competition will, by itself, continue to enhance its strategic relevance. The partnership must increasingly rest on what India brings to the table than on China's rise alone.

The next phase

The more significant implication of this evolving approach is that it redefines the nature of strategic partnerships. The first phase of the India-U.S. relationship was shaped by strategic convergence driven by China's rise. The next phase will increasingly depend on strategic complementarity, with each country expected to contribute capabilities that reinforce the other. Defence cooperation, critical technologies, resilient supply chains, and advanced manufacturing will matter not merely because they help manage China's rise, but because they strengthen the resilience and competitiveness of both economies. The India-U.S. partnership is therefore evolving from one defined primarily by a shared strategic challenge to one sustained by mutual strategic value. Far from weakening the relationship, this evolution could make it more balanced and resilient.

If flexible realism encourages Washington to rely on stronger and more capable partners, it also creates greater space for India's strategic agency. A more economically competitive, technologically advanced, and militarily capable India is not only a more valuable partner for the

U.S. but also better positioned to pursue its own strategic interests. The relationship can therefore evolve from one shaped primarily by China's rise to one anchored in India's capabilities and strategic contribution.

For India, this evolution reinforces rather than weakens the relevance of strategic autonomy. In the emerging international environment, strategic autonomy is not about maintaining equal distance from competing powers; it is about preserving the ability to make independent choices based on India's own interests. That also means that India's approach to China should increasingly be guided by its own long-term strategic calculations rather than by the trajectory of U.S.-China relations. In practice, this requires a strategy of multi-alignment: strengthening the strategic partnership with the U.S., managing competition and cooperation with China on India's own terms, and deepening strategic, economic, and technological partnerships with the European Union, Japan, and Global South.

Looking ahead

The India-U.S. partnership is entering a new phase. During the past decade, its momentum was driven by a shared response to China's rise. That strategic convergence will remain important, but it will no longer be sufficient on its own. In this emerging strategic environment, enduring partnerships will increasingly be built on capability, reciprocity, and strategic value. For India, this carries a broader strategic lesson. India's strategic relevance must increasingly flow from its own economic dynamism, technological capabilities, defence preparedness, and diplomatic influence. The challenge, therefore, is not merely to remain relevant in Washington's strategic calculus, but to build the capabilities that make it an indispensable partner. That would not only strengthen the India-U.S. partnership but also reinforce India's strategic autonomy in an increasingly contested world.

The views expressed are personal

Core Analysis: Key Perspectives from the Article

• Shift to Flexible Realism:

- U.S. statecraft is moving away from post-Cold War liberal internationalism toward pragmatism.
- Trade, technology, industrial policy, and defense are treated as interconnected tools of national interest.
- Bilateral relationships are increasingly evaluated on transactional value and reciprocal benefits rather than shared democratic values alone.

• Evolution Beyond the "China Factor":

No: 1521, Second Floor, H-Block, 5th Street, Anna Nagar, Chennai-40.

Ph: +91 8754543687, www.gurukulamias.in

Daily News Analysis

- Intensifying U.S.-China rivalry will no longer automatically guarantee strategic preference for India.
- The partnership is shifting from **strategic convergence** (responding to a shared threat) to **strategic complementarity** (contributing asymmetric capabilities that strengthen both economies).

- **Re-anchoring Strategic Autonomy:**

- India's strategic relevance must be anchored in its domestic growth, defense preparedness, and technological capabilities rather than third-party dynamics.
- **Multi-alignment Strategy:** Engaging deeper with the U.S. while maintaining independent relations with China, the EU, Japan, and the Global South safeguards India's policy independence.

Related Static Dimensions

- **International Relations**

- **India-U.S. Relations:** Transitioning across mechanisms like iCET (Critical & Emerging Technology), QUAD, and DTTI (Defense Technology and Trade Initiative) to build resilient supply chains and critical tech cooperation.
- **Strategic Autonomy:** Evolving from non-alignment to pragmatic multi-alignment, enabling India to maintain independent choices in a multipolar world.

- **Internal Security & Defense**

- Strengthening domestic defense manufacturing (Indigenization/Atmanirbharata) to serve as a reliable security pillar in the Indo-Pacific.

- **Economic Diplomacy**

- Navigating tariff frictions, supply-chain friend-shoring, and reciprocal market access while boosting domestic manufacturing capabilities.

Conclusion

The transformation of India-U.S. ties from shared threat perception to mutual capability-building offers a path toward a more resilient, balanced partnership. For India, navigating Washington's transactional foreign policy reinforces the need to accelerate domestic economic and technological growth. Building indispensable national capabilities will ensure that India's strategic autonomy remains secure regardless of shifts in global power dynamics.

Daily News Analysis

UPSC Prelims Practice Questions

Question The Quad is primarily associated with cooperation in:

- A. Collective military defence under a treaty.
- B. Indo-Pacific cooperation involving maritime security, resilient supply chains, critical technologies and regional stability.
- C. Common currency and monetary integration.
- D. Nuclear disarmament exclusively.

Ans: B)

UPSC Mains Practice Questions

Question: "The India-U.S. relationship is evolving from strategic convergence to strategic complementarity." Examine. **(10 Marks, 150 Words)**



No: 1521, Second Floor, H-Block, 5th Street, Anna Nagar, Chennai-40.

Ph: +91 8754543687, www.gurukulamias.in

According to the latest Reserve Bank of India (RBI) data, India's Foreign Exchange (Forex) reserves swelled by \$10.512 billion to reach \$692.866 billion for the week ended July 31. Following periods of depletion caused by global geopolitical uncertainties (such as the West Asia conflict) and RBI currency defense interventions, this sharp recovery highlights the efficacy of central bank policy interventions and strong capital inflows.

India's forex kitty swelled by \$10.5 billion to \$692.87 billion

Press Trust of India

NEW DELHI

India's forex reserves jumped by \$10.512 billion to \$692.866 billion during the week ended July 31, the RBI said on Friday. The overall kitty had jumped by \$6.118 billion to \$682.354 billion in the previous reporting week.

Reserves had expanded to an all-time high of \$728.494 billion during the

week ended February 27 this year before the onset of the West Asia conflict, which led to several weeks of drop as the rupee came under pressure and the RBI had to intervene in the forex market through dollar sales.

For the week ended July 31, foreign currency assets, a major component of the reserves, increased by \$8.75 billion to \$564.68 billion, the central bank's da-

ta showed. Expressed in dollar terms, the foreign currency assets include effects of appreciation or depreciation of non-US units, such as the euro, pound, and yen, held in the foreign exchange reserves.

It may be recalled that the central bank and the government had launched a series of measures to attract more forex flows into the country last month, including FCNR(B).

Key Points: News Analysis

- **Reserve Breakdown:** Foreign Currency Assets (FCA)—the primary component of forex reserves—grew by \$8.75 billion to \$564.68 billion. FCA reflects value changes of major non-USD currencies (Euro, Pound, Yen) relative to the US dollar.
- **Recovery Trajectory:** Reserves had peaked at an all-time high of \$728.494 billion in late February before external shocks triggered rupee volatility, requiring RBI dollar sales in spot markets.
- **Targeted Policy Stimulus:** The surge follows proactive RBI liquidity measures, including the reintroduction of the concessional **Foreign Currency Non-Resident (Bank) [FCNR(B)]** swap window, which incentivized banks to attract foreign currency fixed deposits from non-residents.

Related Static Dimensions

- **Indian Economy**
 - **Four Components of Forex Reserves:**

No: 1521, Second Floor, H-Block, 5th Street, Anna Nagar, Chennai-40.

Ph: +91 8754543687, www.gurukulamias.in

Daily News Analysis

1. Foreign Currency Assets (FCA)
2. Gold Reserves
3. Special Drawing Rights (SDR) with the IMF
4. Reserve Tranche Position (RTP) in the IMF

- **Import Cover & Vulnerability Indicators:** Strong reserves act as a crucial macroeconomic buffer against external debt obligations and sudden capital flight during global financial tightening.

- **Monetary Policy & Currency Management**

- **Exchange Rate Defense:** RBI intervenes in the Forex market to prevent disorderly movements in the Indian Rupee (INR) rather than targeting a specific exchange rate level.
- **FCNR(B) Deposit Mechanism:** Allows NRIs/PIOs to deposit funds in foreign currencies, completely insulating depositors from rupee depreciation risk. Concessional swap windows lower hedging costs for domestic banks.

Conclusion

The rapid rebound in foreign exchange reserves toward \$700 billion reinforces India's external sector resilience against external volatility. By blending strategic interventions like the FCNR(B) swap window with prudential market operations, the RBI ensures adequate import cover and currency stability, maintaining global investor confidence in India's macroeconomic fundamentals.

UPSC Prelims Exam Study Questions

Ques: With reference to India's foreign exchange reserves, consider the following statements:

1. Foreign Currency Assets (FCA) form a major component of India's forex reserves.
2. FCA may be affected by movements in exchange rates of currencies other than the US dollar.
3. Gold held by the RBI is not included in India's foreign exchange reserves.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 2 only
- C. 1 and 3 only
- D. 1, 2 and 3

Ans: A)

UPSC Mains Exam Study Questions

Ques: "Wetlands are among the most productive ecosystems, yet they remain one of the most threatened." Discuss the ecological significance of wetlands and examine the challenges in their conservation in India. **(10 Marks, 150 Words)**

No: 1521, Second Floor, H-Block, 5th Street, Anna Nagar, Chennai-40.

Ph: +91 8754543687, www.gurukulamias.in

Kerala can become India's model AI governance State

The evolution of public administration has reached a critical juncture today. The sheer complexity of modern governance has outpaced the legacy tools traditionally used to manage it. Kerala has long enjoyed a distinguished reputation built upon its enduring strengths: a highly educated citizenry, robust public institutions, and an enlightened tradition of public discourse. Yet, these historic achievements risk being undermined if the State's administrative machinery continues to rely on fragmented information flows, delayed reporting, and rigid, department-centric silos.

In an era defined by real-time data analytics, artificial intelligence (AI), and systems-level coordination, relying on annual reports and retrospective reviews is no longer just an operational inefficiency; it has become a structural hazard. Upgrading these systems is not an exercise in technocratic ambition, but rather a fundamental requirement for institutional credibility, fiscal discipline, and responsible statecraft.

Across Kerala's administrative ecosystem, most departments continue to design, execute, and evaluate their public schemes within narrow, isolated boundaries. Key sectors such as health, power, local self-government, social welfare, finance, agriculture, and education operate with incompatible reporting formats and disconnected review cycles. Crucially, the overwhelming majority of these programmes lack real-time monitoring. Regulatory leakages, cost overruns, beneficiary exclusion, and execution delays are discovered months after the fact, when corrective intervention is both administratively expensive and politically constrained. Fiscal leakages go undetected across departmental lines, policy failures are identified only after public resources are completely exhausted, and administrative accountability shifts to merely explaining errors away. For a State that prides itself on exceptional human development outcomes, this structural vulnerability is inexcusable.

Modern public policy does not operate in isolation; it functions as a highly interconnected web of cause and effect. A rural housing scheme directly alters electricity demand; energy pricing reshapes household economics. These economic shifts subsequently influence nutrition and community health outcomes, which ultimately dictate workforce productivity and long-term fiscal capacity. When administrative departments optimise solely for their individual mandates, the State loses its ability to anticipate or manage these critical second-order effects.

A real-time digital nervous system

This is precisely where AI-powered governance dashboard becomes a strategic necessity. Such a platform is far from a cosmetic overlay of digital charts and superficial indicators; it functions as a



Shashi Tharoor
Fourth-term Member of Parliament (Lok Sabha) for Thiruvananthapuram (Congress party), the Chairman of the Parliamentary Standing Committee on External Affairs, and the Sahitya Akademi Award-winning author of 29 books, including, most recently, 'The Sage Who Reimagined Hinduism: the Life, Lessons and Legacy of Sree Narayana Guru'

Annual reports are no longer enough and Artificial Intelligence can make the State a model for smarter governance

living institutional nervous system. By integrating live data streams from all departments, public utilities, and local bodies, it can track public programmes end-to-end, from the initial budget allocation and fund release to ground-level execution and actual beneficiary outcomes. Machine-learning models can automatically flag anomalies, delays, cost escalations, and implementation gaps as they occur, providing predictive alerts that allow leadership to intervene before an administrative hitch escalates into a public crisis. This approach transitions informed decision-making from a distant aspiration into a daily institutional discipline.

The true value of this integrated digital architecture becomes apparent when it is applied systematically across core administrative sectors. In public health, real-time monitoring of hospital capacity, medicine inventories, ambulance response times, and disease surveillance can actively prevent system overloads rather than just document them after a crisis. AI-driven alerts can detect emerging public health stress at the district and panchayat levels, enabling rapid, localised interventions. Similarly, within the power and energy sector, integrating data on electricity generation, distribution losses, subsidy flows, and rooftop solar adoption onto a single platform, allows energy policy to be managed as a dynamic fiscal and infrastructure system, safeguarding grid stability and mitigating financial drain.

This transparency is equally vital for Kerala's celebrated decentralised governance model. Local self-government institutions can leverage these dashboards to track project execution, fund utilisation, and citizen grievance resolution timelines, ensuring that local autonomy is matched by clear visibility. In the domain of social welfare, where multiple schemes frequently target the same households through different departments, real-time database reconciliation can instantly flag duplication or unwarranted exclusions, ensuring welfare spending remains efficient. Finally, in public finance, moving away from delayed financial reconciliation toward live visibility of treasury cash flows and committed liabilities directly reinforces fiscal discipline and state credibility.

Towards results

This shift fundamentally transforms a political culture where review meetings have historically functioned as retrospective rituals characterised by static presentations and selective indicators. An automated dashboard alters this dynamic by making performance continuous, visible, and cross-institutional. Responsibility moves from episodic justification to real-time ownership. Public officers receive structural protection through objective, unmanipulated data, while senior political leadership gains high-level clarity without resorting to micromanagement. Far from

weakening the civil service, this system actively strengthens public institutions.

State ownership matters

To ensure that this transformation is credible, the reform must be anchored in a concrete, State-owned digital architecture. Though there is a strong case for decentralised governance, and those who generate data must continue to "own" it, senior leadership will need a unified oversight to interpret live feeds, highlight deviations from targets, simulate the downstream impact of proposed policy adjustments, and recommend evidence-based course corrections. This architecture would collapse the time lag that routinely paralyses governance, centralising operational visibility while keeping execution authority properly distributed.

To ensure that this advanced technological framework strengthens democracy rather than unsettling it, robust legal and institutional guardrails are mandatory. All data must remain the sovereign property of Kerala, held in trust for its citizens and managed in compliance with Indian data protection laws. Every AI-generated alert or policy recommendation must be fully auditable, preserving clear decision logs for statutory oversight, vigilance reviews, and legislative scrutiny. In democratic governance, algorithmic transparency is a necessity, ensuring that executive efficiency never erodes legislative authority or constitutional balance.

Furthermore, layered over existing infrastructure such as the e-Kerala systems embedded across village offices, this real-time awareness acts as a vital safeguard for State resources. By interfacing lawfully with secure national data verification systems, the State can seamlessly authenticate beneficiary eligibility, track the end-to-end delivery of subsidies, and align property records to close long-standing loopholes in revenue leakage. When identity, entitlement, and transaction data converge under strict legal oversight, fiscal pilferage becomes structurally difficult, protecting the State from systemic financial strain.

The cost of administrative inaction in an increasingly digitised world is exceptionally high. Bureaucratic morale suffers when officers are forced into defensive post-hoc explanations rather than proactive problem-solving.

Transitioning to an AI-driven governance model would signal that public funds are treated as sacred capital, and that democratic administration can be both deeply humane and technologically precise. It bridges the gap between political intent and actual delivery, turning the ideal of collective administrative responsibility into a measurable, 21st-century reality. And once again, Kerala could set a model for the rest of India in how AI can be channelled constructively to improve democratic governance, rather than undermine it.

GS Paper II: Governance

UPSC Mains Exam Practice Questions: "Artificial Intelligence can transform Indian governance from reactive administration to predictive governance." Discuss the opportunities and risks involved.(10Marks, 150 Words)

Context: The evolution of public administration has reached a critical juncture where traditional administrative tools—reliant on fragmented data and retrospective reviews—are struggling to handle modern governance complexities. While Kerala excels in human development parameters, its administrative machinery faces structural challenges like departmental silos and delayed

No: 1521, Second Floor, H-Block, 5th Street, Anna Nagar, Chennai-40.

Ph: +91 8754543687, www.gurukulamias.in

Daily News Analysis

reporting. Leveraging Artificial Intelligence (AI) and real-time data analytics offers a transformative pathway to bridge the gap between policy intent and ground-level delivery, positioning Kerala as a pioneer in tech-enabled democratic governance.

Key Takeaways & Core Analysis

1. Structural Defects in Legacy Public Administration

- **Departmental Silos:** Key sectors (health, power, finance, education) operate in isolation with incompatible reporting formats.
- **Retrospective Reviews:** Reliance on annual reports causes delays in identifying policy failures, cost overruns, and leakages until resources are exhausted.
- **Neglect of Second-Order Effects:** Policies interact dynamically (e.g., housing schemes alter energy demand, affecting household economics and health). Fragmented monitoring fails to capture these ripple effects.

2. AI-Driven Governance Dashboard as a "Digital Nervous System"

- **End-to-End Tracking:** Connects live data streams from budget allocation down to ground-level delivery.
- **Predictive Governance:** Machine-learning algorithms flag implementation gaps, cost escalations, and anomalies in real time, moving administration from reactive defense to proactive intervention.
- **Sectoral Integration:**
 - Public Health: Real-time tracking of bed availability, medicine stock, and disease surveillance.
 - Energy: Dynamic grid management by monitoring generation, loss, and rooftop solar adoption.
 - Decentralized Bodies (Panchayats): Enhances local transparency without compromising local autonomy.
 - Social Welfare: Database reconciliation eliminates duplication and beneficiary exclusion.

3. Democratic & Institutional Guardrails

- **Data Sovereignty:** State ownership of data in compliance with national privacy frameworks (e.g., DPDP Act).
- **Algorithmic Auditability:** AI recommendations must leave clear decision logs for legislative and statutory oversight to preserve constitutional balance.
- **Human-in-the-Loop:** Technology assists decision-making while execution authority remains decentralized among public servants.

Static Connections

1. Governance & e-Governance

No: 1521, Second Floor, H-Block, 5th Street, Anna Nagar, Chennai-40.

Ph: +91 8754543687, www.gurukulamias.in

Daily News Analysis

- **e-Governance Applications:** Connects to existing frameworks like e-Kerala, Digital India, and National e-Governance Plan (NeGP).
- **Decentralization:** Relates to the 73rd and 74th Constitutional Amendment Acts by empowering Panchayati Raj Institutions (PRIs) with live project tracking tools.
- **Administrative Reforms:** Aligns with the **2nd ARC (Administrative Reforms Commission) 11th Report** on "Promoting e-Governance: The Smart Way Forward".

2. Science & Technology & Internal Security

- **Artificial Intelligence:** Application of AI in public service delivery, aligning with NITI Aayog's National Strategy for Artificial Intelligence (#AIforAll).
- **Data Privacy & Cybersecurity:** Intersects with the Digital Personal Data Protection (DPDP) Act, 2023, emphasizing state-held data sovereignty and protection against cyber vulnerabilities.

Structural Flow of AI Governance

1. **Data Ingestion Layer:** Ingestion of live feeds from village offices, utilities, treasuries, and social schemes.
2. **AI & ML Processing Layer:** Predictive modeling, anomaly detection, real-time alert generation, and inter-departmental reconciliation.
3. **Executive Oversight Layer:** Unified dashboard for leadership to run simulations, track delivery, and execute localized interventions.
4. **Institutional Guardrails:** Auditable decision logs, data sovereignty compliance, and oversight by statutory bodies.

Conclusion

Transitioning to an AI-powered governance framework ensures that public funds are treated as sacred capital and administrative accountability shifts from episodic explanations to real-time ownership. By combining data precision with robust democratic guardrails, Kerala can establish a replicable blueprint for the rest of India, demonstrating how technology can strengthen—rather than disrupt—constitutional statecraft.