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• ECONOMY

Before tariff reset, will US and India strike balance?

The timing of US trade chief Jamieson Greer's visit to India encapsulates the carrot-and-stick approach adopted by America when it comes to trade deals

RAVI DUTTA MISHRA

• INDIA'S SHRINKING GOODS TRADE SURPLUS WITH U.S.

Narrowing trade surplus

Shrinking surplus: Why it's a worry

India runs a goods trade deficit with nine of its ten top trading partners.

•

The US is the only major economy to which India exports more than it imports.

'Tough nut to crack'

Greer: China, free trade sceptic

The Indian EXPRESS Wed, 24 June 2026

- **Key Terms and Explanations**
- **Carrot-and-Stick Approach:** This is a classic diplomatic strategy that combines the promise of rewards ("carrots") with the threat of punitive actions ("sticks") to induce a desired behavior from a partner nation. For instance, a developed nation might offer enhanced market access for technology transfers as a carrot, while threatening to levy steep import tariffs as a stick if its intellectual property demands are not met.
- **Reciprocal Tariffs:** These are retaliatory or matching customs duties imposed by a nation in response to tariffs levied on its own goods by a trading partner. The fundamental concept operates on the principle of economic equivalence—"if you tax our steel at twenty percent, we will tax your agricultural products at twenty percent."
- **Section 301 of the US Trade Act of 1974:** A powerful, unilateral statutory provision in United States law that grants the executive branch the authority to investigate and take punitive action—such as imposing retaliatory tariffs—against foreign countries whose trade practices are deemed unjust, discriminatory, or restrictive to US commerce.
- **Section 122 of the US Trade Act of 1974:** This legal provision allows the US executive to deal with serious balance-of-payments deficits by imposing temporary import surcharges or quotas for a specific period (typically up to 150 days) to prevent rapid capital flight and stabilize domestic trade accounts.
- **Trade Surplus vs. Trade Deficit:** A trade surplus occurs when the value of a country's exports exceeds the value of its imports over a specific timeframe, indicating that it is a net seller to the global market. Conversely, a trade deficit arises when a country imports more value than it exports, reflecting an accumulation of external liabilities.
- **Non-Tariff Barriers (NTBs):** These are trade-restrictive measures other than direct customs duties used by governments to regulate international commerce. Examples include stringent sanitary and phytosanitary measures, complex licensing requirements, product labeling laws, and domestic content mandates that indirectly make foreign goods less competitive.

- **Main Arguments and Substantive Parts**
- The structural core of contemporary trade diplomacy between emerging and advanced economies—specifically exemplified by India and the United States—revolves around a delicate balancing act between market protection and export maximization.
- **The US "Carrot-and-Stick" Strategy**
- The United States has increasingly adopted a transactional trade policy that utilizes market access as leverage. While Washington dangles the prospect of finalizing historic bilateral trade agreements, it simultaneously deploys aggressive unilateral legal tools, such as trade investigations and impending tariff resets, to pressure its partners into dismantling defensive economic walls. This dual-track approach seeks to force structural concessions from highly guarded markets like India.
- **The Anxiety Over a Shrinking Trade Surplus**
- From New Delhi’s perspective, maintaining a robust trade surplus with major western economies is an absolute macroeconomic necessity. India currently runs a severe goods trade deficit with nine of its top ten trading partners, making its surplus with the United States a critical buffer for stabilizing its overall Current Account Deficit (CAD). However, due to recent reciprocal tariff pressures and shifting global supply dynamics, this safety net has begun to compress dramatically. This shrinking margin threatens domestic currency stability and impacts investor sentiment.
- **Sectoral Vulnerabilities and Domestic Resistance**
- The core friction points in these negotiations are concentrated within highly sensitive sectors:
- **Agriculture:** Indian agrarian groups strongly resist any lowering of import barriers, fearing that heavily subsidized Western agricultural surpluses will flood local markets and ruin the livelihoods of millions of smallholder, subsistence farmers.
- **High-Value Technology & Electronics:** While India is making strides toward becoming an electronics manufacturing hub, its export-import equilibrium remains volatile. A sudden surge in high-value component imports from advanced nations can quickly erase gains made in traditional export categories like petroleum products.
- **The Ideological Shift Against Free Trade**
- A major underlying driver of this trade friction is a fundamental ideological transformation within Western trade leadership. The traditional consensus favoring unfettered globalization has been replaced by a "free trade skepticism" that views open-market arrangements as mechanisms that hollowed out domestic manufacturing bases and compromised national economic security. Consequently, trade policy is now increasingly viewed through a lens of economic nationalism and geopolitical risk management.

- **Historical Evolution of the Issue**
- **The Pre-1991 Era of Estrangement:** Following independence, India adopted an inward-looking, protectionist economic model driven by import substitution and the "License Raj." Trade with the United States was minimal and frequently interrupted by geopolitical differences, as India maintained a non-aligned stance with close ties to the Soviet bloc, while the US utilized trade as an explicit geopolitical tool.
- **Post-1991 Liberalization and Opening:** The paradigm shifted dramatically following India's landmark economic reforms in 1991. As India slashed customs duties and dismantled its licensing regimes, bilateral trade began to expand rapidly. The 2000s witnessed a deepening strategic convergence, highlighted by the landmark Civil Nuclear Deal, which positioned economic cooperation as a vital pillar of the broader strategic partnership.
- **The Rise of Protectionist Friction (Late 2010s):** The relationship faced renewed strain during the late 2010s due to a resurgence of economic nationalism in the West. This period saw the termination of India’s preferential trade status under the Generalized System of Preferences (GSP), alongside a sequence of retaliatory tariff exchanges concerning steel, aluminum, and agricultural products.
- **The Modern Era of Geo-Economic Realignment (2025–2026):** Today, trade relations are shaped by a complex mix of geopolitical alignment against shared regional competitors and sharp bilateral economic disagreements. Unilateral measures like the International Emergency Economic Powers Act (IEEPA) and Section 301 investigations are frequently deployed, forcing both nations into a continuous cycle of tariff adjustments and intense legal negotiations to preserve market access.

- **Way Forward**
- **Structural Diversification of the Export Basket:** To reduce vulnerability to single-market tariff shifts, emerging economies must diversify both their export products and destination markets. Moving beyond traditional sectors like petroleum products into high-value engineering, specialized electronics, and services can help stabilize trade balances.
- **Implementing a Graded and Tiered Tariff Framework:** Rather than choosing between complete protectionism or total market openness, nations should implement a dynamic, data-driven tariff system. Sensitive sectors like subsistence agriculture require strong protection, while advanced technology inputs can be liberalized to boost domestic manufacturing competitiveness.
- **Streamlining and Reforming Non-Tariff Barriers:** Addressing underlying non-tariff barriers—such as harmonizing quality standards, streamlining customs procedures, and standardizing certification processes—can enhance market access without triggering political resistance over tariff reductions.
- **Institutionalizing Bilateral Dispute Mechanisms:** To avoid sudden, disruptive economic actions, trading partners should establish permanent, institutionalized bilateral dispute frameworks. These forums can resolve technical standard disagreements and trade friction points quietly, preventing them from escalating into full-scale tariff disputes.
- **Leveraging Geopolitical Alignment for Economic Security:** Nations should convert shared strategic interests into robust economic partnerships. By positioning themselves as reliable, safe alternatives for supply chain diversification ("friend-shoring"), developing economies can attract long-term investment, build deep industrial capabilities, and create highly resilient trade networks.

NAVIGATING INDO-Us TRADE DIPLOMACY: A COMPREHENSIVE STUDY.

SECTION 1: KEY TERMS

Carrot-and-Stick Approach
- **Definition:** - sense or mpeate carrot-and-stick approach
- **Definition:** - Carrot-and-stick approaé for ronation

Reciprocal Tariffs
Matching tariff scales between tarriff scaen USA and INDIA

Section 301 of US Trade Act
A statutory document a statuory and tariffs
Unilateral Punitive Action

Section 122 of US Trade
Act a balance-of-pa yments scale
Dealing with Deficits

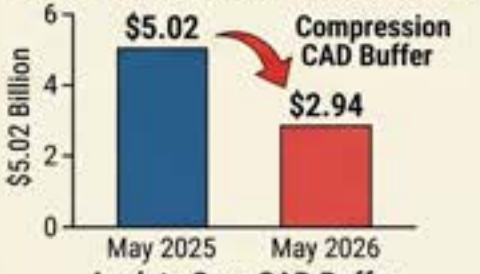
Trade Surplus vs. Deficit
- Export/import
- Emport and arrox to a balance sheet

Non-Tariff Barriers (NTBs)
Complex license · Product labeling · Product mandates · Domestic mandates
Trade-Restrictive Measures

SECTION 2: MAIN ARGUMENTS & ANALYSIS

The US Carrot-and-Stick Strategy
Historic Bilateral Agreements (Carrot) | Agitative Legal Tools (Stick)

INDIA'S SHRINKING TRADE SURPLUS WITH THE US (MAY DATA)



Anxiety Over CAD Buffer

Sectoral Vulnerabilities
Agriculture
Agrarian Livelihoods Threatened Import Barriers

High-Value Tech · Volatile Export-Import Equilibrium

Ideological Shift Against Free Trade
Globalization Consensus → Economic Nationalism

SECTION 3: HISTORICAL EVOLUTION

- **PRE-1991:** Protected Import Substitution →
- **1991-2000s:** Economic Opening Bilateral Expansion →
- **2010s-2020s:** Strategic Growth Tariff Frictions →
- **PRESENT DAY — 2025-26:** Geo-Economic Realignment - Nationalist Trade Policies (USD · FDI)

SECTION 4: PHILOSOPHICAL BASE

- **Mercantilism vs. Liberal Free Trade** VS.
- **Protectionist Realism:** Tariff as corrective instrument
- **Strategic Protectionism:** Food security prerequisites; Defending smallholders

SECTION 5: MULTIDIMENSIONAL ANALYSIS

MULTIDIMENSIONAL TRADE

SOCIAL	POLITICAL	LEGAL
Farmer Welfare	Electoral Pressure	WTO vs. Domestic Statutes
ETHICAL	**INTERNATIONAL**	**ECONOMIC**
Equity vs. Efficiency	Supply Chain Alliances	CAD, FDI, Currency Stability

SECTION 6: LINKAGES WITH NCERTs & UPSC SYLLABUS

List of NCERTs
- Indian Eco Reforms Macro BoP
- World Politics Globalization

UPSC CSE Syllabus Mapping
GS II:
- International Relations
- Groupings
- Developed Countries Policies

GS III:
- Indian Economy
- Growth
- Agri Subsidies
- WTO

Essay/GS IV: Ethics in IR

SECTION 7: WAY FORWARD

- Structural Diversification of Export Basket
- Graded and Tiered Tariff Framework
- Institutionalizing Bilateral Dispute Mechanisms
- Leveraging Geopolitical Alignment for Economic Security ("Friend-Shoring")

• LEGAL

Intellectual disabilities & the question of choice in giving birth

Vineet Bhalla
New Delhi, June 23

THE KARNATAKA High Court permitted the parents of a 23-year-old woman with severe intellectual and developmental disabilities a total abdominal hysterectomy, or the surgical removal of the uterus, last week. The ruling was the latest instance of courts' intervention in the reproductive autonomy of women with intellectual disabilities — decisions that often involve the complex intersection of law, medicine and human rights.

Why approach courts?

Historically, women with intellectual disabilities have been vulnerable to forced sterilisations and non-consensual medical procedures, often justified by caregivers as a matter of convenience or under the guise of protecting them from the consequences of sexual abuse.

To prevent this, Indian law places strict safeguards on procedures that permanently alter a person's reproductive capacity. Section 10 of the Rights of Persons with Disabilities Act, 2016, prevents persons with disability from being subjected to any medical procedure leading to infertility without their free and informed consent.

A legal dilemma arises when a woman's intellectual disability is so severe that she lacks the cognitive capacity to understand the nature and consequences of a procedure, rendering her unable to give "informed consent". In such scenarios, caregivers and doctors cannot unilaterally make the decision and must approach a court. The court does not simply substitute its own judgment for the individual's; it conducts an inquiry to determine what course of action lies in the "best interests" of the person.

BEST INTERESTS

- For individuals unable to care for themselves, the courts invoke 'parens patriae': a doctrine wherein the court steps into the shoes of a guardian.
- The court conducts an inquiry to determine what lies in the person's "best interests", prioritising their health, dignity, and bodily integrity.

Guidelines on hysterectomies

The issue of consent and medical necessity in hysterectomies was addressed by the Supreme Court in *Dr Narendra Gupta v. Union of India* (2023), which highlighted that "unnecessary hysterectomies" were being carried out on women, particularly from marginalised communities, under government health insurance schemes. These procedures were often allegedly performed in private hospitals without consent or informing the women about side-effects.

Recognising this as a serious violation of the fundamental right to health under Article 21, the SC directed all states and Union Territories to strictly implement the Union Health Ministry's 2022 Guidelines to Prevent Unnecessary Hysterectomies. The court mandated the formation of hysterectomy monitoring committees at the national, state and district levels to audit such surgeries and directed the blacklisting of hospitals found performing the procedure without necessity or consent.

The abortion dilemma

While the Karnataka case dealt with a hysterectomy, most of the jurisprudence regarding the reproductive rights of intellectually disabled women in India revolves around pregnancies, often resulting from sexual assault.

Here, the Medical Termination of Pregnancy Act, 1971, comes into play. Under the Act, if a pregnant woman has a mental illness, a pregnancy can be terminated with the written consent of her guardian. The law, however, does not extend this guardian-consent provision to women with intellectual disabilities. For them, their own consent remains an absolute legal requirement for an abortion.

This distinction came to the fore in *Suchita Srivastava v. Chandigarh Administration*, a landmark 2009 SC judgment. The SC held that a woman's right to make reproductive choices is a fundamental dimension of "personal liberty" guaranteed under Article 21. The court noted that because she suffered from mental retardation and not a mental illness, the state could not force an abortion without her consent.

Courts are also frequently forced to balance reproductive autonomy with the physical survival of the mother and the medical complexities of late-stage pregnancies.

- **Key Terms and Explanations**
- **Parens Patriae:** A Latin term meaning "parent of the nation." It is a legal doctrine where the state has the power and duty to protect persons who are legally unable to act on their own behalf, such as children or individuals with severe disabilities.
- **Reproductive Autonomy:** The right of every individual to make decisions about their own reproductive life, including whether to have children, when to have them, and the right to medical procedures like sterilization or abortion.
- **Informed Consent:** The process by which a patient understands the nature, risks, and benefits of a medical procedure before agreeing to it. For persons with intellectual disabilities, determining "capacity" to provide this is a significant legal challenge.
- **Intellectual Disability:** A condition characterized by significant limitations both in intellectual functioning and in adaptive behavior. The law treats this differently than "mental illness,".
- **Hysterectomy:** A surgical procedure to remove the uterus. When performed on women with disabilities, it is often a subject of intense legal and ethical scrutiny regarding whether it is for health necessity or convenience.

- **Main Arguments and Substantive Parts**
- **The Tension of Autonomy:** The core debate is balancing an individual's right to bodily integrity against the need for protection. When an individual cannot legally or cognitively provide informed consent, who decides?
- **Judicial Intervention as a Safeguard:** Courts do not merely act as rubber stamps. They conduct inquiries into the "best interests" of the person, prioritizing dignity and health over the convenience of caregivers.
- **Systemic Misuse:** There is a grave concern that medical procedures like hysterectomies are performed on marginalized women, including those with disabilities, without consent or necessity, often linked to insurance fraud or abuse, a point highlighted by the Supreme Court in *Dr. Narendra Gupta v. Union of India*.
- **Legal Categorization:** The law makes critical distinctions. For instance, the Medical Termination of Pregnancy (MTP) Act, 1971, has different provisions for "mental illness" versus "intellectual disability," a distinction that prevents the state from forcing abortions on the latter without their consent.

- **Historical Evolution of the Issue**
- **Pre-Independence/Early Era:** Decisions regarding individuals with disabilities were largely paternalistic, left to the family or caregivers with minimal state oversight.
- **Legislative Milestones:** The enactment of the MTP Act (1971) created a framework for reproductive medical procedures, though it left gaps regarding the consent of those with intellectual disabilities.
- **The Rights-Based Shift:** The passing of the Rights of Persons with Disabilities Act, 2016, marked a paradigm shift toward recognizing the agency of persons with disabilities, specifically Section 10, which safeguards against non-consensual sterilization.
- **Judicial Landmarks:** Cases like *Suchita Srivastava v. Chandigarh Administration* (2009) established that reproductive choice is a fundamental dimension of personal liberty under Article 21, creating a protective shield for those with intellectual disabilities.
- **Present Day:** Recent rulings, such as the 2023 Supreme Court directive on unnecessary hysterectomies, reflect a maturing legal framework that emphasizes audit mechanisms and strict medical guidelines.

- **Way Forward**
- **Judicial Sensitivity Training:** Judges at the district and high court levels must be trained in medical ethics and the nuance of the "best interests" doctrine to ensure consistent and humane verdicts.
- **Robust Monitoring Committees:** As mentioned in the recent SC directives, independent committees at the district level are essential to audit hospitals and prevent the exploitation of women with disabilities through unnecessary surgeries.
- **Community-Based Support:** Shifting the focus from surgical "management" of reproductive issues to community support systems that empower women with disabilities to live with dignity.
- **Empowered Informed Consent Models:** Develop "supported decision-making" models where the individual with a disability is assisted in making decisions, rather than having the decision made *for* them by a guardian.
- **Insurance Accountability:** Strict regulatory action against private hospitals that perform procedures solely to maximize insurance claims, ensuring ethical standards are non-negotiable.

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UPSC CSE COMPREHENSIVE ANALYSIS: REPRODUCTIVE AUTONOMY & INTELLECTUAL DISABILITIES.

Legal Framework, Judicial Oversight, & Multidimensional Impacts

KEY CONCEPTS & DEFINITIONS

Reproductive Autonomy: Right to individual decision-making.

CHOICE

Informed Consent: Capacity to understand risks/benefits.

Parens Patriae: State as guardian for those unable to decide.

KEY LEGAL DISTINCTIONS

Mental Illness (from MTP Act)
Consent via guardian allowed

Intellectual Disability (from RPWD Act)
Consent by individual is an absolute requirement

RPWD Act 2016 Section 10
Safeguard against non-consensual procedures

CORE DILEMMA: FLOWCHART OF JUDICIAL INQUIRY

Medical Decision for Reproductive Procedure on Intellectually Disabled Woman.

→ **Capacity to Consent?**

- **Yes** → Parens Patriae Doctrine invoked. → Judicial Inquiry
- **No** → Judicial Inquiry

Judicial Inquiry
- Best Interests
- Health, Dignity, & Bodily Integrity.

→ Authorization only if necessary and non-consensual procedures prevents misuse.

LANDMARK CASES & GUIDELINES

Suchita Srivastava v. Chandigarh Admn. (2009)
Reproductive choice is personal liberty under Art 21.

Dr. Narendra Gupta v. Union of India (2023)
Guidelines on Hysterectomies.

"Hysterectomy Monitoring Committees" & "Hospitals Blacklisted"

MULTIDIMENSIONAL IMPACTS (UPSC Focus)

Social: Perpetual dependency stigma, families' choice over individual's rights.

Political: State failure in adequate care and welfare.

Legal: Clash of Fundamental Rights (Art 21) vs Special Acts.

Ethical: Complex bioethics, third-party decisions, dignity.

UPSC CSE SYLLABUS LINKAGES

- GS I Social Issues
- GS II Health Sector
- GS IV Medical Ethics
- Essay
- GS IV Health Ethics
- Essay
- Sociology Optional
- Political Science Optional

WAY FORWARD & POLICY RECOMMENDATIONS

Robust Audits & Monitoring Committees
Independent oversight

Community-Based Support Systems:
Empowerment, not forced procedures

Empowered Informed Consent Models:
Supported decision-making

Judicial & Medical Training:
Ethical sensitivity and understanding

• DEFENCE

From Ukraine to Lebanon, 'invisible' drones are redefining asymmetric warfare

Abhinav Chakraborty
New Delhi, June 23

A FRAGILE ceasefire prevails between the Israel Defense Forces (IDF) and Hezbollah in Lebanon. This came after months of fighting that saw the Iran-backed militia deploying a low-cost weapon to lethal effect against Israel's advanced electronic warfare systems: fibre-optic drones.

'Invisible' drones

Fibre-optic drones, as the name suggests, are connected to their operators through fibre-optic cables — these are high-speed, high-strength, and lightweight network cables that transmit data as pulses of light through tiny strands of glass or plastic. This thin cable is first wound onto a spool and covered with a protective shell before being attached to a drone.

"So it's a big spool of very thin wire, almost hair-like, connected to both the drone and the operator. The entire communication is through this cable, and this thin wire provides security to the drone because no radio emissions can be picked up," Group Captain Rajiv Kumar Narang (retired), a drone systems expert and senior fellow at the Manohar Parrikar Institute for Defence Studies and Analyses, told *The Indian Express*.

When the drone takes off, the cable begins to unwind and can reach reasonable speeds without encountering too much drag. According to Narang, the drone's information and control is managed through this thin wire, which initially allowed operation over shorter distances of about 5 km and later went up to — as per some claims — distances of even 20 to 30 km. Since these cables can transmit operational data during flight, they enable a drone operator to see their target and the surrounding environment in real time.

The Russia-Ukraine war has been the testing ground for innovation in drone warfare. Narang said that given traditional drones emit radio frequency (RF) signals and create their signatures owing to their use of GPS or radio control, they are susceptible to

WIKIMEDIA COMMONS

A Ukrainian first-person view drone with a fibre-optic wire for communication.

jamming, detection, and fixing of position. Fibre-optic drones emerged as the solution.

Tackling the threat

These drones have found a new battlefield in southern Lebanon, where Hezbollah has been fighting the IDF. Reports indicate that Israel, despite its sophisticated jamming systems, has found it tough to neutralise this threat and suffered setbacks since April, be it in the form of wounded soldiers or destroyed armoured vehicles.

Effective neutralisation is preceded by detection and tracking. According to Narang, detection requires proactive systems. "We need to develop better radars and, of course, electro-optic systems and infrared systems. They should be able to provide real-time detection, identification, and tracking of small, slow and low flying drones," he said.

Narang said the only source for detection of a fibre-optic drone is its radar cross-section — a metric that determines how visible it is to radar. This requires highly capable radar systems and is extremely difficult with current technological levels.

In terms of neutralisation, the drone's small size and lack of RF signals pose an additional challenge besides the lack of time for detection. Drone neutralisation systems, being multi-sensor and multi-shooter systems, are becoming expensive to achieve assured neutralisation of hostile drones.

A report in *The Jerusalem Post* pointed to efforts by top Israeli defence companies to present a range of solutions to the IDF. Among them were energy-based systems, including one that utilises electromagnetic force to capture and immobilise the drone. Another proposed solution are kinetic interception systems — also called "hit-to-kill" — which destroy targets such as ballistic missiles and hostile drones using kinetic energy, that is, extreme physical force of a direct, high-velocity collision.

For now, Israeli soldiers have taken a cue out of Ukraine's playbook by using rather rudimentary techniques such as protective nets and even metal enclosures on military equipment to block these drones.

Besides, these drones also have their shortcomings. For instance, they are susceptible to bad weather owing to their light body frame. They can also stop functioning if the thin cable snaps.

The Indian context

India's four-day conflict with Pakistan last May in the aftermath of the Pahalgam terror attack also saw extensive use of drone swarms and loitering munitions. Since then, India has sought to learn from its own experience as well as other battlegrounds.

Narang believes swarms would be a "major challenge". He said: "From an Indian point of view, I think we need to think of developing better 'hard-kill' counter-drone systems." 'Hard kill' refers to physically destroying the drone, whether by firing a gun, using a suicide drone, or launching a small missile.

Since jamming may not be an option against fibre-optic drones, Narang said that India could also develop Light Combat Helicopters and Light Combat Aircraft, among others, as airborne counter-drone platforms. Narang also suggested greater use of AI and upgradation of munitions in detection and neutralisation alongside hybrid and mobile air defence systems to enhance accuracy and effectiveness.

FULL REPORT ON
WWW.INDIANEXPRESS.COM/EXPLAINED

- **Key Terms and Explanations**
- **Asymmetric Warfare:** A type of conflict where the opposing sides possess vastly unequal military capabilities, resources, or strategies. In these scenarios, the less powerful combatant leverages unorthodox tactics, unconventional technologies, or structural vulnerabilities to neutralize the conventional advantages of a stronger state military.
- **Fibre-Optic Drones:** Unmanned Aerial Vehicles (UAVs) that maintain a physical, tethered connection to their operator via ultra-thin, high-strength, and lightweight fibre-optic cables. Instead of broadcasting over the air, they transmit operational commands and real-time video feeds as pulses of light through strands of glass or plastic, completely eliminating wireless transmissions.
- **Radio Frequency (RF) Jamming:** An electronic warfare technique that floods the airwaves with noise or conflicting signals to disrupt the communication link between a drone and its operator. While highly effective against standard wireless drones, RF jamming is entirely useless against physical fibre-optic connections.
- **Radar Cross-Section (RCS):** A metric that measures how detectable an object is by a radar system based on its size, shape, and material composition. Modern micro-drones feature an exceptionally low RCS, making them look like birds or clutter on traditional radar screens, which significantly complicates early warning efforts.
- **Hard-Kill Countermeasures:** Defensive systems designed to physically neutralize an incoming threat through direct impact or destruction. This includes firing kinetic projectiles, deploying specialized interceptor drones, or utilizing small missiles to physically destroy a target, as opposed to "soft-kill" electronic jamming.
- **Loitering Munitions:** Often referred to as "suicide" or "kamikaze" drones, these weapons are designed to hover over a designated target area for an extended period, search for an asset, and execute a precision strike by crashing directly into the target to detonate their onboard payload.

- **Main Arguments and Substantive Parts**
- **The Vulnerability of Modern Electronic Shields**
- The fundamental thesis centers on how physical-tether technology has disrupted contemporary electronic warfare. For years, state militaries invested heavily in sophisticated signal-jamming arrays, automated geofencing, and GPS-spoofing umbrellas to disable incoming drone threats. However, by shifting data transmission from vulnerable radio waves to insulated physical cables, modern low-cost drones can bypass these multi-million-dollar electronic defense networks.
- **Unparalleled Stealth and Operational Precision**
- Because fibre-optic drones emit absolutely no radio frequency signatures, they remain virtually invisible to standard electronic surveillance systems. The physical cable unwinds smoothly from an onboard spool during flight, allowing the drone to navigate dense environments without signal degradation. This uninterrupted data link provides operators with crystal-clear, real-time video feedback over expanding ranges—from an initial 5 kilometers to distances stretching between 20 and 30 kilometers—enabling surgical precision against high-value targets.
- **Real-World Tactical Success**
- This shift is not merely theoretical; it has rewritten tactical playbooks across active global flashpoints. The technology underwent extensive field testing in Eastern Europe before proliferating to non-state actors in West Asia, where it has successfully compromised advanced state-sponsored air defense systems. The inability of state-of-the-art jamming equipment to halt these low-cost devices highlights a growing tactical imbalance on the modern battlefield.
- **Inherent Vulnerabilities and Operational Limitations**
- Despite their tactical advantages, these systems face distinct physical limitations:
- **Structural Fragility:** Their lightweight airframes make them highly susceptible to adverse weather conditions, such as high winds or heavy rainfall.
- **The Single Point of Failure:** The very component that grants them stealth—the hair-thin fibre-optic cable—is vulnerable to snapping if it catches on dense foliage, rugged terrain, or moving machinery, which immediately disconnects the operator and disables the platform.

- **Historical Evolution of the Issue**
- **Pre-2000s (The Era of Strategic Monopolies):** Unmanned aerial technology was primarily the domain of well-funded state militaries. These early platforms were large, expensive, and used almost exclusively for long-range strategic reconnaissance and intelligence gathering, relying entirely on secure satellite and high-frequency radio networks.
- **2000s–2010s (Commercialization and Tactical Proliferation):** The rapid commercialization of quadcopters and hobbyist drones democratized aerial access. Non-state actors and insurgent groups began modifying cheap, off-the-shelf consumer drones to carry out rudimentary surveillance and drop small explosive payloads, introducing the early stages of low-cost asymmetric air threats.
- **Late 2010s to Early 2020s (The Electronic Warfare Counter-Response):** In response to these commercial drone threats, global militaries developed robust Electronic Warfare (EW) protocols. Sophisticated localized jamming systems, GPS-spoofing tools, and RF-detection grids became standard components of modern air defense, successfully neutralizing the vast majority of standard wireless drones.
- **Present Day (The Resurgence of the Wired Frontier):** To counter pervasive electronic jamming, the technology has evolved by looking backward—repurposing physical wire-guided concepts into modern high-speed fibre optics. This transition has turned low-cost, tethered platforms into highly lethal tactical weapons capable of penetrating advanced electronic shields across global conflict zones, creating a brand-new dimension of asymmetric warfare.

- **Way Forward**
- **Transitioning to Comprehensive Hard-Kill Capabilities**
- Since traditional radio frequency jamming cannot disrupt tethered systems, defensive doctrines must pivot toward physical interception. This requires deploying rapid-fire projectile systems, automated close-in weapon stations (CIWS), and low-cost kinetic interceptor drones designed to physically shred incoming platforms. Additionally, developing cost-effective Directed Energy Weapons (DEWs), such as tactical lasers, offers a sustainable way to neutralize incoming threats at a low cost per shot.
- **Airborne Anti-Drone Platforms**
- To counter low-flying, slow-moving threats that can easily hide from ground radar in rugged terrain, militaries should deploy airborne counter-drone systems. Utilizing highly maneuverable platforms like Light Combat Helicopters (LCH) or Light Combat Aircraft (LCA) equipped with specialized tracking systems and high-rate-of-fire guns allows defensive forces to spot and destroy incoming drones from above before they reach critical assets.
- **AI-Enhanced Multi-Sensor Detection Networks**
- Militaries can no longer rely on single-spectrum radio frequency or traditional radar tracking. Defense grids must integrate multi-sensor arrays that combine highly sensitive infrared trackers, electro-optical cameras, and acoustic sensors. Processing these inputs through artificial intelligence algorithms enables real-time identification of micro-drones based on their visual profile or acoustic signature, bypassing the lack of an electronic footprint.
- **Hardening Critical Infrastructure and Tactical Assets**
- Recognizing that no air defense shield is completely foolproof, states must invest in passive physical protection. Upgrading military vehicles, command posts, and vital infrastructure with protective metal enclosures, slat armor, and reinforced steel netting can catch or prematurely detonate incoming kamikaze drones. This simple, cost-effective layer of physical defense helps safeguard core assets from structural damage.

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UKRAINE TO LEBANON: INVISIBLE DRONES & ASYMMETRIC WARFARE - UPSC CSE CURRICULUM OVERVIEW

1. CONCEPT & KEY TERMS

Asymmetric Warfare
Unequal conflict tactically

Fibre-Optic Drone

RF Jamming
Disruption of wireless communication

Asymmetric Warfare
- Unequal conflict tactically in mequaps/asymmetily with-iconfltic warfare

RF Jamming
Disruption of wireless communication and veterading warfare

Radar Cross-Section (RCS)
Detectability metric of detectability metric.

Loitering Munitions
Precision 'Suicide' Drones in loitering munition.

2. MAIN ARGUMENTS & MULTIDIMENSIONAL ANALYSIS

Standard Wireless Drones | **Fibre-Optic 'Invisible' Drones**

- Non-emissive stealth
- Precise real-time data
- Increased tactical range

- Light pulses ▷ stealth
- Increased tactical range (e.g., 20-30km)

MULTIDIMENSIONAL ANALYSIS

Social
Person with stress thought ummators

Political
State vs. Non-State conflict, summart

Legal
Gavel, neN, international law - summary

Ethical
Precision vs. detached warfare scales

International
Globe suners, flagrs and conflics

Economic
Currency symbols with cost os car asymmetry

3. HISTORICAL EVOLUTION & UPSC CONTEXT

Pre-2000s: State Strategic UAVs	2000s-2010s: Commercialization & Non-State Proliferation	Late 2010s-Present: Electronic Warfare & Counter-tech
Large, expensive aircraft	Small quadcopters, initial asymmetric use	Sophisticated Jamming vs. The Wired Frontier, i.e., Fibre-Optics

Syllabus & NCERT Linkages

Books/ Classes
- XII Security (test)
- XII Physics (cost)
- XII Physics
- GS Paper III tenal (8 exerondid & - Border maps)

GS Papers
- GS Paper III - Internal Security & S&T
- Paper II - International Relations

4. WAY FORWARD: PRACTICAL SOLUTIONS

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THE REGULATOR SAID THE PERMISSION IS IN ADDITION TO EXISTING LENDING PROVISIONS

Banks can extend loans against FCNR(B) deposits, says RBI

RBI made FCNR(B) deposits a more attractive source of overseas funding for lenders by absorbing the hedging burden

George Mathew
Mumbai, June 23

THE RESERVE Bank of India (RBI) on Tuesday said Indian banks, including their overseas branches, are permitted to extend loans to non-resident account holders or even issue Standby Letters of Credit (SBLC) in favour of overseas lenders against FCNR(B) deposits mobilised under the new swap facility.

The regulator has said that this permission is in addition to existing provisions that already allow banks to extend secured or unsecured credit and issue guarantees under normal banking norms. The RBI, in its clarification issued as Frequently Asked Questions (FAQ), said banks are permitted to extend loans to the FCNR (B) account holders and mark lien on such deposits. Lien is a legal claim or right over someone else's property until a debt or obligation is paid.

On June 5, the RBI announced the special dispensation that allows banks to mobilise fresh three- to five-year FCNR(B) deposits until September 2026. It also permitted them to swap these deposits with the RBI at a concessional rate, effectively covering the entire hedging cost.

By absorbing the hedging burden, the RBI has made FCNR(B) deposits a more attractive source of overseas funding for lenders. Experts believe the steps announced may attract an additional $50 billion in foreign capital into Indian markets as banks have offered higher interest rates after considering the hedging sops. The RBI will be providing a forex swap for the deposit received. The facility is a plain buy/sell foreign exchange swap from the RBI side covering only the principal amount of the deposits and not the interest component. "The bank will be allowed to undertake swaps for tenors of less than three years provided they have mobilised fresh eligible FCNR (B) deposits for minimum original tenor of three years as per the scheme," it said. Interest rates on deposits, including where differential rates of interest are offered, will be subject to compliance with paragraph 32(2) of the Reserve Bank (Commercial Banks - Interest Rate on Deposits) Directions, 2025.

Banks will continue to offer regular FCNR (B) deposits, without availing Swap facility, for customer deposits with a tenor of 3 years and above up to 5 years, without the requirement of a minimum lock-in period of one year. However, records shall be maintained separately, it said.

ECBs can be raised for any period, as permitted in terms of Foreign Exchange Management (Borrowing and Lending) (First Amendment) Regulations, 2026. However, the ECBs of average maturity of three years and above are eligible for this facility. Further, the tenor of the swap will be co-terminus with the repayment schedule or maturity of the ECB, subject to maximum period of five years, the RBI said.

• FCNR(B) DEPOSIT PUSH

THE SPECIAL dispensation allowing banks to mobilise fresh three- to five-year FCNR(B) deposits until September 2026 was announced by RBI on June 5

IT ALSO permitted them to swap these deposits with the central bank at a concessional rate, effectively covering the entire hedging cost

EXPERTS BELIEVE the steps are likely to attract an additional $50 billion in foreign capital into Indian markets as banks have offered higher interest rates after considering the hedging sops

- **Key Terms and Explanations**
- **Foreign Currency Non-Resident (Bank) [FCNR(B)] Deposits:** These are foreign currency-denominated term deposits that Non-Resident Indians (NRIs), Persons of Indian Origin (PIOs), and Overseas Citizens of India (OCIs) can maintain with commercial banks in India. Unlike typical Non-Resident External (NRE) accounts that convert foreign cash into Indian Rupees, FCNR(B) deposits preserve the original currency—such as US Dollars, Euros, or Pounds Sterling. *Example:* An NRI working in New York deposits $50,000 into an FCNR(B) account. The funds remain in dollars, earn compound interest in dollars, and are returned to the depositor in dollars at maturity, completely insulating the saver from rupee fluctuations.
- **Forex Swap Facility:** A financial mechanism where two parties exchange principal amounts of two different currencies at the current spot rate and agree to reverse the transaction at a future date at a predetermined rate. The central bank acts as the counterparty, allowing commercial banks to sell incoming dollars for rupees today and buy back those identical dollars at par upon maturity, removing exchange rate uncertainty from the commercial banking sector.
- **Hedging Burden/Cost:** The expense incurred by banks or investors to eliminate currency risk by purchasing forward contracts. Normally, if a bank accepts dollar deposits but lends in rupees, it must pay a market premium (often 3% to 3.5% annually) to secure future dollars for repayment. When the central bank absorbs this cost, it frees up commercial lenders to pass these savings on to depositors through superior interest rates.
- **Lien:** A legal claim or right established over an asset until a debt or contractual obligation is fully discharged. In the context of credit expansion against diaspora wealth, an Indian bank can grant loans to a depositor and mark a lien on their FCNR(B) account, meaning the bank holds the deposit as collateral to secure the loan repayment.
- **Standby Letters of Credit (SBLC):** A legal guarantee issued by an Indian bank to a foreign lender on behalf of an NRI client. It serves as an assurance that if the client defaults on an overseas loan, the Indian bank will fulfill the financial obligation using the client's FCNR(B) deposit as the ultimate backstop.
- **External Commercial Borrowings (ECB):** Commercial loans raised by eligible resident Indian entities from non-resident lenders, subject to the regulatory frameworks and limits of the Foreign Exchange Management Act (FEMA).

- **Main Arguments and Substantive Parts**
- **Core Thesis:** Macroeconomic stress driven by a widening balance of payments deficit and global capital flight requires unconventional central bank intervention to mobilize foreign capital. By taking over the currency hedging risks of commercial banks, the monetary authority can spark a multi-billion dollar capital inflow, reinforcing foreign exchange reserves and stabilizing the domestic currency against global pressures.
- **Absorbing Hedging Risk to Drive Inflows:** The cornerstone of the policy is the central bank's decision to bear the financial burden of currency hedging. Historically, high forward premiums limited the interest rates commercial banks could offer on foreign deposits. By providing a par swap facility for three- to five-year tenors, the central bank enables commercial lenders to offer highly competitive interest rates (touching 6% to 7%), which market analysts estimate could draw an additional $50 billion into the economy.
- **Credit Leveraging via Regulatory Relaxation:** The operational guidelines introduce a crucial multiplier effect by allowing banks to extend credit or issue Standby Letters of Credit (SBLCs) against these deposits. This allows depositors to maximize their financial returns by taking low-cost foreign loans backed by their Indian deposits. It bridges the gap between domestic and international asset markets, giving commercial banks a robust tool to expand their credit portfolios.
- **Operational Boundaries and Risk Controls:** While the policy aims to maximize resource mobilization, it maintains strict prudential constraints. The swap window is structured with a hard deadline expiring in September 2026, requires a minimum lock-in period of one year to prevent speculative capital flight, and restricts the swap coverage exclusively to the principal amount of the deposits, leaving interest components subject to standard commercial banking guidelines.

- **Historical Evolution of the Issue**
- **1975 – The Birth of FCNR(A):** In the wake of global oil shocks and economic strains following the 1971 war, the Indian government introduced the Foreign Exchange Non-Resident (Account) scheme. Under this original model, the central bank bore the entire exchange risk to attract hard currency from the diaspora, prioritizing balance of payments survival over institutional risk management.
- **1993 – The Paradigm Shift to FCNR(B):** Following the landmark 1991 balance of payments crisis and subsequent economic liberalization, India abandoned the unsustainable FCNR(A) model. It introduced the FCNR(B) framework, transferring the currency fluctuation risk completely from the central bank's books to commercial banks. This forced the financial sector to rely on private hedging mechanisms and market-driven interest rates.
- **1999 – Institutionalization via FEMA:** The replacement of the draconian Foreign Exchange Regulation Act (FERA) with the Foreign Exchange Management Act (FEMA) in 1999 fundamentally redefined India's approach to external capital. FCNR(B) deposits were integrated into a liberalized capital account architecture, guaranteeing full repatriability of both principal and interest, which significantly bolstered NRI investor confidence.
- **2013 – The Taper Tantrum Intervention:** When the US Federal Reserve hinted at winding down quantitative easing, emerging markets faced catastrophic capital flight. The Indian Rupee plummeted to historic lows. To arrest the decline, the then RBI Governor Raghuram Rajan revived central bank swap support, offering a concessional 3.5% swap window for FCNR(B) deposits. The tactical masterstroke pulled in over $26 billion in less than two months, rapidly stabilizing the external sector.
- **2026 – Evolution and Capital Expansion:** The policy has moved from a temporary emergency subsidy to a sophisticated risk-absorption mechanism. By eliminating the hedging cost completely for long-term deposits until September 2026 and combining it with loan-against-deposit provisions, the monetary authority has institutionalized diaspora capital mobilization to shield the economy from a widening global interest rate differential.

- **Way Forward**
- **Institutionalizing Strict Leverage Caps on SBLCs:** To prevent a recurrence of past banking banking malpractices where credit guarantees were exploited to artificially multiply deposit books, the central bank must enforce granular reporting requirements and strict leverage caps on Standby Letters of Credit. Guarantees should only back genuine investment or trade activities.
- **Transitioning from NRI Deposits to Long-Term Diaspora Bonds:** While FCNR(B) deposits provide excellent short-term capital cushions, they remain debt liabilities subject to redemption pressures every three to five years. India should transition toward issuing long-term sovereign diaspora bonds dedicated to green infrastructure funding, converting volatile hot money into permanent nation-building capital.
- **Deepening the Domestic Private Hedging Ecosystem:** Relying on the central bank to absorb hedging costs is an expensive emergency fix. Policymakers should focus on deepening domestic financial markets, liberalizing currency derivative trading, and encouraging corporate entities to naturally hedge their exposures, thereby lowering forward premiums through market liquidity rather than state support.
- **Calibrating Domestic Investment Yields:** To reduce dependence on volatile external debt capital, structural reforms must focus on improving the productivity and efficiency of domestic industries. By lowering logistical costs and streamlining regulatory clearances, India can generate higher organic corporate yields, attracting stable Foreign Direct Investment (FDI) that inherently outpaces global interest rate differentials.

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UPSC ANALYSIS: RBI's FCNR(B) DEPOSIT POLICY UPDATE (COMPREHENSIVE Infographic)

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KEY TERMS & INTRODUCTION

FCNR(B) Foreign Currency (Non-Residen(B) deposits;

- Foreign currency term deposits for NRIs/PIOs/OCIs.
- Tax-exempt interest.
- Repatriable.

GUARANTEE

SBLC (Standby Letter of Credit):

- A payment guarantee by a bank on behalf of a client.
- FCNR(B) deposit used as collateral via lien.

THE DIRECTIVE (PROCESS FLOW)

EXISTING PROVISIONS (CONTINUED)

BANK

Bank lending against againsta deposit.

NEW RBI INITIATIVE (SPECIFIC WINDOW OPEN UNTIL SEPT 2026)

1. Banks Accept New FCNR(B) Deposits (3-5 years tenor).
2. RBI Concessional Swap Facility (Absorbs Hedging Burden).
   Note: Covers principal, no interest swap.

SWAP

3. Commercial Bank holds deposit (Lien marked).
4. Extension of Secured/Unsecured Credit or SBLCs against deposits.

GUARANTEED

MULTIDIMENSIONAL IMPACT & UPSC RELEVANCE

ECONOMIC: Potential +$50B in Forex Inflows (Expert estimate).

BANKING: Cheaper funds for banks, competitive rates for depositors.

DIASPORA: Increased investment and leveraging opportunities.

RESERVES: Strengthens India's Balance of Payments and INR value.

INR

- **GS Paper 3:** Indian Economy (Resource Mobilization, Banking Reforms, Forex).
- **GS Paper 2:** International Relations (Policies of foreign capital, Diaspora policy).

WAY FORWARD & ANALYSIS

- Institutionalize similar structured swap facilities; diversify source of stable funds.
- Regular review conditions.

WAY FORWARD & ANALYSIS

- Institutionalize similar structured swap facilities; diversify source of stable funds.
- Regular review of limits and conditions.

Is RSS a legal person?

Should the RSS be formally registered under law? Has it been recognised in law or court cases? Can an unregistered body sue or be sued? Are RSS-affiliated organisations legally registered? What regulatory gap does the RSS debate highlight?

EXPLAINER

Rizmi Lia M.

The story so far:

Karnataka Home Minister Priyank Kharge, in a letter dated June 13 addressing the Sarsanghchalak (chief) of the Rashtriya Swayamsevak Sangh (RSS), Mohan Bhagwat, questioned the legal status of the RSS.

In an accompanying post on social media platform X, Mr. Kharge asked, "If citizens, labour, NGOs, trusts, temples and companies are expected to register, disclose and comply with the law, why should the RSS remain exempt?"

He raised similar questions towards the end of last year as well regarding the legal existence of RSS. He has asked about the registration, organisation structure, funding and donation and also about the overall functioning of the organisation.

What is a legal person?

According to legal theorist John Salmond, "A person is any being whom the law regards as capable of rights and bound by legal duties." The term 'person' is further classified into two terms: 'natural person' and 'juridical/artificial person'. Generally, in law, a living human being is considered a natural person. However, a juridical/artificial person is an entity created by law that possesses legal rights and obligations distinct from its members or the individuals associated with it. For example, companies incorporated under the Companies Act are artificial persons, statutorily recognised as legal persons.

To be a company, certain criteria must be met according to Section 9 of the Companies Act, 2013. That includes that, after registration, a company shall be a body corporate by the name contained in its memorandum – "capable of exercising all the functions of an incorporated company under this Act, having perpetual succession, having a common seal with power to acquire, hold and dispose of property both movable and immovable, tangible and intangible, to contract and to sue and be sued" by the said name.

How does RSS describe itself and what is its organisational nature?

In a similar exchange in December 2025, RSS chief Mohan Bhagwat described the organisation as "a body of individuals". RSS in itself is a socio-cultural voluntary organisation with an ideal "to carry the nation to the pinnacle of glory through organising the entire society and ensuring protection of Hindu Dharma", according to the website.

RSS has been addressed as an "association of persons", according to the *Commissioner Of Income Tax v. Rastriya Swayam Sangh* on February 22, 1994, in which they have been sued with respect to tax exemption.

The Income-tax Appellate Tribunal has referred this matter to Patna High Court to address whether the amount received from members and devotees can be taken to be *Gurudakshina* (token of gratitude to teacher) and thus be exempt from taxation. The court held that the amount received from members can be taken to be Gurudakshina and be exempted from tax.

Section 2(31) of the Income Tax Act, 1961, defines 'person' expansively and includes a 'body of individuals', whether incorporated or not. Under the 1961 Act, the 'body of individuals' is a separate taxable entity comprising exclusively natural persons (human beings) who have come together for a shared purpose.

Generally, unregistered bodies cannot sue or be sued in their own names, as they are not considered separate legal persons.

The organisation is, however, named as a distinct party in cases including *Singhai Lal Chand Jain v. Rashtriya Swayamsevak Sangh* on February 15, 1996 in the Supreme Court of India. The case revolved around the eviction of the RSS from certain premises in Panna, Madhya Pradesh, initiated by the appellant, Singhai Lal Chand Jain. The appellant filed a civil suit seeking the eviction of the RSS and its office-bearers, alleging unauthorised occupation of the premises. Holding that the RSS was properly represented by its Manager, President, and a member who jointly defended the suit, the court upheld the eviction decree.

What are the legal options for registering a voluntary association in India?

Registering a voluntary association in India requires choosing one of three primary legal structures: a Society (under the Societies Registration Act, 1860), a Trust (under the Indian Trusts Act, 1882), or a Section 8 Company (under the Companies Act, 2013).

The company after incorporation intends to apply its profits, if any, or other income only for promoting its chief objects.

What about donations/Gurudakshina?

As mentioned earlier, the RSS's legal status came under scrutiny in the 1970s during tax proceedings in Bombay and Patna. The disputes centred on whether donations received as "gurudakshina" from RSS workers were taxable. In the case of *Commissioner Of Income-Tax v. Rastriya Swayam Sewak Sangh* on 22 February, 1994, The Patna High Court addressed the matter and exempted RSS from taxes, considering donations from members as *Gurudakshina*. Also, the Income Tax Act considers a 'body of individuals' as a 'person', as mentioned above.

There is the Foreign Contribution (Regulation) Act (FCRA), 2010, which regulates the acceptance and utilisation of foreign contribution or foreign hospitality by certain individuals or associations or companies. Any donation, delivery or transfer received from a 'foreign source' whether in rupees or in foreign currency, is construed as a 'foreign contribution' under FCRA, 2010.

Even for the grant of registration under FCRA, the association should be registered under an existing statute like the Societies Registration Act, 1860 or the Indian Trusts Act, 1882 or Section 8 of Companies Act, 2013 etc. The association should be in existence for at least three years and has undertaken reasonable activity in its chosen field for the benefit of the society for which the foreign contribution is proposed to be utilised. And the applicant NGO/association will be free to choose its items of expenditure (excluding the administrative expenditure as defined in Rule 5 of FCRR, 2011) to become eligible for the minimum threshold of ₹15 lakh spent during the last three years.

How can one join RSS?

According to the Frequently Asked Questions section of the RSS website powered by Bharati Web Private Limited, "there is no formal membership enrolment in the RSS. Anyone can approach the nearest 'Shakha', which is the fundamental unit of activity of RSS and become a swayamsevak. There are no fees, no registration form, and no formal application. Once you start attending the daily shakha either in the morning or in the evening as per your convenience, you become the swayamsevak of RSS. It is that simple. If someone does not know any shakha or Swayamsevak nearby, One can join the RSS online too."

Any person who wants to work towards the *sanatan dharma* can join the RSS, even if they don't visit the shakhas. There is no formal procedure or criterion that stops anybody for that matter from joining the organisation. There is a registration form on the website that requires one to fill up primary details for the same.

What are the RSS affiliates and are they registered?

There are around 32 sister organisations that work under the umbrella of RSS, with many more like-minded organisations. The Akhil Bhartiya Vidhyarthi Parishad, the Vidya Bharati, Bharatiya Janata Party, Vishwa Hindu Parishad, Bajrang Dal, Durga Vahini, Dharam Sansad or Religious Parliament etc.

The list of RSS affiliated bodies is vast and spans every sector of Indian society: students, education, labour, agriculture, women, tribals, culture, science, law, economics, publishing, and more. However, each of these is registered under different laws.

For example, the student body Akhil Bharatiya Vidyarthi Parishad began its activities around 1948 and was registered on July 9, 1949, as a non-governmental organisation (NGO) under the Societies Registration Act of 1860. Thus, the units of the RSS function as registered entities.

Trade union Bharatiya Mazdoor Sangh functions within the legal framework governing labour organisations. Educational, social-service and tribal welfare bodies associated with the Sangh generally operate through registered trusts and societies.

RSS continues to describe itself as a voluntary socio-cultural organisation and a body of individuals rather than a registered corporate entity. Court records show that it has been recognised in tax proceedings and litigation, while many organisations associated with the Sangh function through separately registered bodies.

Mr. Kharge's questions, however, have renewed the debate over whether an organisation of the RSS's scale and reach should continue to operate without a formal registration framework.

Rashtriya Swayamsevak Sangh workers perform at a training camp closing ceremony, in Sambalpur on Saturday. RSS chief Mohan Bhagwat describes the organisation as "a body of individuals". ANI

THE GIST

- According to legal theorist John Salmond, "A person is any being whom the law regards as capable of rights and bound by legal duties."
- The RSS's legal status came under scrutiny in the 1970s during tax proceedings in Bombay and Patna. The disputes centred on whether donations received as "guru dakshina" from RSS workers were taxable.
- RSS continues to describe itself as a voluntary socio-cultural organisation and a body of individuals rather than a registered corporate entity.

- **Key Terms and Explanations**
- **Legal Person / Juridical Person:** In legal theory—as famously articulated by the jurist John Salmond—a "person" is any entity that the law recognizes as capable of holding rights and being bound by legal duties. This is divided into two categories:
    - *Natural Persons:* Living human beings.
    - *Juridical/Artificial Persons:* Entities created by law that enjoy a distinct legal existence separate from the individuals who compose them.
    - *Example:* A company incorporated under Section 9 of the Companies Act, 2013, becomes a body corporate with perpetual succession, its own seal, and the power to acquire property and enter contracts. It can sue and be sued in its own name, independent of its shareholders.
- **Body of Individuals (BOI) & Association of Persons (AOP):** These terms refer to unincorporated groups of people who come together for a shared purpose but choose not to establish a formal corporate or statutory identity.
    - Under Section 2(31) of the Income Tax Act, 1961, the definition of a "person" is expansive and explicitly includes an AOP or a BOI, whether incorporated or not. This means that while an entity may lack a corporate identity, it is still treated as a distinct taxable unit by revenue authorities.
    - *Example:* A local neighborhood committee that pools resources to organize an annual cultural festival without registering as a formal society or trust operates as a Body of Individuals.
- **Gurudakshina:** A traditional, voluntary token of gratitude or contribution given to a teacher or institution. In legal and taxation contexts, it represents a voluntary contribution made by members to an informal organization. Indian jurisprudence has historically evaluated whether such traditional inflows constitute taxable income or qualify as tax-exempt voluntary contributions based on their intent and usage.
- **Unregistered Body:** An alliance, organization, or movement that operates without formal registration under statutes like the Societies Registration Act, 1860, or the Indian Trusts Act, 1882. Generally, an unregistered body cannot sue or be sued in its own collective name because it lacks an independent legal personality.
- **Foreign Contribution (Regulation) Act (FCRA), 2010:** A stringent regulatory framework that governs the acceptance and utilization of foreign hospitality or funds by individuals or associations. To qualify for an FCRA registration, an association must be registered under an existing statute (such as a Society, Trust, or Section 8 Company), have an active existence for at least three years, and have spent a minimum threshold of ₹15 lakh during the preceding three years on its stated societal objectives.

- **Main Arguments and Substantive Parts**
- **The Case for Autonomy and Informal Socio-Cultural Frameworks**
- **Constitutional Freedom of Association:** Voluntary groups argue that the right to assemble and form associations is an inherent fundamental right under Article 19(1)(c) of the Constitution. Registration is an option provided by the state, not a mandatory prerequisite for existence or peaceful operation.
- **Distinct Institutional Nature:** Many socio-cultural entities deliberately avoid formal registration forms, fees, and membership rolls to maintain an organic, value-based character. Affiliation is established through active participation rather than bureaucratic documentation.
- **Judicial Recognition of Financial Practice:** Courts have upheld the validity of traditional financial practices within these frameworks. For instance, in the historic litigation *Commissioner of Income Tax v. Rashtriya Swayamsevak Sangh* (1994), the Patna High Court addressed whether internal member contributions like *Gurudakshina* were taxable. The court held that such amounts are voluntary tokens of gratitude from members and are exempt from standard income tax, validating the financial viability of an unregistered entity within current laws.
- **Functional Compartmentalization:** While a parent organization may remain informal and unregistered, its specialized wings (such as student, labor, educational, or tribal welfare bodies) are frequently registered independently under relevant laws (like the Societies Registration Act or as registered trusts). This ensures targeted statutory compliance wherever formal public interactions occur. For instance, student wings like the Akhil Bharatiya Vidyarthi Parishad (ABVP), founded around 1948, were formally registered as NGOs in 1949, balancing parent informality with functional statutory compliance.
- **The Case for Public Accountability and Registration**
- **The Problem of Scale and Public Footprint:** Critics argue that when an unregistered voluntary organization grows to a massive scale, commanding millions of participants and significant socio-political influence, its operations cease to be purely private matters. A large public footprint logically requires standard transparency, disclosure, and compliance norms to prevent governance blind spots.
- **Regulatory Parity with Civil Society:** Registered Non-Governmental Organizations (NGOs), media houses, trusts, and corporate entities face intense regulatory scrutiny, financial audits, and disclosure mandates. Allowing large-scale informal organizations to operate outside these frameworks creates a dual standard in civil society regulation.
- **Legal Standing and Redressal:** Because an unregistered body lacks an independent legal personality, citizens face procedural hurdles when seeking legal remedies against it. However, the judiciary has adapted to this challenge. In the landmark case *Singhai Lal Chand Jain v. Rashtriya Swayamsevak Sangh* (1996), the Supreme Court ruled that an unregistered body can be named as a distinct party in civil litigation (such as eviction disputes) if it is properly represented by its managers or office-bearers who jointly defend the suit. This precedent ensures that informal organizations cannot use their lack of registration to evade civil decrees.

- **Historical Evolution of the Issue**
- **Pre-Independence Era and Colonial Frameworks (Late 19th Century to 1947)**
- The British colonial administration introduced laws like the **Societies Registration Act, 1860**, and the **Indian Trusts Act, 1882**, primarily to monitor, regularize, and occasionally restrict indigenous public gatherings and charitable works.
- Concurrently, various cultural, social, and political movements emerged. Many chose to remain informal or unregistered to avoid colonial surveillance and to preserve an organic, community-driven structure rather than conforming to a state-controlled legal framework.
- **Post-Independence Institutionalization and Bifurcation (1947–1960s)**
- Following independence, the newly framed Constitution guaranteed the fundamental right to form associations under Article 19.
- During this period, many expanding socio-cultural movements adopted a dual structure. The core ideological parent body remained an informal "body of individuals" to preserve its socio-cultural flexibility. Meanwhile, its functional offshoots in education, labor, and student welfare were systematically registered under statutory laws to interface legally with state institutions.
- **Taxation Scrutiny and Financial Institutionalization (1970s–1990s)**
- As the financial resources of informal movements grew, state revenue authorities began analyzing their tax liabilities. During the 1970s and 1980s, tax proceedings in Bombay and Patna scrutinized whether unrecorded inflows from members could be classified as taxable income.
- This culminated in the **1994 Patna High Court ruling** (*CIT v. RSS*), which recognized the validity of informal, trust-based internal funding mechanisms like *Gurudakshina*, granting them exemption from income tax under specific provisions for Bodies of Individuals.
- **Judicial Clarification on Civil Liability (1996)**
- In **1996**, the Supreme Court encountered a procedural challenge in *Singhai Lal Chand Jain v. Rashtriya Swayamsevak Sangh*, where an eviction suit involved an unregistered entity.
- The apex court established that the absence of a formal corporate stamp does not immunize an organization from civil liability. If its leadership actively participates in and defends a suit, the organization is legally bound by the court's decree.
- **Modern Regulatory Shifts and the FCRA Era (2010s–Present)**
- With the enactment of the **Foreign Contribution (Regulation) Act (FCRA) in 2010** and its subsequent strict amendments, the state drastically increased compliance requirements for NGOs receiving foreign funding.
- This created a sharp contrast: registered NGOs face intense, data-driven compliance to access public and foreign funds, while informal, domestic organizations operate completely outside the FCRA ambit by relying entirely on internal, localized member contributions.

- **Way Forward**
- **Introducing Voluntary Transparency Frameworks:** The state could create a voluntary disclosure avenue specifically designed for large, unregistered socio-cultural organizations. This would allow them to publish certified financial audits and governance structures publicly, building public trust without requiring them to adopt a corporate legal identity.
- **Implementing Scaled Disclosure Based on Asset Thresholds:** Financial and regulatory compliance can be linked to an organization's actual financial footprint rather than its legal format. If an unincorporated "body of individuals" handles internal funds beyond a specific threshold, it could be required to file standard financial disclosures to prevent regulatory blind spots.
- **Clarifying Judicial Standards for Unregistered Bodies:** The judiciary can build on precedents like the *Singhai Lal* and *CIT* cases to create a clearer, consolidated test. This would define exactly when an informal association's scale requires public accountability, helping to harmonize individual liberties with the public interest.
- **Harmonizing Rules for All Civil Society Groups:** Ensuring a level playing field by making compliance requirements proportional to an organization's operational scale and funding sources. This reduces regulatory gaps and ensures that all large organizations—whether registered NGOs or informal associations—are held to consistent standards of public accountability.


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ACADEMY LOGO
LEGAL STATUS & REGULATORY FRAMEWORK OF UNREGISTERED VOLUNTARY ORGANIZATIONS IN INDIA
A COMPREHENSIVE ANALYSIS
【AUTONOMY & TRADITION】
• Freedom of Association (Art 19)
• Traditional funding (Gurudakshina)
• Decentralized/Informal membership
Voluntary Socio-Cultural Organization Scale
【TRANSPARENCY & GOVERNANCE】
• Public footprint demands disclosure
• Tax equity with registered NGOs
• Legal accountability via office-bearers
KEY TERMS & JURISPRUDENTIAL BASICS
LEGAL PERSON
SEAS
Companies Act 2013 ex.
BOI & AOP
Income Tax Act Sec 2(31) with taxable person
GURUDAKSHINA
Small gift gift, voluntary token
UNREGISTERED BODY
Cannot sue/be sued, lacking independent personality
FCRA, 2010
Strict requirements for access
MULTIDIMENSIONAL ANALYSIS
SOCIAL
Grassroots vs redressed records
POLITICAL
Ideational influence vs Democratic financing
LEGAL
Statutory Asymmetry & Procedural innovations, gavel & legal codes
ETHICAL
Autonomy vs Transparency & Regulatory Fairness
INTERNATIONAL
Insulation from Foreign Influence & Global standards
FATF
ECONOMIC
Resource Allocation & Parallel economic footprint
LINKAGES WITH NCERT & UPSC SYLLABUS
NCERT TEXTBOOKS
• Cl 11 PS (Fundamental Rights Art 19)
• Cl 11 PS (Citizenship & Civil Society)
• Cl 12 Sociology (Social Movements)
UPSC SYLLABUS
• GS II (Governance, NGO role, Statutory Bodies, FCRA)
• GS IV (Ethics, Accountability)
• Essay (Civil Society & Democracy)
• Optionals (PSIR, Sociology)
HISTORICAL EVOLUTION OF THE ISSUE
passes
Constittitre Fact to sta rest nouvemens of aboat informad avnorses
Funding Taxation: levoinlent & taxation Scrutiny
Singhai Lal Taxation Scru-tiny, 1994 CIT ruling exempts Gurudakshina
Tightening of regulations, FCRA 2010 amendments
Pre-1860s
Colonial building, monitor indigenous moves
1860s
Societies Act passes, formal avenues created
1920s-1940s
Ideological movements rise, ecosystems form
Post-1947
Constitution Art 19 right, dual structure: parent informal vs registered wings
1970s-1990s
Funding & Taxation Scrutiny, 1994 CIT ruling Gurudakshina
1996
Singhai Lel SC ruling, see sue via reps
2010s-Present
Tightening of regulations; FCRA 2010 amendments
PREVIOUS YEARS' QUESTIONS RELEVANCE
Prelims (Fundamental Rights, Art 19 scope; FCRA provisions)
Mains GS II (NGO alternative model, 2021; Right to Association vs FCRA, 2015)
GS IV (Institutional vs Informal accountability, 2016)
WAY FORWARD: BALANCED REGULATORY PATH
VOLUNTARY TRANSPARENCY
Informal bodies publish audits
SCALED DISCLOSURE
Threshold-based financial reporting
JUDICIAL CLARIFICATION
Clear criteria for scale accountability
Comprehensive Analysis
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THE REGULATOR SAID THE PERMISSION IS IN ADDITION TO EXISTING LENDING PROVISIONS

Banks can extend loans against FCNR(B) deposits, says RBI

RBI made FCNR(B) deposits a more attractive source of overseas funding for lenders by absorbing the hedging burden

George Mathew
Mumbai, June 23

THE RESERVE Bank of India (RBI) on Tuesday said Indian banks, including their overseas branches, are permitted to extend loans to non-resident account holders or even issue Standby Letters of Credit (SBLC) in favour of overseas lenders against FCNR(B) deposits mobilised under the new swap facility.

The regulator has said that this permission is in addition to existing provisions that already allow banks to extend secured or unsecured credit and issue guarantees under normal banking norms. The RBI, in its clarification issued as Frequently Asked Questions (FAQ), said banks are permitted to extend loans to the FCNR (B) account holders and mark lien on such deposits. Lien is a legal claim or right over someone else's property until a debt or obligation is paid.

On June 5, the RBI announced the special dispensation that allows banks to mobilise fresh three- to five-year FCNR(B) deposits until September 2026. It also permitted them to swap these deposits with the RBI at a concessional rate, effectively covering the entire hedging cost.

By absorbing the hedging burden, the RBI has made FCNR(B) deposits a more attractive source of overseas funding for lenders. Experts believe the steps announced may attract an additional $50 billion in foreign capital into Indian markets as banks have offered higher interest rates after considering the hedging sops. The RBI will be providing a forex swap for the deposit received. The facility is a plain buy/sell foreign exchange swap from the RBI side covering only the principal amount of the deposits and not the interest component. "The bank will be allowed to undertake swaps for tenors of less than three years provided they have mobilised fresh eligible FCNR (B) deposits for minimum original tenor of three years as per the scheme," it said. Interest rates on deposits, including where differential rates of interest are offered, will be subject to compliance with paragraph 32(2) of the Reserve Bank (Commercial Banks - Interest Rate on Deposits) Directions, 2025.

Banks will continue to offer regular FCNR (B) deposits, without availing Swap facility, for customer deposits with a tenor of 3 years and above up to 5 years, without the requirement of a minimum lock-in period of one year. However, records shall be maintained separately, it said.

ECBs can be raised for any period, as permitted in terms of Foreign Exchange Management (Borrowing and Lending) (First Amendment) Regulations, 2026. However, the ECBs of average maturity of three years and above are eligible for this facility. Further, the tenor of the swap will be co-terminus with the repayment schedule or maturity of the ECB, subject to maximum period of five years, the RBI said.

• FCNR(B) DEPOSIT PUSH

THE SPECIAL dispensation allowing banks to mobilise fresh three- to five-year FCNR(B) deposits until September 2026 was announced by RBI on June 5

IT ALSO permitted them to swap these deposits with the central bank at a concessional rate, effectively covering the entire hedging cost

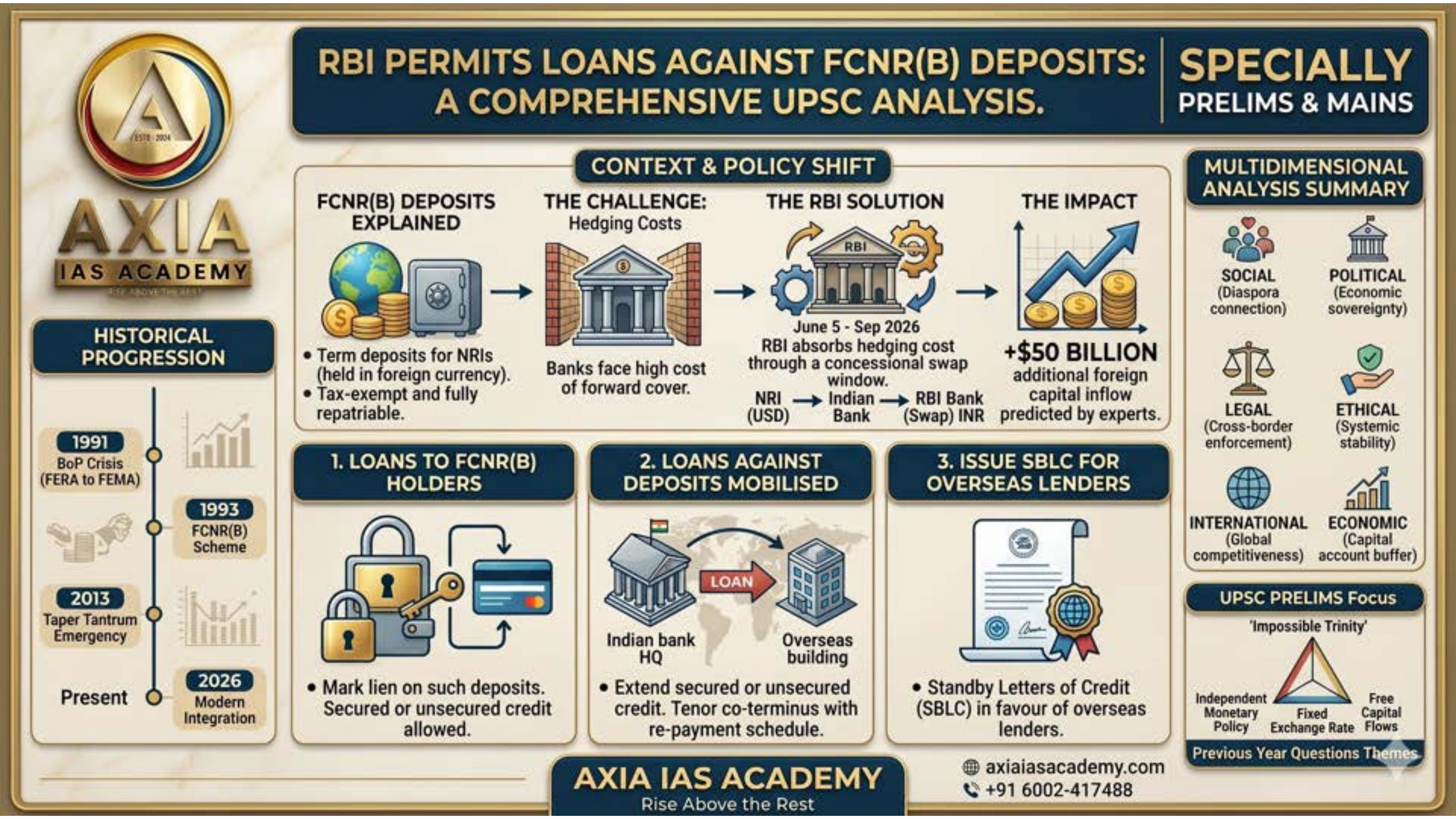
EXPERTS BELIEVE the steps are likely to attract an additional $50 billion in foreign capital into Indian markets as banks have offered higher interest rates after considering the hedging sops

- **Key Terms and Explanations**
- **FCNR(B) Deposits (Foreign Currency Non-Resident Bank Accounts):** These are term deposits that Non-Resident Indians (NRIs) can open and maintain with authorized banks in India. Unlike regular rupee accounts, these deposits are held in fully convertible foreign currencies (such as USD, GBP, EUR, or JPY). A major advantage is that both the principal and the interest are completely exempt from Indian income tax and are fully repatriable, meaning they can be transferred back overseas without any exchange rate risk to the depositor. *Example:* An NRI living in New York deposits $50,000 directly into an FCNR(B) account in Mumbai. They receive their interest and principal back in US dollars, insulated from any depreciation of the Indian Rupee.
- **Forex Swap Facility / Swap Window:** This is a financial mechanism where an authorized commercial bank sells foreign currency to the Reserve Bank of India (RBI) spot market and simultaneously enters into a forward contract to buy back the same amount of foreign currency at a future date at a predetermined exchange rate. By offering a concessional swap window, the central bank provides these forward covers at rates cheaper than market prices.
- **Hedging Cost:** The financial premium paid by an institution or individual to eliminate or mitigate the risk of adverse price movements in foreign exchange rates. When a bank accepts foreign currency deposits but lends in domestic currency, it faces massive exchange risks. Hedging eliminates this, but it comes at a cost. The RBI's decision to absorb the hedging burden means the central bank absorbs this premium, making capital mobilization highly lucrative for domestic banks.
- **Standby Letters of Credit (SBLC):** A legal document issued by a bank that guarantees payment to a foreign beneficiary if the bank's own customer defaults on an underlying agreement or debt obligation. It acts as an international safety net or payment of last resort.
- **Lien:** A legal claim or right that a lender holds over a borrower's property or asset until the underlying debt or financial obligation is fully discharged. In this banking framework, banks can mark a lien on high-value FCNR(B) deposits, allowing these deposits to act as ironclad collateral for cross-border credit.
- **External Commercial Borrowings (ECBs):** Loans raised by eligible Indian corporate entities from non-resident lenders. These instruments must comply with specific parameters such as minimum maturity periods, permitted end-uses, and maximum caps on all-in-cost ceilings as regulated under the Foreign Exchange Management Act (FEMA).

- **Main Arguments and Substantive Parts**
- The structural core of this monetary intervention centers on fortifying India's external capital account balance while expanding the global operational freedom of domestic commercial banks.
- **The Core Thesis**
- The central bank is actively deploying a dual-purpose macroprudential tool: boosting foreign currency reserves through specialized, time-bound incentives while simultaneously expanding credit deployment channels. By absorbing the hedging costs of 3-to-5-year FCNR(B) deposits until September 2026, the regulator eliminates the key cost barrier that prevents commercial banks from offering premium, highly competitive interest rates to global Indian savers.
- **Mechanics of the Special Dispensation**
- **Absorption of Hedging Risks:** Typically, the high cost of hedging foreign currency prevents Indian banks from offering aggressive interest rates on FCNR(B) accounts. By offering a plain buy/sell foreign exchange swap covering the principal amount, the RBI absorbs this risk onto its own balance sheet.
- **Unlocking Collateral Value:** By allowing banks to extend loans to non-resident account holders and issue Standby Letters of Credit (SBLC) against these FCNR(B) deposits, the policy transforms passive foreign savings into highly active collateral. This means a diaspora member can keep their money safely in India while leveraging it to access credit globally.
- **Expected Impacts and Structural Counter-Arguments**
- Market experts project that this targeted policy push will attract an additional $50 billion in stable foreign capital into the Indian financial ecosystem. This capital influx acts as a powerful buffer against external sector vulnerabilities and volatile global capital flight.
- However, from an analytical perspective, this strategy introduces a few critical trade-offs:
- **Quasi-Fiscal Costs:** The central bank takes on a substantial financial burden by absorbing hedging costs at concessional rates, which could impact its annual surplus transfers to the government if exchange rates fluctuate drastically.
- **Asymmetrical Risk Profiles:** Because the RBI's swap facility explicitly covers only the principal amount of the deposits and excludes the interest component, commercial banks must still independently manage and absorb the residual exchange rate risks tied to those interest payouts.

- **Historical Evolution of the Issue**
- **The Pre-1991 Era of Strict Controls:** Under the regime of the Foreign Exchange Regulation Act (FERA) of 1973, India operated under an exceptionally rigid, closed capital account framework. Foreign exchange was treated as a scarce state resource. Remittances and non-resident savings were strictly regulated, and the country lacked flexible, market-determined banking products to attract diaspora wealth.
- **The 1991 Balance of Payments (BoP) Crisis and Structural Realignment:** The historic 1991 crisis forced a shift from rigid administrative controls to market-linked systems. The replacement of FERA with the Foreign Exchange Management Act (FEMA) marked a major policy shift, treating foreign exchange as a resource to be managed rather than rationed. The older FCNR(A) scheme, where the central bank bore all exchange risks, was phased out because it strained public finances during currency depreciations.
- **The Inception of the FCNR(B) Scheme (1993):** To fix the flaws of the previous model, the Foreign Currency Non-Resident (Bank) scheme was introduced in 1993. The defining structural change of FCNR(B) was that the foreign exchange risk was shifted away from the RBI and placed onto the commercial banks, who were expected to manage their own portfolios through market-based hedging.
- **The 2013 "Taper Tantrum" Interventions:** When the US Federal Reserve hinted at tapering its quantitative easing program in 2013, emerging markets faced sudden, massive capital flight. The Indian Rupee hit historic lows. In response, the RBI (under Dr. Raghuram Rajan) opened a special, highly successful concessional swap window for FCNR(B) deposits. This emergency measure brought in over $34 billion in a few months, stabilized the currency, and proved that targeted swap incentives are highly effective during global market stress.
- **The 2026 Policy Framework:** The framework detailed in **3c504efc-7343-4fe9-8eb7-b444afc05cc9.jpg** shows an evolution from an emergency patch to a proactive, long-term policy tool. Running through September 2026, this framework blends macroprudential reserve accumulation with advanced global banking tools like SBLCs and structural liens, allowing Indian banks to operate more competitively on the world stage.

- **Way Forward**
- To maximize the benefits of this policy while minimizing its risks, a balanced and forward-looking approach is required.
- **Developing Deep Domestic Derivative Markets:** The central bank should not have to permanently step in to absorb hedging costs. India needs to focus on deepening its own domestic currency derivative markets. Enhancing liquidity in long-term onshore currency forwards and options will allow commercial banks to hedge their risks efficiently on the open market, reducing the need for direct central bank support over time.
- **Establishing Strict Cross-Border Legal Frameworks:** To prevent defaults on loans secured by FCNR(B) deposits, the RBI and the Ministry of Finance must work with international financial regulators to create clear, standardized legal procedures. Establishing ironclad, cross-border enforcement mechanisms for asset liens and Standby Letters of Credit will protect Indian banks from complicated international legal battles.
- **Adopting a Calibrated Approach to Capital Account Convertibility:** This targeted framework should serve as a testing ground. The insights gained from tracking these 3-to-5-year foreign inflows can help regulators design a safe, step-by-step path toward fuller capital account convertibility, following the cautious blueprints laid out by the historic Tarapore Committees.
- **Diversifying Financial Products for the Diaspora:** Building on the success of the FCNR(B) model, the financial system should design new, specialized investment products for the diaspora. Introducing diaspora-targeted green bonds or infrastructure-focused long-term deposits could direct international inflows straight into vital national development projects, turning passive savings into active engines for growth.



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RBI PERMITS LOANS AGAINST FCNR(B) DEPOSITS: A COMPREHENSIVE UPSC ANALYSIS.
SPECIALLY
PRELIMS & MAINS
HISTORICAL PROGRESSION
1991
BoP Crisis (FERA to FEMA)
1993
FCNR(B) Scheme
2013
Taper Tantrum Emergency
Present
2026
Modern Integration
CONTEXT & POLICY SHIFT
FCNR(B) DEPOSITS EXPLAINED
• Term deposits for NRIs (held in foreign currency).
• Tax-exempt and fully repatriable.
THE CHALLENGE: Hedging Costs
Banks face high cost of forward cover.
THE RBI SOLUTION
RBI
June 5 - Sep 2026
RBI absorbs hedging cost through a concessional swap window.
NRI (USD)
Indian Bank
RBI Bank (Swap) INR
THE IMPACT
+$50 BILLION
additional foreign capital inflow predicted by experts.
1. LOANS TO FCNR(B) HOLDERS
• Mark lien on such deposits. Secured or unsecured credit allowed.
2. LOANS AGAINST DEPOSITS MOBILISED
LOAN
Indian bank HQ
Overseas building
• Extend secured or unsecured credit. Tenor co-terminus with re-payment schedule.
3. ISSUE SBLC FOR OVERSEAS LENDERS
• Standby Letters of Credit (SBLC) in favour of overseas lenders.
MULTIDIMENSIONAL ANALYSIS SUMMARY
SOCIAL (Diaspora connection)
POLITICAL (Economic sovereignty)
LEGAL (Cross-border enforcement)
ETHICAL (Systemic stability)
INTERNATIONAL (Global competitiveness)
ECONOMIC (Capital account buffer)
UPSC PRELIMS Focus
'Impossible Trinity'
Independent Monetary Policy
Fixed Exchange Rate
Free Capital Flows
Previous Year Questions Themes
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RBI issues final norms on TReDS, eases onboarding process for MSMEs

WIDENING REACH. Insurers, guarantee funds brought into receivables financing ecosystem

Our Bureau
Mumbai

The Reserve Bank of India on Tuesday issued final guidelines on the Trade Receivables Discounting System (TReDS), simplifying the onboarding process for MSME sellers and enabling insurance companies and credit guarantee fund trusts to play a larger role in supporting transactions on the platform.

The move is aimed at improving the ease of doing business for MSMEs and encouraging greater participation on TReDS.

TReDS is an institutional mechanism designed to facilitate financing of trade receivables of MSMEs from corporate buyers, government departments and public sector undertakings.

MSME BOOST. The RBI directed TReDS platforms to establish validation mechanisms to ensure that sellers are genuine MSMEs and that funds are credited only to the seller's bank account

The platform brings together various participants for uploading, accepting, bidding, discounting and settling invoices and bills, thereby enhancing liquidity for MSMEs through timely access to working capital at competitive rates.

The RBI said TReDS platforms shall undertake customer due diligence of buyers and put in place appropriate mechanisms to establish the genuineness of uploaded invoices and bills.

INSURANCE COVER

The central bank has also directed TReDS platforms to establish validation mechanisms to ensure that sellers are genuine MSMEs and that funds are credited only to the seller's bank account.

The measure is expected to make access to invoice financing faster and more convenient for small businesses.

Under the revised framework, financiers may avail of insurance cover for TReDS transactions, provided the insurance premium is not borne by the MSME seller. However, such credit insurance cannot be treated as a credit risk mitigant for availing prudential benefits.

Further, financiers may obtain guarantees for factoring units — trade receivables in the form of invoices or bills uploaded by sellers or buyers — from any credit guarantee fund trust set up by the Union government.

With regard to capital requirements, entities seeking authorisation to set up and operate a TReDS platform must maintain a minimum net worth of ₹25 crore. Existing TReDS operators have been given time until March 31, 2028, to meet this requirement.

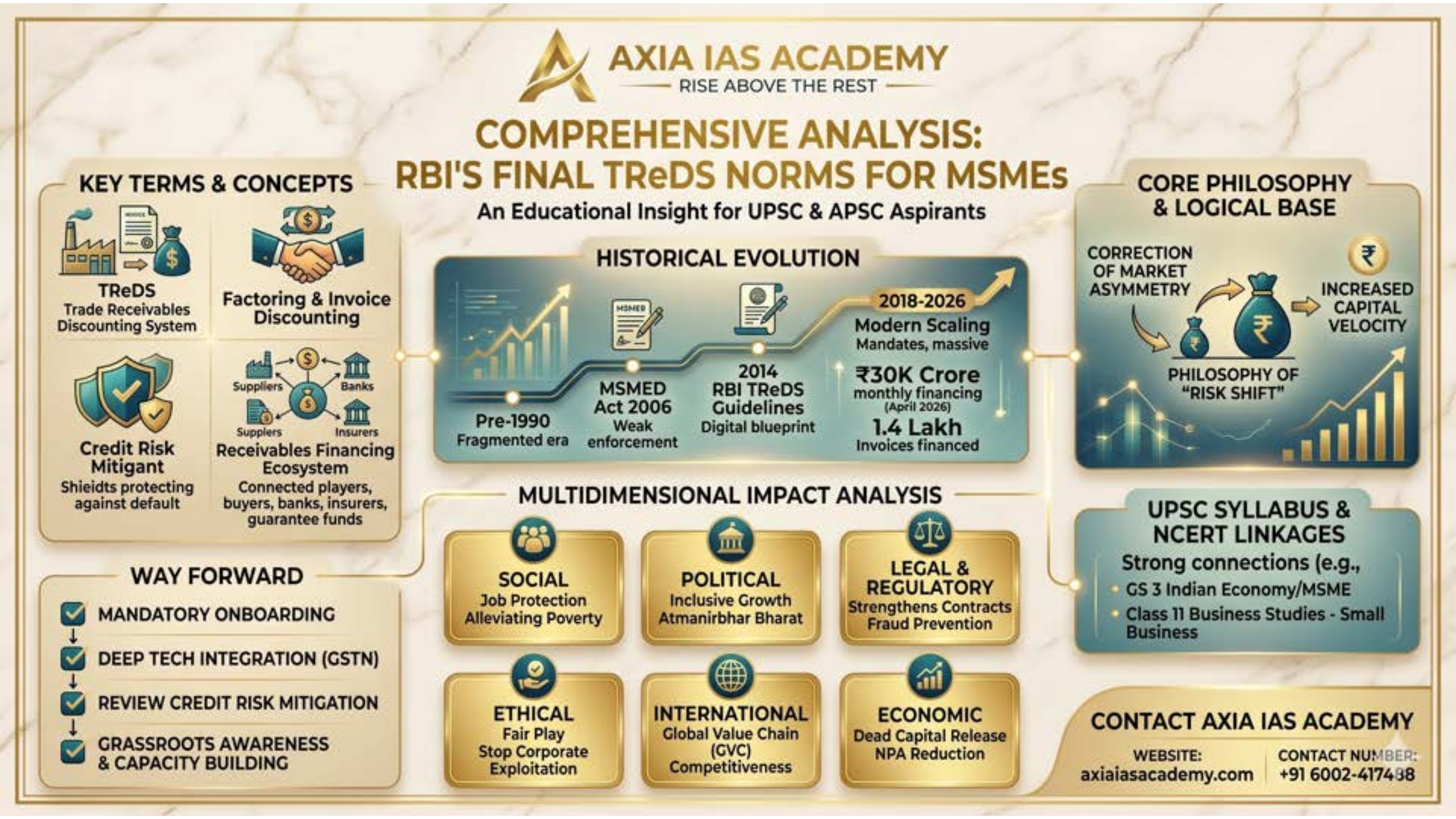
There are currently five TReDS platforms. According to RBI data, these platforms collectively financed 1,40,972 invoices worth ₹29,869 crore in April 2026.

- **Key Terms and Explanations**
- **Trade Receivables Discounting System (TReDS)**
- TReDS is an institutional, digital mechanism established by the Reserve Bank of India (RBI) to facilitate the financing and discounting of trade receivables (invoices) of MSME sellers. It operates as an electronic platform where MSMEs can upload their unpaid invoices, and multiple financial institutions bid to fund them, unlocking immediate liquidity.
- **Factoring and Invoice Discounting**
- Factoring is a financial transaction and a type of debtor finance where a business sells its accounts receivable (invoices) to a third party (called a factor) at a discount. In the TReDS ecosystem, the financial institutions act as the "factors" or financiers, providing upfront cash against future receivables.
- **Credit Risk Mitigant**
- This refers to various techniques used by lending institutions to reduce the credit risk associated with an exposure or loan. Under advanced regulatory frameworks, certain guarantees or collateral allow banks to lower their capital requirements.
- **Receivables Financing Ecosystem**
- The broader financial infrastructure that encompasses all stakeholders involved in converting unpaid invoices into liquid cash. This includes the primary MSME sellers, large corporate or government buyers, financing institutions (banks, NBFCs), and newly integrated auxiliary players like insurance companies and credit guarantee fund trusts.

- **Main Arguments and Substantive Parts**
- **Core Thesis**
- The structural transformation of the Trade Receivables Discounting System (TReDS)—specifically through the easing of MSME onboarding and the integration of credit insurance and guarantee funds—is crucial to solving the endemic cash-flow mismatch in India’s small-business sector. By expanding the ecosystem's participant base, the framework shifts the burden of credit risk away from fragile micro-enterprises and onto institutional risk-absorbers, driving economic formalization.
- **Key Structural Enhancements**
- **Expansion of the Participant Network:** By bringing insurance companies and credit guarantee fund trusts into the receivables financing ecosystem, financiers can mitigate default risks. This structural cushion encourages more aggressive bidding, leading to highly competitive discounting rates for small businesses.
- **Safeguarding the Vulnerable Party:** A critical directive ensures that while financiers can avail themselves of insurance cover to secure transactions, the cost of the insurance premium cannot be passed down or borne by the MSME seller.
- **Prudential Guardrails vs. Operational Risk:** To guarantee that the digital platforms remain robust and resilient against systemic failures, operators face upgraded capital requirements, demanding a minimum net worth of ₹25 crore. Existing players are provided a transitional runway until March 31, 2028, to meet this standard.
- **Substantive Traction and Evidence**
- The operational success of this institutional mechanism is reflected in its massive scale. As of April 2026, the ecosystem comprised five authorized TReDS platforms. In that single month alone, these platforms collectively financed 1,40,972 invoices, unlocking vital working capital worth ₹29,869 crore. This proves that digital factoring has transitioned from an experimental fintech solution to a core pillar of India's industrial trade finance.

- **Historical Evolution of the Issue**
- **Pre-Independence to Early Liberalization Era (1947–1990s)**
- Credit access for small industries was heavily fragmented and dominated by informal money markets. Traditional banking institutions prioritized large, asset-backed industrial houses. Small enterprises suffered from high credit costs, severe structural delays in payments, and lacked institutional avenues to leverage their bills of exchange or trade receivables.
- **The Legislative Milestone: MSMED Act, 2006**
- The enactment of the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, marked the first major policy shift. It legally mandated that buyers must make payments to MSME suppliers within 45 days of accepting goods or services. However, due to the asymmetric bargaining power between small vendors and corporate giants, enforcement remained weak, and delayed payments continued to choke small business balance sheets.
- **The Blueprint for Digital Factoring (2008–2014)**
- The Raghuram Rajan Committee on Financial Sector Reforms (2008) explicitly recommended the creation of an electronic drafting and discounting system to help small enterprises monetize their receivables. This conceptual framework was institutionalized in 2014 when the RBI issued the foundational guidelines for setting up and operating TReDS platforms.
- **The Modernization and Scaling Phase (2018–2026)**
- Over the last decade, the framework underwent continuous refinement. The central government mandated all companies with an annual turnover exceeding ₹500 crore to register on TReDS. By 2026, the policy evolved to integrate advanced risk-mitigation layers—bringing in third-party insurers, standardizing strict customer due diligence for buyers, and raising the net worth bar for operators to ensure long-term stability.

- **Way Forward**
- **Universal and Mandatory Onboarding**
- While policies require large firms to register on TReDS platforms, active compliance remains uneven. The regulatory framework should move toward stricter enforcement mechanisms, making it mandatory for all central and state public sector enterprises, along with large listed corporates, to route a set minimum percentage of their annual procurement bills through TReDS.
- **End-to-End Deep Technological Integration**
- To eliminate invoice fraud and double-discounting risks, TReDS platforms should be seamlessly integrated with the Goods and Services Tax Network (GSTN) and the e-invoicing ecosystem. This would enable real-time verification of trades, automating customer due diligence and making the bidding process completely instantaneous and secure.
- **Reviewing Credit Risk Mitigation Rules**
- Currently, the RBI stipulates that credit insurance on TReDS cannot be treated as a direct credit risk mitigant for bank capital adequacy benefits. As the trade insurance market matures, the RBI could consider a balanced calibration. Allowing banks partial risk-mitigation relief for insured invoices would incentivize even more competitive bidding and unlock a larger volume of bank credit.
- **Grassroots Awareness and Capacity Building**
- The operational success of these digital platforms hinges on user awareness. A collaborative effort involving the Ministry of MSME, industrial associations, and TReDS operators is required to launch vernacular financial literacy programs. This will help micro-entrepreneurs across Tier-2 and Tier-3 cities confidently navigate digital factoring platforms.



AXIA IAS ACADEMY
RISE ABOVE THE REST
COMPREHENSIVE ANALYSIS:
RBI'S FINAL TReDS NORMS FOR MSMEs
An Educational Insight for UPSC & APSC Aspirants
KEY TERMS & CONCEPTS
TReDS
Trade Receivables Discounting System
Factoring & Invoice Discounting
Credit Risk Mitigant
Shieidts protecting against default
Suppliers
Banks
Suppliers
Insurers
Receivables Financing Ecosystem
Connected players, buyers, banks, insurers, guarantee funds
HISTORICAL EVOLUTION
Pre-1990
Fragmented era
MSMED Act 2006
Weak enforcement
2014
RBI TReDS Guidelines
Digital blueprint
2018-2026
Modern Scaling
Mandates, massive
₹30K Crore
monthly financing
(April 2026)
1.4 Lakh
Invoices financed
CORE PHILOSOPHY & LOGICAL BASE
CORRECTION OF MARKET ASYMMETRY
INCREASED CAPITAL VELOCITY
PHILOSOPHY OF "RISK SHIFT"
MULTIDIMENSIONAL IMPACT ANALYSIS
SOCIAL
Job Protection
Alleviating Poverty
POLITICAL
Inclusive Growth
Atmanirbhar Bharat
LEGAL & REGULATORY
Strengthens Contracts
Fraud Prevention
ETHICAL
Fair Play
Stop Corporate Exploitation
INTERNATIONAL
Global Value Chain (GVC)
Competitiveness
ECONOMIC
Dead Capital Release
NPA Reduction
UPSC SYLLABUS & NCERT LINKAGES
Strong connections (e.g.,
• GS 3 Indian Economy/MSME
• Class 11 Business Studies - Small Business
WAY FORWARD
MANDATORY ONBOARDING
DEEP TECH INTEGRATION (GSTN)
REVIEW CREDIT RISK MITIGATION
GRASSROOTS AWARENESS & CAPACITY BUILDING
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CONTACT NUMBER:
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'To achieve Viksit Bharat goal by 2047, India must grow at 7-8%'

CLEAR PATH. Resurgence in private investment, strong expansion in exports are crucial: EAC-PM Chairman

Our Bureau
New Delhi

India must maintain an annual economic growth rate of around 7-8 per cent to realise the vision of 'Viksit Bharat' by 2047, according to S Mahendra Dev, Chairman of the Economic Advisory Council to the Prime Minister (EAC-PM).

He said achieving this objective will largely depend on a resurgence in private investment and strong expansion in exports. He added that agriculture sector has an important role to play in achieving it.

The farm sector needs to be more diversified, nutritious, sustainable and climate resilient, he said while addressing industry body FICCI's 'India Innovative Crop Nutrition Conclave 2026' in New Delhi.

EAC-PM Chairman S Mahendra Dev

On the sidelines, Dev said structural reforms implemented over the last few years had laid the groundwork for 'Viksit Bharat'.

"We need investment for that. So, private sector investment is equally important, and export growth is also important. The Prime Minister has mentioned Atmanirbhar Bharat. That is equally important," Dev said.

He laid emphasis on the importance of enhancing India's competitiveness and product quality to meet global standards.

The policy framework does not signal a retreat from global trade, instead the focus remains on building domestic capability to leverage the country's current demographic and technological advantages, he said.

The government had identified specific areas to reduce import dependencies, compiling a list of 100 items where domestic manufacturing can substitute foreign goods, he added.

RBI PROJECTION

"Overall, because of the West Asia war and also a bit of El Nino, I agree with the RBI projection of 6.6 per cent growth and also 5.1 per cent inflation," Dev said.

Asserting the need to reduce consumption of chemical fertilizers through crop diversification, promotion of natural farming and offering incentives linked to productivity gains, he said there is a need to improve crop productivity.

Pointing out that the West-Asia conflict has created supply problems and increased subsidy, he said global urea prices, fortunately, had come down sharply — from over $900 to $450 a tonne.

Stating that India had imported over 10 million tonnes of urea in the 2025-26 fiscal, he said sources of imports were getting diversified; there was also a focus on raising domestic production.

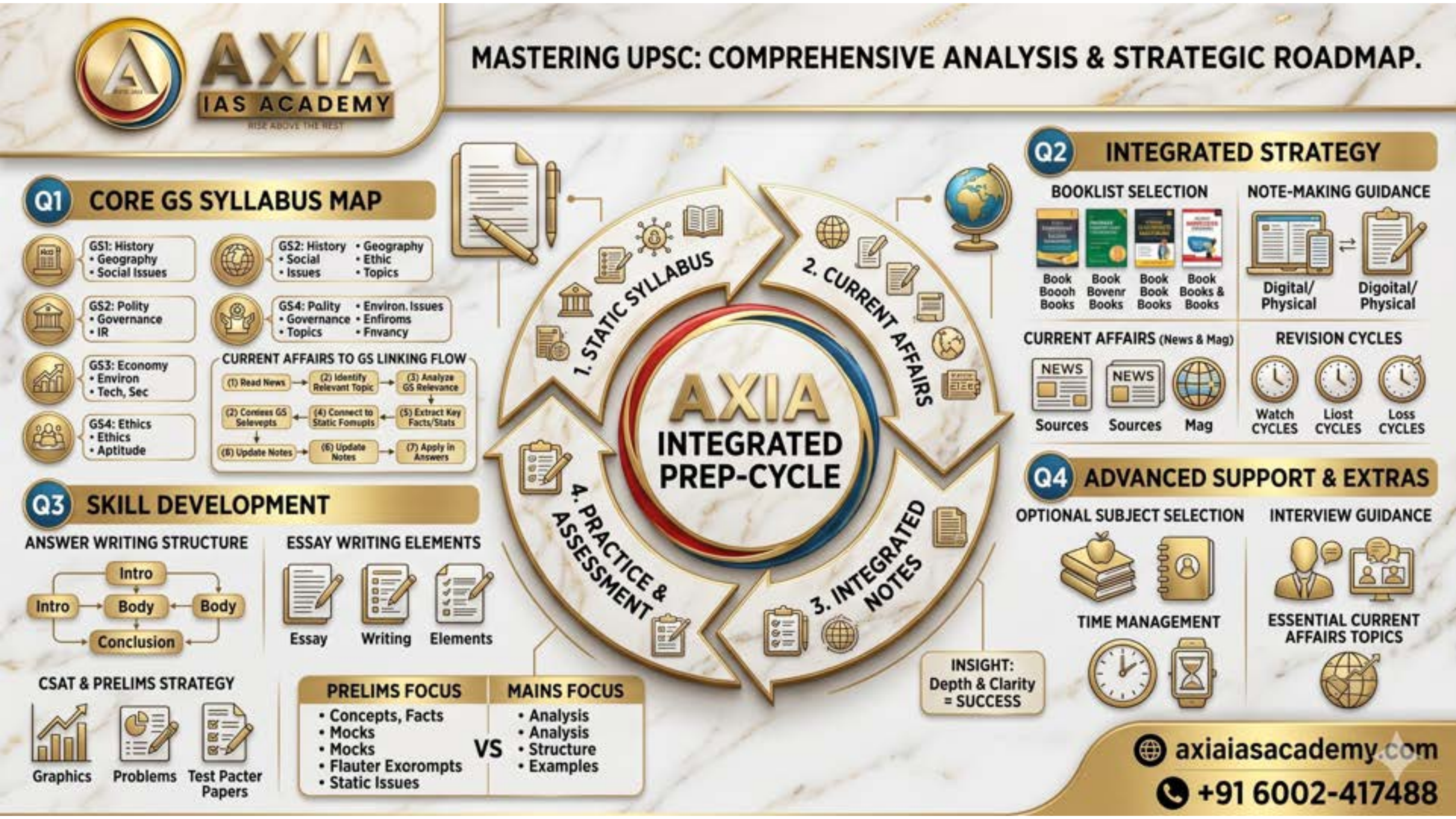
"As a next step we should consider a national nutrient use efficiency initiative that shifts our focus from the quantity of fertilizer consumed to the productivity it generates," he said.

- **Key Terms and Explanations**
- **Viksit Bharat (Developed India) 2047:** This refers to the strategic vision of transforming India into a fully developed nation by the year 2047, marking the centenary of its independence. It encompasses multi-dimensional progress, including high per-capita income, robust infrastructure, advanced technological capabilities, and excellent social indicators.
- **Economic Advisory Council to the Prime Minister (EAC-PM):** An independent, non-constitutional, non-statutory body constituted to provide elite economic counsel to the Prime Minister of India. It analyzes macroeconomic trends, advises on policy interventions, and addresses issues referred to it by the PM.
- **Nutrient Use Efficiency (NUE):** A critical agricultural metric that measures the proportion of nutrients (like nitrogen, phosphorus, and potassium) absorbed and utilized by a crop relative to the total amount of fertilizer applied. Low NUE means fertilizers leach into groundwater or volatilize into the air, causing financial waste and environmental degradation.
- **Import Substitution (Modern Context):** Unlike the closed-door policies of the pre-1991 era, modern import substitution under *Atmanirbhar Bharat* focus on identifying high-dependence foreign goods (such as a targeted list of 100 strategic items) and building domestic capacity to manufacture them. The goal is to enhance global competitiveness and product quality rather than retreating from international trade.
- **El Niño Interventions:** El Niño is a climate pattern characterized by the unusual warming of surface waters in the eastern tropical Pacific Ocean, which historically disrupts the Indian Southwest Monsoon. Navigating this requires structural agricultural resilience to protect output and curb food inflation from climate shocks.

- **Main Arguments and Substantive Parts**
- The core thesis of this development path asserts that reaching a developed economy status within a generation requires a departure from business-as-usual growth trajectories. The strategy centers on structural transformations across sectors.
- **The 7-8% Growth Imperative:** To escape the middle-income trap and achieve the status of a developed economy by 2047, India must maintain an annual economic growth rate of 7-8%. While current estimates hover realistically around 6.6% due to immediate global headwinds, accelerating this rate is non-negotiable for long-term goals.
- **The Dual Growth Engines:** Public expenditure alone cannot carry the burden of sustained high growth. The trajectory relies heavily on a resurgence in private sector capital investment (capex) alongside a major expansion in merchandise and services exports. This dual approach ensures that domestic manufacturing scales up to meet global benchmarks.
- **Re-engineering the Agrarian Architecture:** Agriculture remains the foundational baseline for economic stability. The sector must transition away from volume-based, input-heavy models toward a system that is diversified, nutrient-rich, sustainable, and climate-resilient. High crop productivity must be achieved without expanding the ecological footprint.
- **Mitigating Subsidies and Geopolitical Risks:** Geopolitical tensions, such as conflicts in West Asia, introduce vulnerabilities by disrupting supply chains and inflating input costs. For instance, global urea prices fluctuate wildly—spiking toward $900 a tonne before stabilizing around $450. To shield national budgets from ballooning fertilizer subsidy bills and imports exceeding 10 million tonnes, diversifying import channels and scaling up domestic natural farming are vital steps.

- **Historical Evolution of the Issue**
- The pursuit of high economic growth and agricultural self-reliance has evolved through distinct phases in India's post-independence journey.
- **The Food Crisis and PL-480 Era (1947–1960s):** Post-independence India struggled with severe food insecurity, remaining heavily dependent on food aid under the United States' PL-480 program. The economic focus was heavily tilted toward heavy industrialization under the Mahalanobis model, leaving agriculture underfunded and vulnerable to monsoon failures.
- **The Green Revolution and Input Subsidies (1960s–1980s):** The introduction of High-Yielding Varieties (HYV) of seeds, expanded irrigation, and chemical fertilizers transformed India from a food-deficit country to a food-secure one. However, this success established a system of heavy chemical usage and massive fiscal subsidies for fertilizers (primarily Urea), distorting natural soil chemistry over time.
- **The 1991 Structural Reforms and Sectoral Divergence:** The LPG (Liberalization, Privatization, Globalization) reforms unlocked the private sector and led to services-driven GDP growth. While urban centers boomed, the agricultural sector did not experience equivalent structural or market-oriented deregulation, leading to an increasing income gap between the farm and non-farm sectors.
- **The Strategic Self-Reliance Era (Present):** The contemporary focus aligns with the vision, which emphasizes combining high-tech growth with structural resilience. The current economic strategy targets a 7-8% growth rate through focused export growth, private sector resurgence, a shift to natural farming, and targeted import substitution to protect the economy from global disruptions.

- **Way Forward**
- **Deploying a National Nutrient Efficiency Framework:** India should move away from broad chemical fertilizer subsidies and instead expand precision agriculture technologies. Scaling up the use of nano-fertilizers and tying incentives to soil health data can optimize input costs and protect soil quality.
- **Spurring Private Capex via Targeted PLI Schemes:** The Production Linked Incentive (PLI) model should be expanded deeper into agritech, cold-chain logistics, and the domestic manufacturing of high-dependency import items. This will de-risk private investments and stimulate corporate capital expenditure.
- **Diversifying and Upgrading Agricultural Exports:** Setting up specialized export zones with international-standard testing labs can ensure Indian agro-products reliably pass global sanitary and phytosanitary rules, unlocking high-value markets in the West.
- **Building Climate Resilience and Market Access:** Investing in climate-resilient, bio-fortified seed varieties is essential for mitigating risks like El Niño. Simultaneously, integrating regional markets into a unified national trading platform can help ensure fair pricing and curb food inflation.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MASTERING UPSC: COMPREHENSIVE ANALYSIS & STRATEGIC ROADMAP.
Q1 CORE GS SYLLABUS MAP
GS1: History • Geography • Social Issues
GS2: History • Social • Issues • Geography • Ethic • Topics
GS2: Polity • Governance • IR
GS4: Polity • Governance • Topics • Environ. Issues • Enfiroms • Fnvancy
GS3: Economy • Environ • Tech, Sec
GS4: Ethics • Ethics • Aptitude
CURRENT AFFAIRS TO GS LINKING FLOW
(1) Read News
(2) Identify Relevant Topic
(3) Analyze GS Relevance
(2) Conlees GS Selevepts
(4) Connect to Static Fomupls
(5) Extract Key Facts/Stats
(6) Update Notes
(6) Update Notes
(7) Apply in Answers
Q3 SKILL DEVELOPMENT
ANSWER WRITING STRUCTURE
Intro
Intro
Body
Body
Conclusion
ESSAY WRITING ELEMENTS
Essay
Writing
Elements
CSAT & PRELIMS STRATEGY
Graphics
Problems
Test Pacter Papers
PRELIMS FOCUS
• Concepts, Facts
• Mocks
• Mocks
• Flauter Exorompts
• Static Issues
VS
MAINS FOCUS
• Analysis
• Analysis
• Structure
• Examples
1. STATIC SYLLABUS
2. CURRENT AFFAIRS
3. INTEGRATED NOTES
4. PRACTICE & ASSESSMENT
AXIA
INTEGRATED PREP-CYCLE
INSIGHT: Depth & Clarity = SUCCESS
Q2 INTEGRATED STRATEGY
BOOKLIST SELECTION
Book Boooh Books
Book Bovenr Books
Book Book Books
Book Books & Books
NOTE-MAKING GUIDANCE
Digital/ Physical
Digoital/ Physical
CURRENT AFFAIRS (News & Mag)
NEWS
Sources
NEWS
Sources
Mag
REVISION CYCLES
Watch CYCLES
Liost CYCLES
Loss CYCLES
Q4 ADVANCED SUPPORT & EXTRAS
OPTIONAL SUBJECT SELECTION
INTERVIEW GUIDANCE
TIME MANAGEMENT
ESSENTIAL CURRENT AFFAIRS TOPICS
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Centre tightens norms for foreign donations

- NGOs must stick to the activities specified by Centre in their category and geographical area
- NGOs must declare everything they published: books, magazines, and articles in newspapers
- Existing registrations must comply within the next year; a minimum fine of ₹1 lakh will apply

Vijaita Singh
NEW DELHI

Non-governmental organisations (NGOs) wanting to access foreign funds must now stick to a list of activities specified by the Centre, according to the latest amendment to the Rules of the Foreign Contribution Regulation Act (FCRA), 2010, notified on Monday.

While NGOs seeking foreign funds are required to register under one of the five permitted categories, namely social, economic, educational, cultural, and religious, this is the first time separate activity lists have been laid out for those in each category.

NGOs must now disclose their activities, the geographical scope of their programmes, their websites, social media accounts, and publications. They must pay separate fees for each category and State or Union Territory they operate in, as opposed to the previous single fee for FCRA registrants.

Any new registration must follow the new norms and existing registrations must comply with the changes within the next year. Any violations will be penalised with a minimum fine of ₹1 lakh, according to another order from the Union Home Ministry. The Ministry regulates all foreign donations through the FCRA.

Earlier amendments of the Rules only required NGOs to give an undertaking that their acceptance of foreign funds is not likely to affect the sovereignty and integrity of India or impact friendly relations with foreign states or disrupt communal harmony.

Key functionaries

The amended Rules also broaden the definition of an NGO's "key functionary" beyond office-bearers and directors to include trustees, partners, the Karta or head of a Hindu Undivided Family, governing body members, and anyone else controlling or managing the organisation.

Associations having foreign nationals (other than persons of Indian origin) as key functionaries will ordinarily not be considered eligible for registration or prior permission, unless specifically permitted by the Centre, according to the new Rules. NGOs must also declare whether their association or any of their key functionaries brought out any publication during the year, including books, magazines, and newspaper articles.

A senior government official said that the amendments were effected to bring uniformity in Foreign Contribution forms (F-C) and to avoid duplication.

The amended Rules state that the certificate of registration or the application form (for fresh registrations) shall specify the purpose or purposes for which registration is granted, chosen only from such list of purposes as specified in the Schedule appended to the Rules; and the States or Union territories in which the NGO proposes to undertake the activities.

The Rules also imposes a fee on NGOs to operate for each specified purpose, and within each State or Union Territory.

Some categories specifically exclude political activities. For instance, the "educational" purpose lists 22 activities but adds the caveat that "awareness programmes on constitutional rights, fundamental duties, and civic responsibilities" must be "strictly non-political in nature."

The "cultural" purpose lists "promotion of contemporary arts inspired by Indian traditions" among 18 categories, adding the caveat to "exclude political/ ideological content."

There are 16 permitted categories of religious activities, including "conduct of religious education, moral instruction, satsangs, discourses, and meditation retreats (excluding proselytisation)", and "burial/cremation ground development and maintenance." There are 19 activities listed under "economic" purpose, and 30 items under the "social" category.

Fines for violations

MHA notified another order which specifies fines for FCRA violations such as excess administrative spending, speculative investments, misuse of funds, unauthorised receipt/use of foreign contributions, and using funds for unapproved purposes or in unapproved States/UTs.

Any use of funds for purposes other than those for which they were received can attract a penalty of up to 30% of the amount misused or ₹1 lakh, whichever is higher. Similarly, using foreign funds for purposes or in areas not covered under the NGO's approval also invites a fine of 30% of the amount or ₹1 lakh, whichever is higher. In addition, spending beyond the permitted expense limit is penalised with fines calculated as a percentage of the amount involved, subject to a minimum of ₹1 lakh.

Funding check

Under the fresh changes to Rules of the Foreign Contribution Regulation Act, all NGOs are required to disclose specific activities and geographical scope of their programmes to receive contributions under 5 permitted categories:

EDUCATIONAL
- Schools, colleges, and libraries
- Scholarships
- Research institutions and think tanks
- Civic-awareness and constitutional-rights programmes

ECONOMIC
- Livelihood generation
- Skill development
- Agricultural sectors
- Entrepreneurship and micro-enterprises
- Financial and digital inclusion

RELIGIOUS
- Places of worship
- Religious education
- Pilgrim services
- Meditation programmes
- Preservation of religious traditions

SOCIAL
- Public health
- Rehabilitation
- Sanitation and nutrition
- Disaster relief

CULTURAL
- Preservation of Indian arts and languages
- Museums, archives, and cultural festivals
- Heritage conservation

- **Key Terms and Explanations**
- **Foreign Contribution Regulation Act (FCRA):** This is the bedrock legislation enacted to regulate the acceptance and utilization of foreign funds or hospitality by individuals, associations, or companies. Its primary objective is to ensure that foreign capital does not adversely affect the sovereign functioning, internal security, or democratic ethos of the nation. For example, if a global philanthropic foundation wants to fund an Indian rural health program, the recipient organization must hold a valid FCRA license.
- **Key Functionaries:** Traditionally restricted to top office-bearers like the President or Secretary, the administrative definition of a "key functionary" has been broadened significantly. It now encompasses trustees, partners, members of the governing body, heads of Hindu Undivided Families (Karta), and anyone who exercises structural or operational control over the organization. If an entity appoints an international expert or a non-resident to its core advisory board, this individual falls directly under strict regulatory oversight.
- **Permitted Core Categories:** The legal framework classifies permissible foreign-funded activities into five distinct thematic buckets: **Social, Economic, Educational, Cultural, and Religious**. An organization cannot operate as a generic entity; it must register under specific verticals and align its field operations with granular, pre-approved activity lists defined within these categories.
- **Proselytisation:** This refers to the act of attempting to convert a person from one religion, belief, or opinion to another. Under current regulatory guidelines, while genuine religious discourses, traditional preservation, and meditation retreats are permitted, any form of foreign-funded coercive or incentivized religious conversion is strictly prohibited.
- **Non-Political Caveat:** A legal condition ensuring that funds meant for developmental or academic purposes are not diverted toward political mobilization. For instance, while an organization can run awareness programs on constitutional rights or civic responsibilities, these programs must remain strictly non-partisan and free from ideological or electoral biases.

- **Main Arguments and Substantive Parts**
- The core discourse around the tightening of foreign donation norms revolves around balancing national sovereignty with the operational autonomy of the voluntary sector. The regulatory architecture has shifted from general post-facto reporting to hyper-granular, preventive compliance.
- **The Architecture of Micro-Targeting**
- The state has moved away from giving omnibus approvals for foreign funding. Organizations must now navigate a highly compartmentalized system:
- **Activity-Specific and State-Wise Compliance:** Organizations must declare the exact geographical scope and specific nature of their programs across individual States and Union Territories. Rather than paying a single, blanket fee for an FCRA registration, entities are now required to pay separate fees for every targeted category and geographical jurisdiction in which they intend to operate.
- **Scrutiny of Intellectual Output:** The regulatory lens has expanded from purely tracking financial ledgers to monitoring intellectual footprints. Organizations and their key functionaries must disclose all publications, including books, magazines, and newspaper articles. This ensures that foreign funding is not subtly utilized to shape public policy narratives or drive external ideological agendas under the guise of academic research.
- **Strict Financial Penalties:** To deter non-compliance, a rigid penalty structure has been introduced. Any deviation—such as exceeding administrative spending caps, engaging in speculative investments, or utilizing funds in unauthorized districts—triggers severe financial disincentives. These range from a minimum flat fine of ₹1 lakh to a penalty of up to 30% of the total diverted amount.
- **The Debate: State Oversight vs. Civil Society Autonomy**
- **The State's Perspective:** The primary argument for these stringent measures is the protection of national integrity and the prevention of fund duplication. By defining specific activities—such as 22 distinct activities under "educational", 18 under "cultural", 16 under "religious", 19 under "economic", and 30 under "social" classifications—the state aims to create a clean, traceable map of transnational financial flows. This level of oversight helps prevent funds from being channeled into unauthorized activities that could disrupt communal harmony or compromise internal security.
- **The Civil Society Counterargument:** Conversely, representatives of the voluntary sector argue that these hyper-granular rules create an overwhelming administrative burden. Smaller grassroots organizations often lack the legal and accounting infrastructure to manage multiple state-wise registrations and distinct fee structures. There is also concern that strict restrictions on "political or ideological content" in cultural and educational programs could inadvertently suppress legitimate civic advocacy, human rights education, and policy critiques.

- **Historical Evolution of the Issue**
- **The Pre-Independence and Early Post-Independence Era:** During the freedom struggle, the voluntary sector was deeply rooted in the Gandhian philosophy of constructive community work, relying primarily on domestic charities and community self-reliance. In the initial decades after independence, foreign funding was largely unstructured and directed toward large-scale humanitarian aid, such as food security initiatives and disaster relief.
- **The 1976 Legislative Turning Point (The Emergency Era):** The formal institutionalization of foreign funding controls began with the enactment of the Foreign Contribution (Regulation) Act of 1976. Set against the backdrop of the Cold War, this law was introduced due to concerns over foreign intelligence agencies manipulating domestic political processes, media houses, and trade unions. The primary objective was to insulate India's sovereign democratic institutions from external financial influence.
- **The 2010 Statutory Overhaul:** As the non-profit sector expanded rapidly into rights-based advocacy, the state replaced the older legislation with the Foreign Contribution (Regulation) Act, 2010. This marked a major shift from a one-time permanent registration model to a mandatory **five-year renewal system**. It also introduced stricter utilization audits to ensure that foreign funds were used explicitly for development rather than political mobilization.
- **The 2020 Tightening of the Reins:** Amendments passed in 2020 introduced sweeping structural transformations. They completely banned the sub-granting or transfer of foreign funds from one FCRA-registered entity to another—a practice that smaller grassroots NGOs heavily relied upon. Furthermore, the maximum allowance for administrative expenses was cut from 50% to 20%, and all foreign inflows were routed through a single, designated bank account at the State Bank of India's main branch in New Delhi.
- **The Present Paradigm:** The regulatory landscape has shifted focus toward **micro-activity tracking and ideological neutrality**. The state now monitors specific activities, geographical boundaries, and the media publications of an organization's leadership. This reflects a comprehensive strategy to manage both financial capital and intellectual influence entering the country from abroad.

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A DEEP-DIVE GUIDE TO NGO REGULATION & FOREIGN FUNDING IN INDIA: FOR UPSC CSE ASPIRANTS

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1 Section 1: Key Terms and Explanations

FCRA
- FCRA insoirats community communists barriers
- Tourl bask of transreegnts

Key Functionaries
- Management for management
- Eimir government
- Peronmastary directoris
- Permitte eroups mactors

FCRA
Management

Permitted Core Categories

Book | Coin | Place of worship | Shace of Shield | NGO

4. Logical and Philosophical Base

SOVEREIGNTY (invertied nation and soverrong nations)

SOCIAL CONTRACT

Social contract (abncem-contracts and tinzed in lite and nearem groups)

3. Historical Evolution of the Issue

- Pre-independence
- 1976 Emergency FCRA
- 2010 Overhaul Act
- 2020 Structural Bans
- 2026 Hyper-Granular Track

Section 2: Main Arguments and Substantive Parts

National Sovereignty
- Advantages sovereignty
- Coommoneignty to Civic Autonomy

National Sovereignty | Civic Autonomy

Advantages
- Advantages overeignty
- Civic Autonomy

Micro-Targeting Oversight
- Advantages, morcaninty
- Oversigrts
- Micro-Targeting Oversight

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- Commitieiocrand morement
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5. Multidimensional Analysis

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Economic
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- Economic: CDGs sector preseasred tuns tanlitional economic:
- Economic: SDG goals gear and social sector jobs

Section 6: Linkages with NCERTs

- Pre-Independence
- 1976 Emergency FCRA
- 2010 Overhaul Act
- 2020 Structural Bans
- 2026 Hyper-Granular Track

7. Linkages with UPSC CSE Syllabus

- **GS 1-4:** https://www.axiaiasacademy.com
- **Essay:** https://axia..iasacademy.totelins-link
- **Ethics and Optionals:** https://14, Ethics and Optionals

Section 8: Way Forward

Single Window
- Single window scaries, results, pmprromeries, proportionality; scales hum; eoc nat interepbnents
- CSR onronornment introcaline, and economiries

Proportionality
- Proportionality s CSR pronuctions

CSR
Cort factory

CSR

Seton 9: All Previous Years' UPSC and APSC Questions

Prelims
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2. What seriour s sample questions of seeetions?
3. What should huoire questions or teors-tionwers oucoewed questions nae tine UPSC IASS?

Mains
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2. What osnsotiatened the UPSC-oesreat resem question 's nstare hinctums questions?
3. What questions sample whoonr tostars does have hore on APSC anatonn questions?

ALL PREVIOUS YEARS' PYQS GROUPED AND INCLUDED

UN maritime body secures safety pledges to evacuate ships stuck in Persian Gulf

M. Kalyanaraman
CHENNAI

International Maritime Organisation (IMO) Secretary-General Arsenio Dominguez has announced a plan to evacuate all the ships – and the 11,000 seafarers on them – stranded in the Persian Gulf due to the war in West Asia.

"This large-scale operation will be carried out in close cooperation with Iran, Oman, and all other coastal states in the region, the United States, and the maritime industry," he said.

Although his statement does not explicitly refer to Iran's plan, the plan put out by the Sultanate of Oman does mention both routes – one along the Omani coast and the other along the Iranian coast – that ships are currently using to transit the Strait of Hormuz. The plan also asks vessels to contact the respective "coastal state" of their selected route to confirm transit.

Mr. Dominguez added: "We have secured the necessary safety guarantees and have thoroughly verified the conditions for safe navigation to support these operations."

The IMO, a UN agency, referred to a letter written by Oman's Ministry of Defence to Pakistan's National Hydrographic Office that gives a detailed plan for the evacuation. Pakistan, along with Qatar, has been a mediator in the negotiations between Iran and the U.S.

The plan announced by IMO involves two routes that ships are currently using to transit the Strait of Hormuz. REUTERS

The letter says that the Sultanate of Oman has worked with the IMO to provide all vessels with the option of a temporary maritime corridor as per listed coordinates. To reduce risks and ensure safe navigation, the IMO has developed a phased approach based on groups of vessels.

Threat of mines

The letter says that the traditional traffic separation scheme is unsafe in a reference to mines, and two routes, one south and another north of it, shall be used for transit. Vessels will be contacted individually and advised of their allocated transit day by the parties coordinated by the IMO.

These two routes can handle 20-30 ships a day while the traditional route at the centre of the strait used to see some 130 ships transiting every day before the war.

Hundreds of ships are still stranded in west of Strait of Hormuz.

There will be a designated waiting area within international waters where ships will go. From there, the vessels will contact "the relevant coastal state", in a reference to Iran for the northern route.

The letter adds: "Each shipowner and master remains responsible for conducting an independent risk assessment prior to voyage."

The Automatic Identification System of the vessel shall stay on, the letter adds.

The letter gives the coordinates of the Omani route that ships should take.

A few days ago, Iran had announced that vessels that submit their passing requests to the Persian Gulf Strait Authority that it set up during the ceasefire "will be cleared for passage promptly."

'MOU HELPED ENERGY FLOW'
» PAGE 6
UNCERTAINTY REMAINS
» PAGE 15

- **Key Terms and Explanations**
- **International Maritime Organization (IMO):** A specialized agency of the United Nations established in 1948, responsible for measures to improve the safety and security of international shipping and to prevent pollution from ships.
- **Strait of Hormuz:** A strategically vital, narrow waterway connecting the Persian Gulf with the Gulf of Oman and the Arabian Sea. It acts as the world's most critical energy choke point, through which a significant percentage of the globe's petroleum consumption passes daily.
- **Traffic Separation Scheme (TSS):** A maritime traffic management routeing system regulated by the IMO. It separates opposing streams of marine traffic by the establishment of two-way lanes and separation zones to prevent vessel collisions in congested or narrow waters.
- **Automatic Identification System (AIS):** An automated, transponder-based tracking system used on ships and by vessel traffic services (VTS) for identifying and locating vessels by electronically exchanging data with other nearby ships, AIS base stations, and satellites.
- **Sea Lines of Communication (SLOCs):** The primary maritime routes between ports used for trade, logistics, and naval operations. They serve as the economic arteries of global globalization.
- **Freedom of Navigation (FoN):** A principle of international law enshrined in the United Nations Convention on the Law of the Sea (UNCLOS), asserting that ships flying the flag of any sovereign state shall not suffer interference from other states, except under specific circumstances permitted by international law.

- **Main Arguments and Substantive Parts**
- The geopolitical crisis gripping the Persian Gulf highlights a profound conflict between regional military friction and the preservation of the global economic commons. An analysis of the core dynamics reveals several key arguments:
- **The Humanitarian and Economic Imperative**
- At the heart of the current crisis is a massive logistical logjam: approximately 11,000 seafarers and hundreds of merchant vessels are stranded in the Persian Gulf due to active hostilities in West Asia. The primary argument put forth by international governance bodies is that civilian mariners and commercial vessels must be decoupled from geopolitical warfare. The human cost of using seafarers as collateral pawns threatens the structural stability of the global maritime workforce.
- **The Weaponization of Strategic Choke Points**
- The shift away from traditional shipping pathways is driven by immediate, existential threats—specifically the deployment of naval mines along standard routes. Because traditional Traffic Separation Schemes (TSS) are heavily compromised by mine warfare, international shipping cannot proceed under standard operating protocols. This highlights how easily modern asymmetric warfare can immobilize traditional maritime infrastructure.
- **Multilateral Mediation vs. Fragmented Sovereignty**
- Securing safe evacuation requires a complex web of ad-hoc multilateral diplomacy. The diplomatic framework involves an institutional UN push led by the IMO, regional balancing states acting as intermediaries (such as Oman, Qatar, and Pakistan), and major global stakeholders like the United States and Iran. The establishment of temporary northern and southern maritime corridors demonstrates that maintaining global trade requires a functional synthesis of regional sovereign approval and international supervision.
- **Scale Disparity and Economic Chokers**
- A critical substantive point is the staggering reduction in maritime transit capacity. The emergency alternative corridors are engineered to handle a mere 20 to 30 ships per day, whereas the traditional central strait route safely processed roughly 130 vessels daily prior to the conflict. This structural bottleneck causes compounding delays, soaring freight rates, and volatile global supply lines, illustrating that alternative routing is only a temporary fix, not a permanent solution for global trade.

- **Historical Evolution of the Issue**
- **Pre-1980s: The Creation of the Energy Hub:** Following the post-WWII global economic boom, the Persian Gulf emerged as the undisputed epicenter of global oil exports. The codification of international maritime principles via early UN frameworks sought to protect transit rights through such straits, recognizing them as international highways.
- **The Tanker War (1980–1988):** During the protracted Iran-Iraq War, both nations systematically targeted commercial oil tankers belonging to each other and neutral nations in the Persian Gulf. This era marked the first large-scale asymmetric threat to the Strait of Hormuz, forcing global powers (including the US and USSR) to launch re-flagging operations and military escorts (e.g., Operation Earnest Will) to ensure the flow of oil.
- **Post-9/11 Era and Technological Standardisation:** The dawn of the 21st century shifted the focus toward maritime counter-terrorism, anti-piracy, and strict vessel monitoring. The IMO mandated the widespread adoption of the Automatic Identification System (AIS) to increase maritime domain awareness and prevent state and non-state actors from operating anonymously in congested waters.
- **The Present Crisis (2020s Escalations):** Recent years have seen a transition from conventional naval standoffs to sophisticated asymmetric warfare, featuring drone strikes, limpet mine attachments, and cyber-disruptions. The current escalation has forced international bodies like the IMO to bypass traditional traffic frameworks entirely and build ad-hoc diplomatic corridors to rescue thousands of stranded mariners.

- **Way Forward**
- **Institutionalizing Rapid Maritime Humanitarian Corridors**
- The international community, under the auspices of the UN and IMO, should transition from ad-hoc crisis response to a formalized, standing blueprint for maritime safety corridors. By pre-negotiating coordinates, communication protocols, and neutral oversight mechanisms during peacetime, the global community can rapidly protect civilian shipping the moment a regional conflict escalates, bypassing prolonged diplomatic friction.
- **Enhancing India's Strategic Maritime Footprint**
- For India, ensuring the security of its energy imports requires a proactive naval strategy. The Indian Navy should expand forward-deployed protection frameworks, modeled after *Operation Sankalp*, to provide robust escort services to Indian-flagged commercial vessels in high-risk zones. Strengthening maritime intelligence sharing with regional neutral states like Oman can significantly improve predictive risk modeling.

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CRISIS & COORDINATION: STRATEGIC ANALYSIS OF PERSIAN GULF MARITIME SECURITY

KEY PLAYERS & FUNCTIONS

- **IMO (International Maritime Organization)** — UN Agency coordinating evacuation
- **Oman** — Providing southern route option and coordinates
- **Iran** — Controlled northern passage; requires notification
- **Pakistan & Qatar** — Mediators in Iran-US negotiations
- **Shipowners** — Responsible for independent risk assessment

SHIP PASSAGE PROCESS (IMO FRAMEWORK)

1. Ship stranded in Persian Gulf →
2. Ship contacts Relevant Coastal State →
3. Wait in International Waiting Area →
4. Keep AIS (Automatic Identification System) ON →
5. Perform Independent Risk Assessment →
6. IMO allocates transit day →
7. Safe passage via cleared routes (e.g., 20-30 ships/day)

MULTIDIMENSIONAL IMPACT

ECONOMIC Disruption of global energy flow; risk of price shocks.	**LOGISTICAL** Traffic bottleneck (20-30 vs. traditional 130 ships/day)	**HUMANITARIAN** Evacuation of thousands of seafarers; crew welfare.
SECURITY Reduced threat of mines in defined corridors.	**LEGAL** IMO-cleared routes vs. standard schemes	**POLITICAL** Backchannel diplomacy; rival states states cooperate.

UPSC RELEVANCE: KEY TAKEAWAYS

GS PAPER 2
- International Relations
- UN Bodies
- West Asia

GS PAPER 3
- Security (Coastal Security)
- Energy Security

GS PAPER 4
- Ethics (Seafarer Welfare)

WAY FORWARD
- Global cooperation for maritime security architectures