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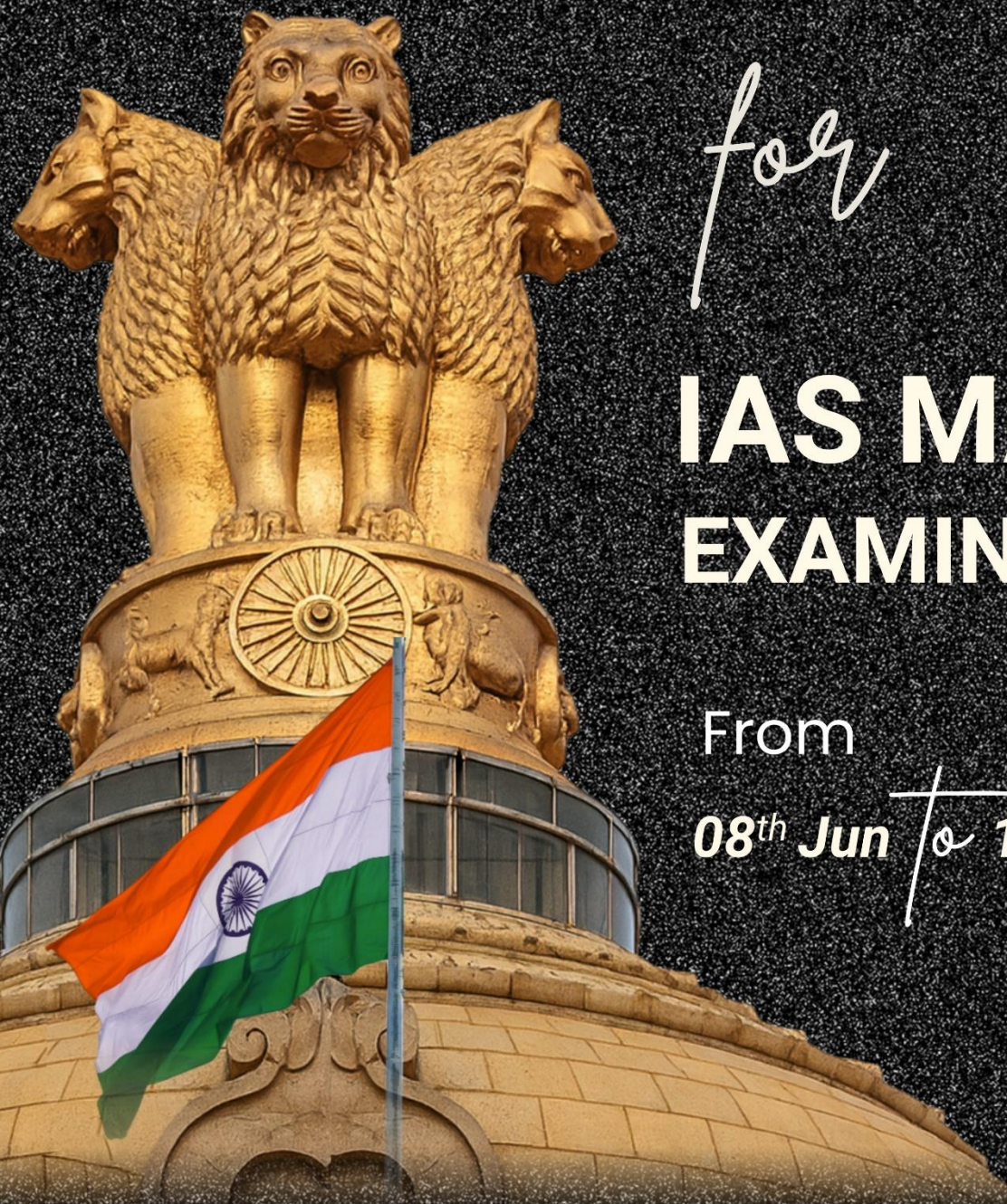
DEEP ANALYSIS

for

**IAS MAINS
EXAMINATION**

From

08th Jun *to* 13th Jun 2026



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GENERAL STUDIES 2

1.1. POLITY & GOVERNANCE

1.1.1. FCRA (AMENDMENT) BILL, 2026 – EXPANDING STATE CONTROL OVER CIVIL SOCIETY

Context

- The FCRA (Amendment) Bill, 2026 was introduced in the Lok Sabha on March 25, 2026, to strengthen regulation of foreign-funded organisations.
- The Bill follows the stricter regulatory framework created by the FCRA Amendment Act, 2020. Critics argue that the proposed changes move beyond regulation and significantly increase executive control over civil society institutions.



Introduction

- The Foreign Contribution (Regulation) Act (FCRA) regulates the receipt and utilisation of foreign contributions by NGOs, charitable trusts, educational institutions and religious organisations.
- The stated objectives are ensuring transparency, accountability and protection of national interests.
- The 2026 amendment seeks to expand government oversight but has raised concerns regarding civil society autonomy, minority institutions and constitutional freedoms.

Major Provisions of the Bill

1. Introduction of Chapter IIIA

- The Bill introduces a new chapter dealing with the management and vesting of assets of organisations that lose their FCRA registration.
- It creates a legal framework through which the government can assume control over foreign-funded assets through a Designated Authority.

2. Automatic Cessation of Registration (Section 14B)

- FCRA registration may automatically cease if renewal is denied, delayed, surrendered, or not applied for within the prescribed period.
- This allows organisations to lose their legal status due to procedural issues even without a finding of serious wrongdoing.

3. Provisional Vesting of Assets (Section 16A)

- Upon cancellation, surrender, or cessation of registration, foreign contributions and assets derived from them automatically vest in a Designated Authority.
- The transfer occurs without prior judicial review, significantly increasing executive control over organisational resources.

4. Broad Powers of Designated Authority

- The Designated Authority can take possession of assets, manage institutions, supervise finances, and oversee operations.
- It may also transfer, administer, or dispose of assets in the name of public interest, giving it extensive discretionary powers.

5. Permanent Vesting of Assets

- If an organisation fails to regain registration within the prescribed period, the provisional vesting becomes permanent.
- The government may then transfer or sell the assets, with proceeds credited to the Consolidated Fund of India.

6. Restrictions During Suspension

- Organisations whose FCRA registration is suspended cannot manage or utilise their assets without prior government approval.
- This can severely disrupt day-to-day functioning and the delivery of welfare and charitable services.

7. Centralisation of Enforcement

- The amended provisions require State agencies to obtain prior approval from the Union Government before initiating investigations.
- This strengthens central control over FCRA enforcement and reduces the autonomy of State-level authorities.

8. Expanded Liability of Functionaries

- The Bill broadens the scope of accountability for office-bearers and key functionaries of organisations.
- Individuals may face greater personal responsibility and legal consequences for compliance failures or alleged violations.

9. Removal of Existing Asset Disposal Provisions

- The Bill removes Section 22, which previously governed the disposal of assets of defunct or non-operational organisations.
- Asset management will instead be governed by the new vesting mechanism under Chapter IIIA, giving the executive greater control over such assets.

Impact of the Bill

1. On Civil Society Organisations

- NGOs may face stricter compliance requirements and greater scrutiny from regulatory authorities.
- The increased risk of suspension, cancellation, and asset takeover may constrain their autonomy and functioning.

2. On Welfare Service Delivery

- Educational, healthcare, and charitable institutions dependent on foreign funding may experience operational disruptions.
- Beneficiaries, particularly vulnerable communities, could lose access to essential social services.

3. On Minority Institutions

- Minority-run schools, colleges, hospitals, and charitable trusts may become vulnerable to government intervention due to registration-related issues.
- Delayed renewals or cancellations could potentially affect institutions that have been serving communities for decades.

4. On Donor Confidence

- Foreign donors may become hesitant to contribute if donated funds and assets face the possibility of government control.
- Reduced donor confidence could lead to a decline in foreign funding for developmental and humanitarian activities.

5. On Democratic Participation

- Increased regulatory control may discourage organisations from engaging in advocacy and public-interest activities.
- The resulting chilling effect could weaken citizen participation and democratic engagement.

6. On Employment and Economy

- The NGO sector, which generates substantial employment and volunteer opportunities, may face financial instability.
- Reduced operations and funding could negatively affect livelihoods and local economic development.

Challenges and Concerns

1. Excessive Executive Discretion

- Broad terms such as "public interest" and "national interest" provide significant interpretative power to the executive.
- Such ambiguity may increase the possibility of arbitrary or selective enforcement.

2. Weak Due Process

- Asset vesting can occur through administrative action without prior judicial scrutiny or independent review.
- This raises concerns regarding fairness, natural justice, and procedural safeguards.

3. Risk of Asset Expropriation

- Organisations may lose control over their assets because of procedural lapses, delayed renewals, or disputed violations.
- Critics argue that this resembles indirect confiscation without adequate legal protections.

4. Lack of Transparency

- Reasons for suspension or cancellation of FCRA registration are often not fully disclosed to affected organisations.
- Limited transparency makes it difficult for institutions to challenge or rectify adverse decisions.

5. Administrative Delays

- The Bill does not establish clear timelines for registration, renewal, or approval processes.
- Prolonged delays can create uncertainty and disrupt projects dependent on foreign funding.

6. Constitutional Concerns

- The provisions raise questions regarding equality (Article 14), freedom of association (Article 19), religious freedom (Articles 25–26), minority rights (Articles 29–30), and property rights (Article 300A).
- Critics argue that the concentration of powers in the executive may upset the balance between regulation and fundamental rights.

7. Shrinking Civic Space

- Fear of investigation, cancellation, or asset takeover may discourage organisations from undertaking rights-based advocacy.
- This could reduce the independence and vibrancy of civil society, which is essential for a healthy democracy.

Way Forward

1. Establish Independent Oversight

- A quasi-judicial body should be created to adjudicate disputes related to registration cancellation and asset vesting.
- Independent oversight would reduce excessive executive discretion and strengthen institutional accountability.

2. Strengthen Due Process Safeguards

- Mandatory hearings and opportunities for representation should be provided before any adverse action is taken.
- Asset takeover should occur only after judicial or independent review to ensure procedural fairness.

3. Define "Public Interest" Clearly

- Ambiguous terms such as "public interest" should be precisely defined in the legislation.
- Clear definitions would minimise arbitrary interpretation and promote legal certainty.

4. Prescribe Fixed Timelines

- Statutory deadlines should be established for registration, renewal, suspension, and approval decisions.

- Time-bound procedures would reduce uncertainty and prevent organisations from suffering due to administrative delays.

5. Adopt Proportionate Penalties

- Minor procedural or technical violations should attract corrective measures rather than severe punitive action.
- Penalties should be proportionate to the nature and seriousness of the violation.

6. Protect Essential Services

- Schools, hospitals, orphanages, and welfare institutions should be allowed to continue functioning during regulatory proceedings.
- This would ensure that vulnerable communities do not suffer because of disputes involving organisational compliance.

7. Enhance Transparency

- The government should publicly disclose reasons for suspension, cancellation, or other regulatory actions, subject to legitimate security concerns.
- Greater transparency would improve trust, accountability, and the ability of organisations to seek legal remedies.

Conclusion

India's regulatory framework must strike a careful balance between national security and transparency on one hand, and constitutional freedoms and civil society autonomy on the other, ensuring that accountability strengthens rather than stifles democratic participation and inclusive development.

Q. Civil society organisations play a critical role in governance and service delivery. Evaluate how the FCRA (Amendment) Bill, 2026 may affect their functioning. *15 Marks (GS-2, Governance)*

1.1.2. THE ORDINANCE QUESTION BEFORE THE SUPREME COURT

Context:

The Union Government recently promulgated an Ordinance increasing the sanctioned strength of the Supreme Court from 34 to 38 judges. Based on this Ordinance, five new judges were appointed, of whom three occupied posts created solely through the Ordinance. The development has triggered concerns regarding judicial independence, security of tenure and the judiciary's relationship with the executive.



Introduction

Judicial independence forms part of the Basic Structure of the Constitution and is essential for maintaining the separation of powers. While the Constitution permits Ordinances to have the force of law, the appointment of judges to Ordinance-created posts raises important questions regarding the judiciary's institutional autonomy and its perceived distance from executive influence.

Why Has the Issue Become Controversial?

The controversy does not concern the merit of the appointed judges but the constitutional mechanism through which the additional posts were created.

1. Ordinance-Created Judicial Posts

- The President promulgated an Ordinance under Article 123 increasing Supreme Court strength from 34 to 38.
- Three of the newly appointed judges occupy posts that exist solely because of the Ordinance.
- Unlike a parliamentary statute, an Ordinance is temporary and may lapse if not approved by Parliament.

2. Constitutional Provisions Involved

- **Article 124(1):** Provides that the number of Supreme Court judges shall be determined by Parliament through law.
- **Article 123:** Empowers the President to promulgate Ordinances when Parliament is not in session.

3. Basic Structure Doctrine: Judicial independence is recognised as a part of the Constitution's Basic Structure. Any action that potentially compromises institutional autonomy attracts constitutional scrutiny.

Concerns About Judicial Independence?

1. Concerns Regarding Security of Tenure

- The continuation of Ordinance-created posts depends upon parliamentary approval.
- If the Ordinance lapses, questions arise regarding the legal status of those positions.

2. Concerns Regarding Institutional Perception

- The executive that created the posts may appear before the same judges in future cases.
- This could create a perception that judges occupy positions dependent upon executive goodwill.

3. Concerns Regarding Separation of Powers

- The judiciary may appear dependent on temporary executive action rather than permanent legislative sanction.

Why Does the Issue Appear Contradictory to Earlier Judicial Positions?

1. NJAC Judgment (2015): In **Supreme Court Advocates-on-Record Association v. Union of India (2015)**:

- The Supreme Court struck down the National Judicial Appointments Commission (NJAC).
- The Court held that judicial primacy in appointments is essential for independence.
- Even limited executive influence was considered problematic.

2. D.C. Wadhwa Case (1986)

- The Court criticised repeated use of Ordinances.
- It termed re-promulgation of Ordinances a "fraud on the Constitution."

3. Krishna Kumar Singh Case (2017)

- The Court held that Ordinance-making power cannot become an alternative legislative route.

Arguments in Favour of the Ordinance

1. **Addressing Judicial Pendency:** Increasing the Supreme Court's strength helps reduce mounting case backlogs and improves the efficiency of justice delivery.
2. **Constitutional Legitimacy:** Article 123 authorises the President to promulgate Ordinances, which enjoy the same force and effect as an Act of Parliament during their operation.
3. **Preventing Administrative Delays:** Immediate appointments ensure that critical judicial vacancies do not remain unfilled while awaiting the legislative process.
4. **Supporting Judicial Capacity Expansion:** The additional posts respond to the growing workload of the Supreme Court and the increasing complexity of constitutional and public interest litigation.
5. **Pragmatic Institutional Calculation:** The Collegium appears to have assumed that Parliament would soon regularise the Ordinance through legislation and that upcoming retirements would absorb judges appointed against Ordinance-created posts, thereby avoiding long-term legal uncertainty.

Way Forward

1. Enact a Permanent Legislative Framework: **Parliament should promptly replace the Ordinance with a regular law to provide a stable legal basis for the increased judicial strength. This would eliminate uncertainty regarding the status of judges appointed against Ordinance-created posts.**
2. Safeguard Judicial Independence in Appointments: **Judicial appointments should be insulated from temporary executive measures to avoid any perception of institutional dependence. This would strengthen public confidence in the autonomy of the judiciary.**
3. Enhance Transparency and Institutional Accountability: **Greater transparency in decisions relating to judicial appointments and court administration can improve institutional credibility. Clear and predictable procedures also help reinforce trust in the judicial system.**
4. Develop a Long-Term Judicial Manpower Policy: **India needs a comprehensive assessment of judicial workload, vacancies and future requirements across all levels of the judiciary. Such planning can ensure timely expansion of judicial capacity without ad hoc measures.**
5. Balance Judicial Efficiency with Constitutional Principles: **Efforts to reduce pendency and strengthen judicial capacity must remain consistent with judicial independence, separation of powers and security of tenure. Administrative efficiency should complement, not compromise, constitutional safeguards.**

Conclusion

The controversy is not about the competence of the appointed judges but about the constitutional principles underlying their appointments. Judicial independence requires not only freedom from executive influence but also the appearance of such freedom. Going forward, strengthening judicial capacity must be pursued through constitutionally stable mechanisms that preserve both institutional autonomy and public confidence in the judiciary.

Q. *Judicial independence is not merely about freedom from executive interference but also about maintaining the appearance of institutional autonomy. Examine in the context of the recent debate over Supreme Court judges appointed against Ordinance-created posts. 15 Marks (GS-2, Polity)*

1.2. INTERNATIONAL RELATIONS

1.2.1. INDIA–BANGLADESH RELATIONS: ADDRESSING THE TRUST DEFICIT

Context:

The political transition in Bangladesh after the formation of the Tarique Rahman government has not translated into a corresponding improvement in India-Bangladesh relations. Persistent differences over trade, migration, water sharing, and evolving regional geopolitics continue to test mutual trust and strategic cooperation.



Introduction:

India and Bangladesh share deep historical, cultural, economic, and strategic ties. As immediate neighbours linked by geography and numerous transboundary rivers, stable bilateral relations are essential for regional peace and prosperity. However, political changes in Bangladesh following the 2024 uprising have introduced new uncertainties, leading to mutual mistrust and diplomatic friction. The current phase underscores the need for pragmatic engagement and confidence-building measures from both sides.

Historical Evolution of India–Bangladesh Relations

1. Shared Historical and Cultural Legacy

- India and Bangladesh share deep civilisational, linguistic, and cultural ties rooted in the history of undivided Bengal.
- The Bengali Language Movement (1952) became a cornerstone of Bangladeshi nationalism and identity.

2. Liberation War and Birth of Bangladesh (1971)

- India played a pivotal role in Bangladesh's Liberation War by supporting the Mukti Bahini, hosting millions of refugees, and providing military assistance.
- This laid the foundation of a special bilateral relationship often described as a "**Liberation Partnership.**"

3. Fluctuating Relations after 1975

- Following the assassination of Sheikh Mujibur Rahman, relations witnessed periods of mistrust due to military rule, border issues, migration concerns, and water-sharing disputes.
- Bangladesh also sought to diversify its foreign relations beyond India.

4. Divergent Trajectories under BNP and Sheikh Hasina

- During the BNP-Jamaat period (2001–06), bilateral ties were strained by security concerns, insurgency issues, and growing Chinese influence.
- Under Sheikh Hasina (2009–24), relations entered a "Golden Chapter" marked by enhanced security cooperation, the Land Boundary Agreement (2015), improved connectivity, and expanding trade.

5. Current Phase of Strategic Recalibration (2024–Present)

- Political changes following the 2024 uprising have created a trust deficit centred on migration, trade, water sharing, and geopolitical competition.
- Despite these challenges, both countries remain strategically interdependent, making cooperation essential for regional stability and prosperity.

Significance of Strong India-Bangladesh Relations

1. Strategic and Security Importance

- Bangladesh is India's largest neighbour in Eastern South Asia and shares a border of over 4,000 km.
- Cooperation is crucial for managing border security, terrorism, extremism, illegal migration, and cross-border crime.
- Stability in Bangladesh directly impacts security in India's Northeast.

2. Connectivity and Regional Integration

- Bangladesh serves as a gateway connecting mainland India with the Northeast.
- Vital for initiatives such as:
 - BBIN (Bangladesh-Bhutan-India-Nepal)
 - Act East Policy
 - Bay of Bengal regional connectivity projects

3. Economic and Trade Benefits

- Bangladesh is one of India's largest trading partners in South Asia.
- Improved connectivity can boost trade, investment, logistics, and supply chain integration.

4. Water and Environmental Cooperation

- The two countries share 54 transboundary rivers.
- Cooperation on water sharing, flood management, and climate resilience is essential for sustainable development.

5. Geopolitical Significance

- Strong ties help maintain strategic balance in the Bay of Bengal region.
- Prevents excessive dependence of Bangladesh on external powers, particularly China.

Areas of Cooperation Between India and Bangladesh

1. Trade and Economic Cooperation

- Bangladesh remains **India's largest trading partner in South Asia**.
- Bilateral trade stood at approximately **USD 14.01 billion in FY 2023–24**, with Indian exports worth USD 12.05 billion and Bangladeshi exports worth USD 1.97 billion.
- Bangladesh is also India's **largest export destination in the subcontinent**.

2. Development Partnership

- India has extended **over USD 8 billion through Lines of Credit (LoCs)** to Bangladesh, making it India's largest development partnership programme in the neighbourhood.
- These funds support railways, roads, ports, energy, and connectivity infrastructure.

3. Energy Cooperation

- Bangladesh currently has the capacity to import around **2,560 MW of electricity from India**.
- In 2025, nearly **17% of Bangladesh's electricity supply** came from India, underlining deep energy interdependence.
- India exported around **2.4 GW of electricity daily** to Bangladesh during 2025.
- Cross-border power trade continues despite periodic diplomatic tensions, highlighting the strategic nature of energy cooperation.

4. Connectivity Cooperation

Major connectivity initiatives include:

- Akhaura–Agartala Rail Link.
- Use of **Chattogram and Mongla Ports** by India for cargo movement.
- Revival of rail routes such as Haldibari–Chilahati and Petrapole–Benapole.
- Expansion of inland waterways under the Protocol on Inland Water Transit and Trade (PIWTT).
- Maitri Setu over the Feni River.

5. Regional Energy Connectivity

- In June 2025, Nepal began exporting **40 MW of electricity to Bangladesh through India's transmission grid**, demonstrating India's emergence as a regional energy hub connecting South Asian economies.

Challenges in India-Bangladesh Relations

1. Trust Deficit Following Political Transition

- Bangladesh perceives India's response to the new government as inadequate.
- Expected goodwill measures, such as restoration of visas and trade facilitation, have not materialised.

2. Illegal Immigration Issue

- Frequent references to illegal immigration in Indian political discourse create diplomatic sensitivities.

- Dhaka views such rhetoric as damaging to mutual trust and public perception.

3. Delay in Renewal of the Ganga Water Treaty

- The 1996 Ganga Water Treaty expires in December 2026.
- Delayed negotiations have generated concerns regarding water security and agricultural sustainability in Bangladesh.

4. Growing Chinese Influence

- Perceived stagnation in ties with India may push Bangladesh towards deeper engagement with China.
- Expanding Chinese investments and strategic presence could affect India's regional interests.

5. Domestic Instability in Bangladesh

- Economic stress due to energy shortages.
- Public health concerns, including disease outbreaks.
- Law and order challenges and political polarisation.
- Such instability can complicate bilateral cooperation.

6. Lack of Progress on Trade and Mobility Issues

- Restrictions on market access and limited visa services continue to affect business, tourism, and people-to-people exchanges.

Way Forward

1. Restore Mutual Confidence

- Increase high-level political engagement and diplomatic dialogue.
- Avoid rhetoric that may be perceived as hostile by either side.

2. Fast-Track Renewal of the Ganga Water Treaty

- Begin structured negotiations well before the treaty's expiry.
- Promote basin-wide and science-based water-sharing mechanisms.

3. Strengthen Economic Cooperation

- Restore trade facilitation measures and improve market access.
- Expand investment and connectivity projects.

4. Enhance People-to-People Relations

- Fully restore visa services, including business and medical visas.
- Promote academic, cultural, and tourism exchanges.

5. Deepen Regional Connectivity

- Accelerate BBIN and multimodal transport initiatives.
- Improve energy, digital, and logistics cooperation.

6. Adopt a Pragmatic Neighbourhood Policy

- Recognise that a stable and prosperous Bangladesh is in India's long-term strategic interest.
- Focus on shared developmental goals rather than short-term political differences.

Conclusion

As South Asia undergoes rapid geopolitical and economic transformation, India and Bangladesh have the opportunity to transform their relationship from one of proximity to one of strategic partnership. Renewed trust and deeper cooperation can make the two countries key drivers of regional connectivity, security, and shared prosperity in the Bay of Bengal region.

Q. The future of India's Neighbourhood First Policy will be significantly influenced by the trajectory of India-Bangladesh relations. Critically examine. 15 Marks

1.2.2. INDIA-NEPAL RELATIONS

Context

The political transition in Nepal following the emergence of a new generation of leadership has not translated into a corresponding improvement in India-Nepal relations. Persistent differences over border disputes, political perceptions, external influence, and evolving regional geopolitics continue to test mutual trust and strategic cooperation.



Introduction

India and Nepal share deep historical, cultural, and strategic ties. However, recent political developments and territorial disputes have strained relations, underscoring the need for sustained dialogue and trust-building to preserve regional stability and cooperation.

Historical Evolution of India-Nepal Relations

1. Ancient Civilisational and Cultural Ties

- India and Nepal have been connected for centuries through shared religious traditions, cultural heritage, pilgrimage networks, and people-to-people interactions.
- The Janakpur-Ayodhya connection symbolises the shared Ramayana heritage of both countries.
- Religious centres such as Pashupatinath Temple and the Buddhist Circuit (Lumbini-Kushinagar) reinforce civilisational bonds.

2. Treaty of Peace and Friendship (1950)

- The 1950 Treaty institutionalised close bilateral relations by facilitating open borders, economic cooperation, and security collaboration.

3. Democratic Transition and Political Flux

- Nepal's transition from monarchy to democracy introduced periods of political instability that periodically influenced bilateral relations.

4. Period of Enhanced Cooperation (2014–2024)

- The decade witnessed significant progress in connectivity, infrastructure development, energy cooperation, and economic engagement.

5. Strategic Recalibration after Political Transition

- The emergence of new political actors in Nepal has introduced fresh dynamics and sensitivities into bilateral relations.

Significance of Strong India–Nepal Relations

1. Strategic and Security Importance

- Nepal's location in the Himalayas makes it crucial for India's northern security and regional stability.

2. Importance for India's Neighbourhood First Policy

- Strong relations with Nepal are central to India's vision of a stable and cooperative South Asian neighbourhood.

3. Connectivity and Regional Integration

- Nepal serves as an important link for enhancing regional connectivity and economic integration in South Asia.

4. Water and Energy Security

- Cooperation in hydropower and river management contributes to energy security and sustainable development for both countries.

5. Economic Significance

- India is Nepal's largest trade and transit partner, making economic cooperation mutually beneficial.

7. People-to-People Relations

- Nearly 6 million Nepalis live and work in India.
- Nepali citizens enjoy unrestricted employment opportunities in India under the open-border framework.
- Deep kinship, educational, and labour linkages form the bedrock of bilateral ties.

Areas of Cooperation Between India and Nepal

1. Trade and Economic Cooperation

- Bilateral trade supports economic growth, employment generation, and market integration between the two countries.

2. Development Partnership

- India assists Nepal through infrastructure projects, capacity-building programmes, and developmental assistance.

3. Energy Cooperation

- Cross-border electricity trade and hydropower projects have emerged as major pillars of bilateral cooperation.
- Nepal is increasingly exporting hydropower to India, strengthening regional energy security.

4. Connectivity Cooperation

- Railways, roads, pipelines, and integrated check posts are strengthening physical and economic connectivity.
- Major projects include:
 - Jaynagar–Kurtha Railway
 - Motihari–Amlekhgunj Petroleum Pipeline
 - Integrated Check Posts (Birgunj and Biratnagar)

5. Defence and Security Cooperation

- The two countries cooperate closely in military training, intelligence sharing, and border security management.
- The Surya Kiran Joint Military Exercise enhances defence interoperability.
- The tradition of conferring the title of Honorary General upon each other's Army Chiefs reflects strong military ties.

What are the Key Areas of Friction Between India–Nepal Relations?

1. Territorial Disputes and Rising Nationalism

- The unresolved Kalapani–Lipulekh–Limpiyadhura dispute remains the most contentious issue in bilateral relations.
- Nepal's revised maps and currency notes have strengthened territorial claims, while nationalist rhetoric in both countries often aggravates tensions.
- The issue contributes significantly to the trust deficit between the two neighbours.

2. Debate over the 1950 Treaty and Sovereignty Concerns

- Many political groups in Nepal view the 1950 India–Nepal Treaty as unequal and seek its revision.
- Demands for greater strategic autonomy and concerns over perceived Indian influence continue to shape political discourse in Nepal.
- The delay in acting upon the Eminent Persons Group (EPG) recommendations has added to dissatisfaction.

3. Constitutional and Political Sensitivities

- Nepal's 2015 Constitution triggered tensions over issues concerning Madhesi representation and inclusiveness.
- India's concerns regarding the interests of Madhesi communities were perceived by Nepal as interference in its domestic affairs.
- The episode contributed to a lasting trust deficit.

4. Expanding Chinese Influence and Geopolitical Competition

- Nepal's growing engagement with China under the Belt and Road Initiative (BRI) has increased strategic competition in the Himalayan region.
- Projects such as the Trans-Himalayan Multi-Dimensional Connectivity Network and the proposed Kathmandu–Kerung Railway have expanded China's footprint.
- India views China's growing presence as a challenge to its traditional influence in Nepal.

5. Economic Asymmetry and Developmental Concerns

- Nepal faces a large trade deficit with India and remains heavily dependent on Indian markets and transit routes.
- Delays in connectivity and development projects sometimes create frustration regarding the pace of cooperation.
- Economic imbalances are often portrayed as evidence of unequal bilateral relations.

6. Water, Energy and Resource-Sharing Disputes

- Differences over benefit-sharing in projects such as the Pancheshwar Multipurpose Project continue to hinder progress.
- Disagreements persist regarding the valuation of water resources, irrigation benefits, flood control, and hydropower generation.
- These issues prevent the full realization of bilateral water and energy potential.

7. Security, Political Instability and Institutional Challenges

- Suspension of Gorkha recruitment under the Agnipath Scheme has created a new source of friction.
- Around 32,000 Nepali Gorkhas currently serve in the Indian Army, making recruitment a sensitive socioeconomic issue.
- Nepal's frequent political instability affects policy continuity and delays implementation of bilateral agreements.
- Open-border challenges such as smuggling, trafficking, and cross-border crime require greater coordination and trust.

Way Forward for Strengthening India–Nepal Relations

1. Modernise Bilateral and Security Frameworks

- India should engage with the EPG report, review the 1950 Treaty, and develop a special mechanism for Gorkha recruitment under the Agnipath Scheme.
- A framework based on sovereign equality, mutual respect, and long-term defence cooperation can strengthen strategic trust.

2. Institutionalise Boundary and Political Dialogue

- A permanent joint boundary commission should address disputes such as Kalapani–Lipulekh–Limpiyadhura through technical and diplomatic mechanisms.
- Regular high-level engagement can prevent territorial and political issues from disrupting broader bilateral cooperation.

3. Deepen Economic, Digital and Connectivity Integration

- Both countries should expand Digital Public Infrastructure (DPI) interoperability, fintech cooperation, and cross-border payment systems.
- Faster implementation of BBIN initiatives, the Motor Vehicles Agreement, and regional energy grids can enhance connectivity and economic integration.

4. Strengthen Energy, Water and Climate Cooperation

- India and Nepal should accelerate hydropower projects, electricity trade, and the resolution of Pancheshwar-related issues.
- Joint efforts in climate-resilient infrastructure, glacier monitoring, flood management, and disaster preparedness can promote sustainable development.

5. Promote People-Centric and Sub-National Diplomacy

- Border states and Nepali provinces should collaborate on trade, tourism, disaster management, and local development.
- Greater educational, cultural, youth, and people-to-people exchanges can reinforce the civilisational foundations of the relationship.

6. Leverage Regional Platforms and Build a Partnership of Equals

- Cooperation through BBIN and BIMSTEC should be strengthened in areas such as connectivity, energy security, disaster management, and counter-terrorism.
- India and Nepal should follow the principles of mutual trust, non-interference, and respect for sovereignty to build a stable and future-oriented partnership.

Conclusion

While border disputes and political transitions may create temporary frictions, India and Nepal's shared interests make deeper cooperation imperative for regional stability, connectivity, and sustainable development.

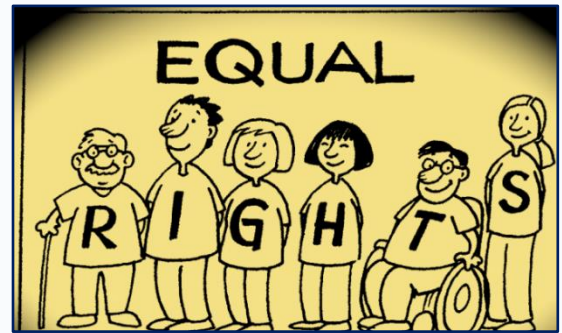
Q. India and Nepal share a unique relationship rooted in history, culture, geography, and economic interdependence. However, recent political developments have exposed several fault lines in bilateral ties. Discuss the major challenges in India–Nepal relations and suggest measures to strengthen the partnership. 15 Marks (GS- 2 International Relations)

1.3. SOCIAL JUSTICE

1.3.1. EQUALITY OF TREATMENT FOR PERSONS WITH DISABILITIES (PwDs):

Context

- India has strengthened welfare delivery through DBT, UPI, and Digital India initiatives. However, Persons with Disabilities (PwDs) continue to face inadequate and uneven social security support.
- Disability pensions vary across States, creating significant regional disparities in welfare entitlements.



Introduction

- The Rights of Persons with Disabilities (RPwD) Act, 2016 and Article 41 of the Constitution recognize the State's responsibility towards PwDs.
- The creation of a **Minimum Universal Disability Pension Floor Rate (MUDPFR)** to guarantee a minimum level of social security across India.

Significance of a Universal Disability Pension for Persons with Disabilities (PwDs)

1. Ensures Social Security and Dignity

- Provides a minimum income guarantee, enabling PwDs to meet basic needs and live with dignity.
- Shifts disability support from a welfare-based approach to a rights-based entitlement.

2. Addresses Growing Disability Burden

- Supports an increasing PwD population driven by ageing, longer life expectancy, and changing disease patterns.
- Creates a robust social protection mechanism for a vulnerable and expanding demographic group.

3. Promotes Equality and Reduces Regional Disparities

- Ensures uniform minimum support irrespective of State of residence.
- Eliminates the "postcode lottery" where benefits vary according to State finances and policy priorities.

4. Fulfils Constitutional and Legal Obligations

- Gives effect to Article 41 and the principles of equality, dignity, and social justice.

- Operationalises the social security guarantees provided under the Rights of Persons with Disabilities Act, 2016.

5. Enhances Economic Participation

- Improves household stability, consumption capacity, and labour market participation.
- Enables PwDs to move from dependency towards greater economic inclusion and productivity.

6. Generates Positive Economic Outcomes

- Acts as an economic stimulus through increased spending and local demand generation.
- Helps reduce GDP losses arising from exclusion of PwDs from education, employment, and social security systems.

7. Delivers High Social Returns

- The socio-economic benefits of disability pensions outweigh their fiscal costs.
- Strengthens human capital development and promotes inclusive growth.

8. Supports Inclusive Development

- Ensures that the benefits of India's welfare architecture reach one of the most vulnerable sections of society.
- Contributes to the vision of *Sabka Saath, Sabka Vikas* and an inclusive *Viksit Bharat*.

9. Strengthens India's International Commitments

- Advances India's obligations under the **UN Convention on the Rights of Persons with Disabilities (UNCRPD)**, **SDGs**, and **ILO Social Protection standards**.
- Demonstrates commitment to inclusive and rights-based development at the global level.

Proposal: Minimum Universal Disability Pension Floor Rate (MUDPFR)

1. National Minimum Pension Guarantee

- Every eligible Person with Disability (PwD) should receive a guaranteed minimum pension regardless of their State of residence.
- This would ensure a basic level of income security and reduce regional disparities in welfare support.

2. Uniformity with Flexibility

- A nationally prescribed pension floor would establish uniform minimum standards across the country.
- At the same time, States would retain the flexibility to provide additional top-up benefits based on local needs and resources.

3. Rights-Based Approach

- Disability pensions should be recognised as a legal and constitutional entitlement rather than a discretionary welfare measure.
- This would reinforce the dignity, equality, and citizenship rights of PwDs while reducing dependence on charity-based support.

4. Portability Across India

- Pension benefits should remain accessible even when beneficiaries migrate for employment, education, or family reasons.
- Nationwide portability would promote labour mobility and ensure uninterrupted social security support for PwDs.

Institutional Reforms Required

1. Creation of a National Disability Pension Authority (NDPA)

- A dedicated national authority should be established to oversee the implementation, coordination, and monitoring of disability pension schemes.
- It would ensure uniform standards, improve accountability, and reduce administrative fragmentation across departments.

2. National Disability Registry

- A comprehensive national database should be created to accurately identify and track eligible beneficiaries.
- This would minimise exclusion and duplication errors while enabling efficient delivery of benefits and services.

3. Digital Integration

- Existing digital infrastructure such as DBT, Aadhaar, and UPI should be integrated with disability welfare programmes.
- This would facilitate timely, transparent, and direct transfer of pension benefits to beneficiaries.

4. Strengthened Grievance Redressal

- Accessible, transparent, and time-bound grievance mechanisms should be established for resolving beneficiary complaints.
- Effective redressal systems would enhance trust, accountability, and responsiveness in welfare delivery.

5. State Performance Monitoring

- A common monitoring framework should be adopted to assess implementation outcomes across States.
- Regular evaluation would improve accountability, encourage best practices, and ensure uniform service standards nationwide.

Challenges in Implementing a Minimum Universal Disability Pension Floor Rate (MUDPFR)

1. Fiscal Concerns

- Implementing a nationwide disability pension programme would require substantial and sustained financial commitment from the government.
- Ensuring long-term fiscal sustainability while balancing other welfare and development priorities remains a key challenge.

2. Identification Issues

- Accurate assessment and certification of disabilities continue to face administrative and procedural difficulties.
- Variations in disability evaluation standards may lead to errors in identifying eligible beneficiaries.

3. Administrative Coordination

- Disability welfare is currently administered by multiple ministries and departments, leading to fragmented implementation.
- Lack of coordination can result in duplication, delays, and inefficiencies in service delivery.

4. Inclusion Errors

- Complex procedures, documentation requirements, and limited awareness may exclude deserving beneficiaries from receiving support.
- Vulnerable groups in remote and underserved areas are particularly susceptible to such exclusion errors.

5. Centre–State Coordination

- Successful implementation requires clear agreement between the Centre and States on funding, administration, and monitoring responsibilities.
- Differences in fiscal capacity and policy priorities across States may complicate the creation of a uniform national framework.

International Best Practices in Disability Pension Systems

1. South Africa

- South Africa provides a nationally administered disability grant with uniform eligibility criteria across the country.
- This ensures equitable access to financial support irrespective of region and promotes social inclusion for persons with disabilities.

2. Brazil

- Brazil operates the **Benefício de Prestação Continuada (BPC)**, which guarantees a minimum income to eligible persons with disabilities and elderly citizens.
- The scheme functions as a rights-based social assistance programme aimed at reducing poverty and vulnerability.

3. Australia and New Zealand

- Both countries maintain nationwide disability pension systems integrated with broader social security and welfare frameworks.
- These systems combine income support with healthcare, employment assistance, and rehabilitation services to enhance overall well-being.

4. Emerging Economies

- Countries such as Kenya, Rwanda, Thailand, and Indonesia have established national disability income support programmes despite resource constraints.
- Their experiences demonstrate that developing nations can successfully implement inclusive social protection measures through strong policy commitment and targeted welfare interventions.

Way Forward

1. Establish a National Minimum Pension Floor

- A uniform minimum disability pension should be guaranteed to all eligible PwDs irrespective of their State of residence.
- This would reduce regional disparities and ensure a basic level of income security across the country.

2. Create a National Disability Pension Authority

- A dedicated national authority should oversee policy implementation, monitoring, and coordination of disability pension programmes.
- It would improve accountability, streamline administration, and ensure uniform standards nationwide.

3. Strengthen Digital Delivery Systems

- Existing digital platforms such as DBT, Aadhaar, and UPI should be leveraged for seamless pension disbursement.
- Digital integration would enhance transparency, reduce leakages, and ensure timely transfer of benefits.

4. Adopt a Rights-Based Framework

- Disability pensions should be recognised as a constitutional and legal entitlement rather than a discretionary welfare measure.
- This approach would strengthen the dignity, equality, and citizenship rights of Persons with Disabilities.

5. Integrate Social Security with Employment Support

- Income support should be linked with skill development, vocational training, and livelihood promotion programmes.
- Such integration would enable PwDs to achieve greater economic independence and productive participation.

6. Enhance Social Protection Convergence

- Disability pensions should be integrated with healthcare, insurance, rehabilitation, and other welfare schemes.
- A holistic approach would address multiple dimensions of vulnerability and improve overall well-being.

7. Promote Inclusive Public–Private Participation

- Governments should encourage employers to hire PwDs through tax incentives, wage subsidies, and accessibility support.
- Greater private-sector participation would improve employment opportunities and foster inclusive economic growth

Conclusion

A Minimum Universal Disability Pension Floor Rate (MUDPFR) would transform disability welfare from a fragmented, charity-based approach into a rights-based system, ensuring dignity, equality, and meaningful inclusion for Persons with Disabilities in India's journey towards a truly inclusive Viksit Bharat.

Q. *"Despite constitutional and legal protections, social security for Persons with Disabilities (PwDs) in India remains fragmented and inadequate. Examine the need for a Minimum Universal Disability Pension Floor Rate (MUDPFR) and its role in promoting inclusive development." 15 Marks*

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2.1. ECONOMY

2.1.1. INDIA'S GROSS-NET FDI PARADOX

Context

India's net foreign direct investment (FDI) dropped sharply to \$7.6 billion in 2025-26 despite historically strong gross inflows of \$94.6 billion. This expanding divergence highlights a structural transition in international capital movements, where accelerating corporate disinvestments and capital repatriation are outpacing fresh capital accumulation.



Introduction

Foreign Direct Investment (FDI) is traditionally regarded as a stable, long-term, non-debt capital flow that transfers technology and enhances productive capacity. However, contemporary accounting realities indicate that capital exits are significantly challenging India's net capital retention, requiring a thorough analysis of the underlying structural changes.

Regulatory Framework of FDI

- Definition and Equity Threshold** FDI involves long-term non-debt capital investments made by non-resident entities, specifically targeting unlisted Indian companies or exceeding a 10% equity stake in listed domestic firms.
- Nodal Regulatory Governance** Foreign investments are strictly governed by the Foreign Exchange Management Act (FEMA), 1999, and the FDI Policy 2020, administered jointly by the DPIIT under the Ministry of Commerce and Industry and the Reserve Bank of India (RBI).
- Operational Inflow Routes** Capital enters either via the Automatic Route, requiring post-facto RBI notification (e.g., Greenfield Biotechnology), or the Government Approval Route, demanding prior ministerial clearance (e.g., Digital Media News Streaming).
- Statutory Sectoral Prohibitions** To preserve strategic sovereignty, FDI is completely prohibited in specific sectors, including atomic energy generation, lottery businesses, gambling, chit funds, and tobacco manufacturing.
- Balance of Payments (BoP) Accounting Matrix** Net FDI is calculated by subtracting capital disinvestments and repatriations from gross inflows within the Financial Account; notably, dividend payouts are logged under the Current Account and do not depress net financial metrics.

Significance of Analyzing Net FDI Trends

- Refines Quality Over Quantity Assessment** Shifting analytical focus from headline gross numbers to net flows allows policymakers to measure actual long-term capital retention within the economy.

2. **Exposes Balance of Payments Vulnerabilities** Monitoring the rate of capital flight is crucial for assessing long-term external sector stability and predicting pressure points on foreign exchange reserves.
3. **Measures Genuine Technology Transfer and Depth** Tracking persistent real asset commitments serves as a reliable proxy for structural technology absorption, localized patenting, and industrial maturation.
4. **Informs National Manufacturing Strategy** Granular data on net investment distribution helps align foreign capital targets with domestic initiatives like the Production Linked Incentive (PLI) scheme.

Classification of Inward Capital Flux

1. **Real FDI (RFDI)** Consists of traditional multinational enterprises setting up local production bases, transferring proprietary technology, and demonstrating long-term commitments to the host nation.
2. **Financial Investors** Comprises private equity (PE) funds, venture capital (VC) firms, and sovereign wealth funds focused primarily on medium-term capital growth and predefined exit strategies.
3. **Diaspora and Special Purpose Vehicles (SPVs)** Includes capital raised overseas and channelled through offshore financial centres, which can occasionally involve the recycling or round-tripping of domestic funds.
4. **Corporate Reorganization Inflows** Represents non-fresh capital injections stemming from internal mergers, share swaps, and intra-group debt-to-equity conversions that do not bring fresh foreign exchange.
5. **Outward Foreign Direct Investment (OFDI)** Reflects cross-border capital investments by Indian corporate entities, which are frequently directed into holding holding companies in jurisdictions like Singapore and the UAE.

Structural Challenges

1. **Persistent Decline in Manufacturing Real FDI** Long-term industrial commitments (RFDI) into the core manufacturing sector have contracted, accounting for just 10.6% of total effective inflows in recent years.
2. **Dominance of Short-Term Financial Exits** Financial investors (PE/VC funds) comprise 40.5% of effective inflows, leading to massive capital outflows during strategic exit phases, as illustrated by recent multi-billion dollar divestments.
3. **Inflation via Non-Fresh Accounting Adjustments** Approximately \$40 billion of gross equity inflows since 2014-15 consist of internal corporate reorganizations and paper transactions rather than fresh cash injections.
4. **Distortions via Shell Entities and Capital Recycling** Nearly 45% of India's outward investments (OFDI) are funneled into financial, insurance, and business service holding companies abroad rather than direct operational entities.

5. **The Capital Outflow-to-Inflow Deficit Paradox** When accounting for disinvestments, dividend remittances (\$118.9 billion), and IPR royalties (\$46.6 billion), for every \$1.00 of fresh equity entering the country, approximately \$1.50 flows out.

Way Forward for Enhancing Net FDI Retention

1. **Calibrate Sectoral Incentives to Prioritize Real FDI** Introduce targeted fiscal and regulatory advantages that specifically favor long-term Greenfield industrial investments over short-to-medium-term portfolio-style PE/VC flows.
2. **Modernize and Disaggregate Reporting Formats** Revise DPIIT and RBI data structures to clearly separate fresh foreign exchange cash entries from internal corporate balance-sheet restructurings like share swaps.
3. **Strengthen the Domestic Industrial Ecosystem** Deepen structural ease-of-doing-business reforms and improve infrastructure availability to incentivize multinational corporations to reinvest profits locally rather than opting for full repatriation.
4. **Develop Deep and Resilient Exit Absorption Pathways** Expand domestic financial and institutional markets to allow smooth absorption of large-scale PE/VC exits without triggering sudden shocks in the Financial Account of the BoP.
5. **Tighten Anti-Round-Tripping and Capital Recycling Supervision** Enhance enforcement cross-coordination to systematically monitor outbound investments directed toward offshore holding hubs and shell companies.
6. **Harmonize GIFT City Metrics with Mainstream Inflows** Create a comprehensive tracking architecture for capital moving through International Financial Services Centres (IFSCs) to cleanly differentiate between productive expansion and capital flight.

Conclusion

While robust gross FDI statistics indicate sustained international interest in India's market, escalating capital outflows and a low share of real manufacturing commitments highlight the need for policy recalibration. Shifting strategic focus from total volume to the retention of high-quality, technology-intensive industrial capital is essential for long-term macroeconomic stability and economic growth.

Q. *India's foreign direct investment (FDI) ecosystem displays a stark divergence between robust gross inflows and a sharp decline in net capital retention. Evaluate the structural causes behind this gross-net paradox and discuss its long-term implications for India's balance of payments and industrial development. 15 Marks (GS-3, Economy)*

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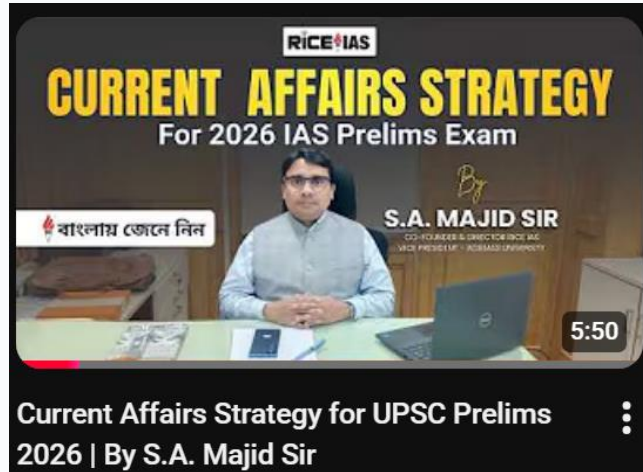
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