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1.1. POLITY & GOVERNANCE

1.1.1. RIGHT OF WAY: STRENGTHENING PEDESTRIAN RIGHTS AND URBAN MOBILITY IN INDIA

Why in News?

The Supreme Court, in a recent judgment, reaffirmed that the **right to walk on safe and unobstructed footpaths is a Fundamental Right under Article 21** of the Constitution. The observation came while hearing a compensation case involving the death of a five-year-old child who was killed by a tanker lorry in Karnataka.

Introduction

As Indian cities become increasingly vehicle-centric, pedestrians often face unsafe and inaccessible streets.

Recognising the **right to walk as an extension of the Right to Life and Personal Liberty (Article 21)**, the Supreme Court has emphasized that urban development must prioritize pedestrian safety and accessibility alongside motorized transport.



Significance of Pedestrian Rights

1. Constitutional Significance

- The right to walk safely flows from **Article 21**, which guarantees the right to life with dignity.
- Accessible public spaces are essential for ensuring equal enjoyment of fundamental rights.

2. Social Significance

- Walking remains the primary mode of transport for a large section of the population, particularly the poor, elderly, children, and persons with disabilities.
- Safe footpaths promote inclusive urban mobility.

3. Economic Significance

- Walkable cities reduce dependence on private vehicles, lowering transportation costs.
- Improved pedestrian infrastructure enhances productivity and access to economic opportunities.

4. Environmental Significance

- Encourages non-motorized transport.
- Reduces traffic congestion, fuel consumption, and urban pollution.

5. Public Health Significance

- Promotes physical activity and healthier lifestyles.
- Helps reduce lifestyle diseases associated with sedentary living.

Key Observations of the Supreme Court

1. Walking Has Become Increasingly Difficult

- Rapid motorization has transformed streets into vehicle-dominated spaces.
- Pedestrians are often treated as obstacles rather than rightful users of public roads.

2. Footpaths Are Essential Public Infrastructure

- Pedestrians have a legitimate claim over pavements and walkways.
- Safe walking spaces are necessary for exercising the right to mobility.

3. State Responsibility

- Governments and local bodies have a duty to provide safe and accessible pedestrian infrastructure.
- Compensation alone cannot substitute preventive urban planning.

Major Challenges Faced by Pedestrians in India

1. Lack of Continuous Footpaths

- Many cities lack dedicated pedestrian pathways.
- Existing footpaths are often discontinuous and poorly designed.

2. Encroachment of Public Spaces

- Footpaths are frequently occupied by parked vehicles, utility structures, vendors, and construction materials.
- This forces pedestrians onto roads, increasing accident risks.

3. Vehicle-Centric Urban Planning

- Urban infrastructure prioritizes road widening and vehicular movement over pedestrian safety.
- Walking infrastructure receives limited funding and attention.

4. Fragmented Regulatory Framework

- India lacks a comprehensive national law protecting pedestrian rights.
- Responsibilities are scattered across municipal laws, planning regulations, and urban guidelines.

5. Weak Urban Governance

- Poor implementation of street-design norms and inadequate monitoring reduce effectiveness.
- Municipal bodies often lack technical and financial capacity.

6. Road Safety Concerns

- High incidence of pedestrian fatalities due to speeding, unsafe crossings, and inadequate traffic management.
- Vulnerable groups face disproportionate risks.

Challenges in Implementing the Right to Walk

1. Conflict with Informal Livelihoods

- Footpaths often support street vendors and informal economic activities.
- Strict enforcement may create tensions between pedestrian rights and livelihood rights under Article 19(1)(g).

2. Weak Enforcement Culture

- Existing urban regulations are often poorly implemented.
- Legal recognition alone may not ensure behavioral change.

3. Limited Financial Resources

- Urban local bodies frequently prioritize road expansion over pedestrian infrastructure.
- Dedicated funding for walkability remains inadequate.

4. Absence of Public Awareness

- Many citizens and motorists do not recognize pedestrian right-of-way norms.
- Lack of civic awareness contributes to unsafe road behavior.

Lessons from Other Policy Experiences

1. Street Vendors Act, 2014

- Strong legal protections alone have not ensured effective implementation.
- Delays in surveys, vending committees, and zoning continue to create conflicts.

2. COTPA, 2003 (Anti-Smoking Regulations)

- Behavioral change succeeded through sustained awareness campaigns and visible enforcement.
- Demonstrates the importance of combining legal measures with social messaging.

3. Swachh Bharat Mission

- Citizen responsibility alone cannot deliver outcomes without adequate public infrastructure.
- Similarly, pedestrian rights require government investment in footpaths and urban design.

Way Forward

1. Enact a Comprehensive Pedestrian Rights Framework

- Develop national standards recognizing pedestrians as primary road users.

2. Build Continuous and Accessible Footpaths

- Ensure universal accessibility, especially for persons with disabilities and senior citizens.

3. Adopt Complete Streets Approach

- Design roads for pedestrians, cyclists, public transport, and vehicles rather than only automobiles.

4. Increase Urban Infrastructure Funding

- Allocate dedicated resources for pedestrian infrastructure under urban development schemes.

5. Integrate Street Vendors Through Planning

- Implement the Street Vendors Act effectively by creating designated vending zones and shared-use spaces.

6. Strengthen Road Safety Measures

- Improve crossings, traffic calming measures, signage, and enforcement of pedestrian right-of-way rules.

7. Promote Behavioural Change

- Conduct public awareness campaigns to build a culture of respecting pedestrian rights.

Conclusion

Recognising the right to walk under Article 21 is a significant step towards inclusive and people-centric cities. However, real change will require better pedestrian infrastructure, stronger urban governance, and a shift towards prioritising people over vehicles in urban planning.

Q. The right to walk is an essential component of the Right to Life under Article 21. Discuss the challenges faced by pedestrians in Indian cities and suggest measures to create pedestrian-friendly urban spaces. 15 Marks

1.1.2. LOPSIDED SOLUTION: NEED FOR STRONGER PHARMACEUTICAL REGULATION IN INDIA

Why in News?

The Union Health Ministry has amended the Drugs Rules, 1945 by removing "syrup" from Schedule K, making cough syrups prescription-only medicines. The move comes in response to the deaths of over 300 children abroad due to contaminated India-made cough syrups, WHO warnings on drug quality, and growing concerns over weaknesses in India's pharmaceutical regulatory framework.



Introduction

India, often called the "**Pharmacy of the World**", is a leading supplier of affordable medicines globally. However, recent deaths linked to contaminated India-made cough syrups have exposed gaps in drug quality control and regulatory oversight, highlighting the need for stronger pharmaceutical governance beyond merely restricting OTC sales.

Significance of the Pharmaceutical Industry in India

1. Economic Significance

- **Largest supplier of generic medicines:** India meets a significant share of the world's demand for affordable generic drugs.

- **20% of global generic exports:** India accounts for nearly one-fifth of global generic medicine exports by volume.
- **Boosts exports and employment:** The sector is a major contributor to foreign exchange earnings and provides employment across the value chain.

2. Public Health Significance

- **Affordable healthcare worldwide:** India exports affordable medicines to over **200 countries**, making essential healthcare accessible globally and reinforcing its role as a major supplier of generic drugs. The top importers of Indian pharmaceuticals include the **USA, UK, Brazil, France, and South Africa**.
- **Critical during COVID-19:** Through the **Vaccine Maitri** initiative, India supplied over **300 million vaccine doses to more than 100 countries**, strengthening global health security and India's health diplomacy.

3. Strategic Significance

- **Enhances health diplomacy:** Pharmaceutical exports strengthen India's relations with partner countries through medical assistance.
- **Supports healthcare hub ambitions:** A strong pharma sector is vital for India's goal of becoming a global healthcare and biotechnology leader.

4. Global Reputation

- **"Pharmacy of the Global South":** India is trusted by many developing nations as a reliable source of affordable medicines.
- **Impacts global health security:** The quality and safety of Indian medicines have direct implications for public health across the world.

Core Issues in Pharmaceutical Safety and Rationale Behind Restricting Cough Syrups

1. Contaminated Raw Materials

The presence of toxic substances such as ethylene glycol (EG) and diethylene glycol (DEG) in drug ingredients has caused fatal health consequences.

2. Weak Manufacturing Practices

Poor compliance with Good Manufacturing Practices (GMP) and cost-cutting measures compromise drug quality and safety.

3. Inadequate Quality Testing

Failure to rigorously test raw materials and finished products allows contaminated medicines to enter the market.

4. Regulatory Oversight Deficit

Weak inspections, poor enforcement, and limited accountability reduce the effectiveness of drug regulation.

5. Health Risks from OTC Cough Syrups

Many cough syrups contain antihistamines, bronchodilators, and decongestants that can cause sedation, tremors, and cardiovascular side effects.

6. Irrational Use and Self-Medication

Prescription-only sales can reduce misuse of cough syrups, discourage self-medication, and promote consultation with qualified healthcare professionals.

Challenges in India's Pharmaceutical Regulatory Framework

1. Weak Regulatory Capacity

India's drug regulatory system suffers from inadequate manpower, limiting effective inspection, monitoring, and surveillance of pharmaceutical units.

2. Fragmented Governance

The division of regulatory responsibilities between the Centre and States leads to inconsistent enforcement and coordination gaps.

3. Inadequate Testing Infrastructure

A shortage of modern accredited laboratories hampers timely and accurate quality testing of medicines.

4. Industry Resistance

Concerns over higher compliance costs often lead some manufacturers to oppose stricter quality-control and testing requirements.

5. Poor Enforcement

Weak inspections and lenient penalties reduce deterrence and allow regulatory violations to persist.

6. Prevalence of OTC Culture

Widespread self-medication and reliance on pharmacists for primary healthcare contribute to irrational drug use and misuse of medicines.

Implications of Weak Pharmaceutical Regulation

A. Domestic Implications

1. Public Health Risks

The circulation of substandard or contaminated medicines can result in serious adverse reactions, treatment failures, and even fatalities. This increases the overall disease burden and undermines public health outcomes.

2. Erosion of Public Trust

Repeated incidents of poor-quality medicines weaken citizens' confidence in healthcare systems and regulatory institutions. Such distrust may discourage patients from adhering to prescribed treatments.

3. Economic Costs

Drug safety failures increase healthcare expenditure due to additional treatment, hospitalization, and monitoring requirements. They also expose pharmaceutical companies and governments to legal liabilities and compensation claims.

B. International Implications

1. Damage to India's Reputation

Quality lapses tarnish India's image as the "**Pharmacy of the World**" and raise concerns about the reliability of its pharmaceutical products. For example, the **2023 contaminated eye-drop crisis** led to deaths and permanent vision loss, following which the **U.S. FDA** placed the Indian manufacturer on an import alert, affecting India's pharmaceutical credibility.

2. Threat to Pharmaceutical Exports

Importing countries may impose stricter quality checks, regulatory barriers, or product bans on Indian medicines. Such measures can reduce export earnings and adversely affect the pharmaceutical industry's growth.

6. Global Health Concerns

Since Indian medicines are supplied worldwide, quality failures can endanger public health across multiple countries. Weak regulation in a major drug-exporting nation can therefore become a global health security challenge.

Key Reform Recommendations by Various Committees and Policies

1. Mashelkar Committee (2003)

Recommended a professionally managed and centrally coordinated drug regulatory system to ensure uniform quality standards across India.

2. Ranjit Roy Chaudhury Expert Committee (2013)

Advocated greater autonomy, transparency, and scientific capacity for CDSCO to improve the efficiency and credibility of drug regulation.

3. Parliamentary Standing Committee on Health (59th Report, 2012)

Called for a comprehensive overhaul of the drug approval process by addressing conflicts of interest and strengthening regulatory oversight.

4. National Health Policy (2017)

Emphasised stronger regulatory mechanisms, modern testing infrastructure, and robust quality assurance to ensure safe and effective medicines.

Way Forward

1. Strengthen Quality Control Mechanisms

Mandatory testing of raw materials, adoption of advanced analytical technologies, and independent third-party audits can help ensure the safety and quality of medicines before they reach consumers.

2. Enhance Regulatory Capacity

Recruiting more drug inspectors, improving technical training, and strengthening State Drug Control Departments will enable more effective monitoring and enforcement of pharmaceutical standards.

3. Modernise Testing Infrastructure

Establishing well-equipped laboratories across states and implementing digital batch-tracking systems can improve the speed, accuracy, and traceability of quality assessments.

4. Improve Enforcement

Risk-based inspections, stringent penalties for violations, and criminal liability in cases of serious negligence can create a strong deterrent against non-compliance.

5. Strengthen Pharmacovigilance

Robust adverse drug reaction reporting systems and real-time surveillance mechanisms can help detect and address drug safety issues at an early stage.

6. Undertake Regulatory Reforms

Better coordination between CDSCO and State regulators, along with a more integrated regulatory framework, can ensure uniform standards and greater accountability.

7. Promote Responsible Drug Use

Public awareness campaigns against self-medication and stricter enforcement of prescription norms can encourage rational and safe use of medicines.

Conclusion

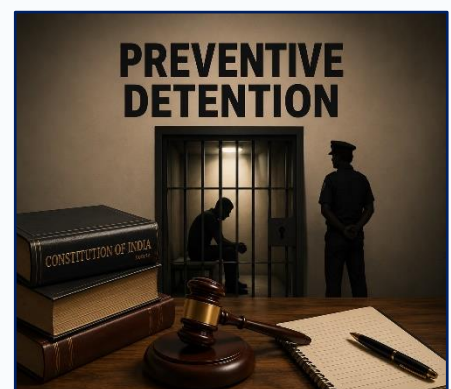
For a nation that supplies medicines to the world, drug safety is not merely a regulatory obligation but a strategic imperative. India's pharmaceutical success must rest not only on affordability and scale but equally on quality, trust and accountability.

Q. India's status as the 'Pharmacy of the World' depends not only on affordable medicines but also on robust regulatory oversight. Discuss the challenges facing pharmaceutical regulation in India and the reforms required to address them. 15 Marks

1.1.3. PREVENTIVE DETENTION IN INDIA

Context

- In the Chander Pal Singh case, the Allahabad High Court addressed the routine and arbitrary use of preventive detention laws by the state apparatus.
- The Court highlighted that between May 2025 and April 2026, around 2,500 individuals were subjected to preventive detention in Ghaziabad over minor disputes, calling it a "highly irresponsible" deprivation of personal liberties.



Introduction

- State-mandated imprisonment is classified into two distinct legal categories: punitive detention, which serves as punishment after a court trial and conviction, and preventive detention, which is anticipatory incarceration without a trial. Originating from colonial-era laws such as the Bengal State Prisoners Regulation (1818) and the Defence of India Act (1915), the sole objective of preventive detention is not to punish past offences, but rather to proactively stop an individual from committing a future crime or endangering society.

Constitutional Framework and Legal Dynamics

1. Constitutional Safeguards under Article 22

- **Procedural Limitations:** The state cannot hold an individual in preventive custody for more than three months unless an Advisory Board—comprising individuals qualified to be High Court judges—finds sufficient cause for an extension.
- **Right to Representation:** The detaining authority must communicate the grounds of detention at the earliest opportunity (unless withholding facts serves public interest) and grant the detainee the right to legally challenge the order.

2. Legislative Jurisdiction (Seventh Schedule)

- **Union List (Entry 9):** Parliament holds exclusive power to enact preventive detention laws concerning defence, foreign affairs, or the security of India.
- **Concurrent & State Lists:** Both Parliament and State Legislatures can enact laws pertaining to the maintenance of public order and essential community supplies.

3. The Jurisdictional Divide: Law & Order vs. Public Order

- **Conceptual Distinction:** The Supreme Court (*Ram Manohar Lohia Case, 1965*) clearly separated the two. 'Law and order' involves localized disputes affecting a few individuals, manageable by ordinary criminal laws. 'Public order' involves severe disruptions influencing the wider community or nation.
- **Detention Validity:** Preventive detention is legally invalid when invoked as a shortcut to manage ordinary 'law and order' disturbances.

4. Supreme Court on Preventive Detention

The apex court has consistently attempted to rein in administrative overreach through landmark rulings:

- **Ameena Begum Case (2023):** The Court categorically ruled that preventive detention is an exceptional measure strictly meant for emergency situations and explicitly forbade its routine use by local administrations.
- **Ankul Chandra Pradhan Case (1997):** The bench emphasized that the fundamental objective of preventive detention is solely to prevent harm to state security, barring its use as a mechanism to impose extrajudicial punishment.
- **Ram Manohar Lohia Case (1965):** The Court established a critical legal boundary, stating that ordinary 'law and order' issues (affecting only a few individuals) cannot justify preventive

detention. It is constitutionally valid only for grave 'public order' threats that disrupt the wider community or nation.

Significance

1. **Establishes Financial Accountability:** Judicial directives introduce a strong deterrent by allowing compensation for unlawful detentions to be recovered directly from the salaries of the erring executive magistrates or police officers.
2. **Curtails Administrative Overreach:** Prevents local administrations from escalating petty neighborhood, property, or localized disputes into matters requiring anticipatory incarceration.
3. **Safeguards Democratic Dissent:** Critiques the weaponization of "maintaining peace" to arbitrarily jail activists, workers, and protesters under stringent security acts.
4. **Enforces Executive Justification:** Removes administrative opacity, mandating that executive magistrates formally and legally justify their decisions rather than citing vague "communal tensions."
5. **Strengthens Appellate Oversight:** Ensures the compensation framework and detention grounds continuously face rigorous, independent judicial evaluation.

Challenges

1. **The Democratic Contradiction:** India stands uniquely as a major democratic republic that retains preventive detention as an integral peacetime constitutional mechanism, inherently conflicting with absolute civil liberties.
2. **Deliberate Structural Ambiguity:** Authorities frequently manipulate the doctrinal line between localized "law & order" and broader "public order" to validate arbitrary arrests.
3. **Misuse of Extraordinary Statutes:** Laws such as the National Security Act (NSA) and Public Safety Act (PSA) are heavily leveraged to bypass the procedural safeguards of the standard criminal justice system.
4. **Executive Reluctance to Penalize:** The state apparatus remains deeply resistant to initiating disciplinary hearings or financially penalizing its own policing personnel.
5. **Compromised Magisterial Independence:** Executive magistrates remain part of the State administration; their career trajectories often depend on maintaining 'peace' as defined by political superiors, compromising impartiality.

Way Forward

1. **Implement NCRWC Directives:** Enforce the National Commission to Review the Working of the Constitution (NCRWC) recommendation to cap the absolute maximum detention period under Article 22 at six months.
2. **Restructure Advisory Boards:** Amend legislation to mandate that Advisory Boards consist exclusively of a chairman and two *servicing* High Court judges to guarantee absolute impartiality.
3. **Formulate Strict State SOPs:** State governments must issue definitive Standard Operating Procedures detailing the exact evidentiary thresholds and threat assessments required before invoking these powers.

4. **Separate Executive Functions Locally:** Create a strict functional firewall between the local police apparatus generating threat reports and the executive magistrates adjudicating them.
5. **Impose Financial Deterrence:** Systematically institutionalize the judicial directive to dock the salaries of officials who authorize blatantly unlawful detentions.
6. **Mandate Data Transparency:** Require the National Crime Records Bureau (NCRB) to publish granular, district-wise data on preventive detentions and the success rates of Advisory Board confirmations to enable parliamentary oversight.

Conclusion

Preventive detention is a colonial-era legacy embedded into the Constitution as an extraordinary necessity to safeguard national sovereignty. However, its gradual degradation into a routine policing shortcut represents a severe democratic regression. Upholding the sanctity of Article 21 requires the executive to internalize that preventive detention must be strictly reserved for genuine, grave emergencies, balancing state security imperatives with the inviolable rights of the citizen.

Q. "The routine application of preventive detention laws in peacetime is increasingly viewed as a threat to personal liberty. Evaluate the constitutional safeguards and judicial pronouncements designed to prevent its misuse." 15 Marks

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GENERAL STUDIES 3

2.1. ECONOMY

2.1.1. THE RBI AND ITS GROWING FISCAL ROLE

Why in News?

The Reserve Bank of India (RBI) has approved a record surplus transfer of **₹2.87 lakh crore** to the Union Government for FY 2025–26 under the **Economic Capital Framework (ECF)**. While the transfer strengthens government finances, its unprecedented scale has sparked debates on the RBI's growing fiscal role, central bank independence, monetary-fiscal coordination, and the implications for fiscal federalism.



Introduction

Central banks are responsible for maintaining monetary and financial stability through inflation control, currency management, and financial regulation. However, the RBI's record surplus transfer to the Union Government highlights its growing role in supporting public finances, raising important questions about the evolving monetary-fiscal relationship and central bank independence.

Understanding RBI Surplus

A. What is RBI Surplus?

RBI generates income from various sources while performing its monetary and financial functions:

- **Interest on Government Securities:** RBI earns interest on government bonds held as part of its asset portfolio.
- **Returns on Foreign Currency Assets:** Investments in foreign government securities and deposits generate regular income.
- **Foreign Exchange Transactions:** RBI earns gains through buying and selling foreign currencies to manage exchange rate stability.
- **Liquidity Management Operations:** Operations such as repo and reverse repo transactions contribute to RBI's earnings.
- **Investments in Gold and Other Reserve Assets:** Appreciation and returns from gold and reserve holdings add to RBI's income.

After setting aside funds for contingency reserves and risk buffers, the remaining profit is transferred to the Union Government as **RBI surplus (dividend)**.

B. Economic Capital Framework (ECF)

Recommended by the **Bimal Jalan Committee**, the ECF provides a rule-based mechanism for determining RBI's capital requirements and surplus transfers.

- **Risk Provisioning:** Specifies the amount of capital RBI must retain to absorb financial, monetary, and operational risks.

- **Surplus Distribution:** Determines the quantum of excess capital and profits that can be transferred to the Government.
- **Financial Stability Objective:** Ensures that surplus transfers do not compromise RBI's balance sheet strength and institutional credibility.
- **Transparency and Predictability:** Provides a structured framework for balancing fiscal needs with central bank autonomy.

Structural Shift in RBI's Fiscal Role and Why Surplus Has Increased

A. Structural Shift in RBI's Fiscal Role

1. Traditionally, Governments Finance Expenditure Through:

- **Taxation:** Revenue collected from individuals and businesses forms the primary source of government funding.
- **Borrowing:** Governments raise funds through market borrowings, which create future repayment obligations.
- **Economic Growth:** Higher economic activity increases tax collections and expands fiscal capacity over time.

2. RBI Transfers as an Emerging Source of Fiscal Space

- **No Additional Tax Burden:** Surplus transfers provide resources without imposing new taxes on citizens.
- **No Increase in Public Debt:** They generate revenue without requiring additional government borrowing.
- **Independent of Immediate Economic Growth:** Fiscal resources are created without a corresponding increase in production or economic output.
- **Enhances Fiscal Capacity:** Large transfers provide the government with additional spending space for welfare, infrastructure, and fiscal consolidation.

3. Evidence of the Structural Shift

- **Rapid Expansion of RBI's Balance Sheet:** The RBI's balance sheet grew by over 20% to nearly ₹92 lakh crore, increasing its income-generating capacity.
- **Higher Earnings from Financial Operations:** Growth in foreign asset holdings, reserve management, and interest income significantly boosted RBI's gross income.
- **Sharp Rise in Surplus Transfers:** Annual transfers that typically ranged between ₹30,000–65,000 crore have surged to a record ₹2.87 lakh crore in FY26.
- **Growing Fiscal Significance:** The size of the transfer now rivals the annual budgets of several States, highlighting RBI's increasing role in supporting government finances.
- **Closer Monetary-Fiscal Linkages:** RBI's reserve management and monetary operations are increasingly influencing fiscal outcomes alongside their traditional monetary objectives.

B. Why Has the Surplus Increased?

1. Higher Earnings from Foreign Exchange Reserves

- **Interest Income on Foreign Assets:** RBI earns interest from investments in foreign government bonds and securities.
- **Valuation Gains:** Appreciation in the value of reserve assets contributes to higher earnings.
- **Returns on Foreign Securities:** India's large forex reserves generate substantial income through diversified investments abroad.

2. Active Foreign Exchange Management

- **Currency Market Interventions:** RBI's buying and selling of foreign currencies to manage rupee volatility can generate profits.
- **Reserve Operations:** Efficient management and deployment of foreign exchange reserves enhance overall returns.

3. Reserve Rebalancing

- **Gold Sales:** Strategic sale of a portion of gold reserves generated gains for the RBI.
- **Higher Foreign Currency Holdings:** Increased investment in foreign assets improved income from reserve management.
- **Optimised Asset Allocation:** Rebalancing reserves helped maximize returns while maintaining liquidity and safety.

4. Rising Global Interest Rates

- **Higher Returns on Overseas Investments:** Elevated global interest rates increased earnings from foreign government bonds and securities held by the RBI.
- **Improved Yield on Reserve Assets:** Foreign currency assets generated greater interest income than in previous years.

5. Expansion of RBI's Balance Sheet

- **Growth in Total Assets:** The RBI's balance sheet expanded significantly, increasing the volume of income-generating assets.
- **Enhanced Earning Capacity:** A larger asset base naturally led to higher income from investments, securities, and reserve management operations.

Significance of the Record RBI Surplus Transfer

1. **Strengthens Government Finances:** The large surplus transfer provides significant non-tax revenue, helping the government reduce fiscal deficit pressures, fund development expenditure, and limit additional borrowing.
2. **Enhances Fiscal Stability:** Additional fiscal resources improve the government's financial position without imposing new taxes or increasing public debt.
3. **Reflects Effective Reserve Management:** The record surplus highlights the RBI's efficient management of foreign exchange reserves, gold holdings, and investment portfolios.

4. Supports Macroeconomic Stability: Lower government borrowing requirements can ease pressure on bond markets, moderate interest rates, and encourage private investment.
5. Demonstrates Institutional Strength: The transfer follows the Economic Capital Framework, reflecting a transparent and rule-based approach to surplus distribution.

Challenges and Concerns

1. Threat to Central Bank Independence: Growing government dependence on RBI profits may create pressure for larger transfers, potentially reducing the RBI's operational autonomy and institutional distance.
2. Fiscalisation of the RBI: The increasing fiscal importance of RBI earnings risks blurring the distinction between monetary management and government financing.
3. Dependence on Non-Tax Revenue: Excessive reliance on RBI surplus transfers may weaken incentives for tax reforms, revenue mobilisation, and prudent fiscal management.
4. Fiscal Federalism Concerns: Since RBI surplus is classified as non-tax revenue and excluded from the divisible pool, States do not receive a share despite their substantial expenditure responsibilities.
5. Fiscal Centralisation: Rising reliance on RBI transfers, along with cesses, surcharges, and borrowing constraints on States, strengthens the fiscal dominance of the Union Government.
6. Reduced Shock Absorption Capacity: Large surplus transfers could reduce the RBI's financial buffers, limiting its ability to manage future crises, exchange-rate shocks, and economic uncertainties.

Way Forward

1. Preserve Central Bank Independence: Monetary policy and reserve management decisions should remain free from fiscal considerations to safeguard RBI's autonomy and credibility.
2. Strict Adherence to the Economic Capital Framework: Surplus transfers should continue to be governed by transparent, rule-based criteria rather than short-term fiscal needs.
3. Strengthen Transparency: Regular disclosure of reserve adequacy, capital buffers, and risk assessment practices can enhance accountability and public trust.
4. Maintain Adequate Contingency Buffers: RBI must retain sufficient financial reserves to effectively manage future economic, financial, and external sector shocks.
5. Revisit Fiscal Federal Concerns: Policymakers should examine the implications of large non-shareable RBI transfers on fiscal federalism and Centre–State financial relations.
6. Promote Sustainable Fiscal Consolidation: Long-term fiscal health should be achieved through stronger tax revenues, higher economic growth, and efficient public expenditure rather than dependence on RBI dividends.

Conclusion

A strong economy requires both a fiscally responsible government and an independent central bank; preserving the balance between the two is essential for long-term macroeconomic stability and cooperative federalism.

Q. *The RBI's record surplus transfer reflects an evolving role of the central bank beyond monetary management. Examine the factors responsible for the rise in RBI's surplus and its implications for the Indian economy. 15 Marks*

2.2. ENVIRONMENT

2.2.1. NOT BINARY: INDIA CAN SAVE ITS FORESTS BY WINNING THE WAR ON POVERTY

Context

A recent study published in *Nature Sustainability* found that forests with better livelihood opportunities and lower dependence on forest resources tend to have higher biodiversity. The findings challenge the traditional view that conservation and poverty alleviation are conflicting goals, highlighting their complementary role in sustainable forest management.



Introduction

- Conservation has traditionally been viewed through the "**fortress conservation**" model, which seeks to protect forests by restricting human access. However, emerging evidence suggests that **poverty alleviation and biodiversity conservation are mutually reinforcing goals**.
- Sustainable livelihoods can reduce pressure on forests and improve long-term conservation outcomes.

Key Findings of the Study

1. Poverty and Biodiversity are Closely Linked

- Forests with higher poverty levels recorded lower tree species diversity.
- Greater dependence on fuelwood and forest extraction increased ecological pressure.

2. Alternative Livelihoods Improve Forest Health

- Communities with access to farming and non-forest income sources had more diverse and resilient forests.
- Reduced dependence on forest resources lowers biodiversity loss.

3. Human-Dominated Landscapes Matter

- Conservation success depends not only on protected areas but also on forests outside protected zones.

- Community-managed forests play a critical role in maintaining biodiversity.

4. Wildlife Corridors Need Greater Attention

- Biodiversity-rich corridors improve ecological connectivity between protected areas.
- They support wildlife movement and strengthen ecosystem resilience.

5. Poverty is Not the Cause, Lack of Opportunities Is

- Biodiversity loss arises when communities have limited livelihood options and depend excessively on forests for survival.

Community-Based vs Community-Centred Conservation: A Comparative Analysis

Basis	Community-Based Conservation	Community-Centred Conservation
Focus	Conservation is the primary goal, with communities participating in achieving it.	Community welfare and livelihoods are the starting point, with conservation emerging as a co-benefit.
Role of Community	Communities act as partners or stakeholders in conservation programmes designed by governments/NGOs.	Communities are placed at the centre of decision-making, planning, and resource governance.
Approach	"Conservation through community participation."	"Conservation through community empowerment and development."
Example	Joint Forest Management (JFM), Hornbill Nest Adoption Programme.	Snow Leopard Conservancy, community-led ecotourism, livelihood-based conservation models.

Significance of Community Conservation

1. Communities as Conservation Partners

Local communities interact with forests on a daily basis and possess a direct stake in their long-term sustainability. Treating them as partners rather than encroachers enhances trust, cooperation, and conservation outcomes.

2. Livelihood Security Reduces Forest Pressure

Access to alternative livelihoods such as agriculture, ecotourism, and non-farm employment reduces dependence on fuelwood and forest extraction. This lowers ecological pressure and allows forests to regenerate naturally.

3. Participatory Forest Governance

Involving local communities in forest planning, monitoring, and management improves accountability and resource protection. It also promotes sustainable use by aligning conservation goals with local needs.

4. Leveraging Traditional Ecological Knowledge

Indigenous and local communities possess generations of knowledge about species, ecosystems, and sustainable resource use. Integrating this knowledge with scientific approaches can strengthen conservation strategies.

5. Inclusive Conservation Enhances Sustainability

Conservation initiatives are more successful when communities receive tangible economic and social benefits. Shared benefits create stronger incentives for protecting forests and biodiversity over the long term.

Challenges of Community Conservation

1. High Dependence on Forest Resources

Many rural and tribal communities depend on forests for fuelwood, fodder, minor forest produce, and income generation. This continuous dependence often leads to overexploitation of forest resources and ecological degradation.

2. Limitations of Fortress Conservation

The traditional exclusionary approach restricts community access to forests in the name of conservation. Such measures can create conflicts, reduce local support, and undermine long-term conservation efforts.

3. Inadequate Alternative Livelihoods

Limited employment and income-generating opportunities force communities to rely heavily on forest extraction for survival. As a result, pressure on forests and biodiversity continues to increase.

4. Implementation Constraints

Conservation programmes often suffer from inadequate funding, weak institutional capacity, and inconsistent policy support. Additionally, varying levels of community participation can limit their effectiveness and sustainability.

5. Unequal Benefit Sharing

Despite being key stakeholders, local communities receive only a small share of benefits generated through ecotourism and conservation initiatives. This weakens incentives for active participation in conservation activities.

6. Fragmented Policy Approach

Conservation, rural development, and livelihood programmes are often implemented independently without adequate coordination. This fragmented approach reduces policy effectiveness and fails to address socio-economic and ecological challenges holistically.

Successful Community Conservation Models

1. Snow Leopard Conservancy (Ladakh)

- Community-run homestays and livestock insurance programmes reduce human-wildlife conflict.
- Conservation is linked with local income generation.

2. Mangrove Co-Management Committees (Maharashtra)

- Local communities participate in mangrove protection.
- Supports fisheries, ecotourism, and sustainable aquaculture.

3. Hornbill Nest Adoption Programme (Arunachal Pradesh)

- Former hunters are engaged as nest protectors and forest patrollers.

- Community ownership has improved hornbill conservation.

4. LPG and Clean Energy Initiatives Around Protected Areas

- Subsidised LPG connections and efficient cooking systems reduce dependence on fuelwood.
- Helps lower human pressure on forests.

Way Forward for Community Conservation

1. Promote Sustainable Livelihoods

Expanding agroforestry, ecotourism, non-timber forest products, and rural enterprises can reduce dependence on forests while improving income opportunities for local communities.

2. Strengthen Community Forest Governance

Greater participation of local communities in forest management can enhance accountability, sustainable resource use, and long-term conservation outcomes.

3. Expand Clean Energy Access

Providing LPG, clean cooking fuels, and renewable energy alternatives can significantly reduce fuelwood extraction and forest degradation.

4. Improve Benefit Sharing Mechanisms

Ensuring that local communities receive a fair share of tourism and conservation revenues can create stronger incentives for biodiversity protection.

5. Prioritise Wildlife Corridors

Conserving and restoring wildlife corridors can improve ecological connectivity while supporting livelihood opportunities in surrounding landscapes.

6. Shift Towards Inclusive Conservation

Moving beyond exclusionary conservation approaches towards people-centric models can align community welfare with long-term biodiversity conservation goals.

Conclusion

The study demonstrates that poverty alleviation and biodiversity conservation are mutually reinforcing goals. For India, sustainable forest conservation will depend on improving livelihoods, empowering local communities, and adopting an inclusive approach that protects forests **through people, not from people**.

Q. Conservation and poverty alleviation are increasingly viewed as complementary rather than competing objectives. In this context, examine the role of community conservation in achieving sustainable forest management in India. 15 Marks

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