

DAILY **CURRENT AFFAIRS**

SPECIAL FOR UPSC & GPSC EXAMINATION

DATE : 17-10-25



The Hindu Important News Articles & Editorial For UPSC CSE

Friday, 17 Oct, 2025

Edition : International Table of Contents

Page 01 Syllabus : GS 2 & 3 : International Relations & Indian Economy / Prelims	Trump and MEA at odds over Russian oil imports
Page 07 Syllabus : GS 2 : Social Justice / Prelims	Dopamine overdose: how modern lifestyles are rewiring our brains
Page 08 Syllabus : GS 3 : Environment / Prelims	Ensure safeguards for India's carbon market
Page 09 Syllabus : GS 3 : Indian Economy / Prelims	Is landlockedness the reason for Bihar's underdevelopment?
Page 10 Syllabus : GS 2 : Indian Polity / Prelims	Restoring fiscal space for the States
Page 08 : Editorial Analysis Syllabus : GS 2 : Indian Polity	A reading of a revisionism in constitutional history

Page 01 : GS 2 & 3 : International Relations & Indian Economy / Prelims

The debate over India's continued import of Russian crude oil has once again brought into focus the delicate balance New Delhi maintains between strategic autonomy and global diplomatic pressures. Amidst Western sanctions on Moscow following the Ukraine conflict, the U.S. has urged partners to limit energy trade with Russia. However, India — driven by its energy security needs and consumer interests — has continued to import discounted Russian crude, asserting an independent foreign policy. The recent exchange between U.S. President Donald Trump and India's Ministry of External Affairs (MEA) reflects the ongoing tension between strategic pragmatism and geopolitical alignment.

Issue Overview

- Controversy: U.S. President Donald Trump claimed that PM Narendra Modi assured him India would "soon" stop importing Russian oil.
- MEA's Response: MEA denied any such discussion, clarifying that the recent Modi-Trump call focused on Gaza and trade issues, not Russian oil.
- India's Stand: India reiterated its strategy of "broad-basing and diversifying energy sources" to ensure secure and affordable supplies, without succumbing to external pressure.

Key Data and Developments

- India remains the largest buyer of Russian crude, though imports by public sector undertakings fell by ~45% (June–Sept 2025).
- The U.S. imposed penalty tariffs on India over continued energy ties with Russia, delaying progress in bilateral trade talks.
- China criticized the U.S. for "unilateral bullying," defending its own Russian oil imports.
- The MEA reaffirmed India's position that it does not accept "unilateral sanctions" and opposes "double standards" in energy trade.

Static and Current Linkages

Trump and MEA at odds over Russian oil imports

Trump claims Modi gave commitment to stop buying oil from Russia 'soon'; Ministry denies the leaders discussed the issue, but says govt. is 'broad-basing' and 'diversifying' its energy sources

Suhasini Haidar
NEW DELHI

India and the United States continued to differ publicly over Russian oil as U.S. President Donald Trump said he had been assured by Prime Minister Narendra Modi that India will stop buying oil from Russia, while the Ministry of External Affairs maintained the two leaders had not spoken about the issue.

However, the MEA said that India was "broad-basing" and "diversifying" its sources of energy according to market needs, and did not specifically deny the claim that it was reducing its intake.

Bone of contention

The subject of Russian oil, which has led to the U.S. imposing penalty tariffs on India, is also believed to be holding up trade talks between the two countries.

While the government has consistently denied it would bow to pressure, data analysed by *The Hindu* showed that oil public sector undertakings have dropped their Russian imports by as much as 45% between June and September this year, even though Russia remains India's biggest supplier overall.

"I am not aware of any conversation yesterday between the two leaders," MEA spokesperson Randhir Jaiswal told reporters here on Thursday, also clarifying that a call between Mr. Modi and Mr. Trump last Thursday had only dealt with the Gaza



I was not happy that India was buying oil, and [PM Modi] assured me today that they will not be buying oil from Russia. That's a big step. Now we're going to get China to do the same thing... He [Mr. Modi] loves Trump... I don't want to destroy his political career

DONALD TRUMP, U.S. President

peace plan and India-U.S. trade issues.

On Wednesday, Mr. Trump had said he was confident that India would end its oil imports "soon" but not "immediately".

"I was not happy that India was buying oil, and [PM Modi] assured me today that they will not be buying oil from Russia," Mr. Trump told reporters at the White House, with U.S. Ambassador-designate to Delhi Sergio Gorr also present.

"It's a little bit of a process, but the process is going to be over with soon," Mr. Trump said, adding, "That's a big step. Now we're going to get Chi-

na to do the same thing." On Thursday, the Chinese Ministry of Foreign Affairs slammed the U.S. for "unilateral bullying" over its "legitimate" imports from Russia.

Going on to praise Mr. Modi as a "great man" who "loves Trump", Mr. Trump said he did not want to "destroy [Mr. Modi's] political career".

"I've watched India for years. It's an incredible country, and every single year you'd have a new leader," Mr. Trump said, adding: "My friend has been there now for a long time."

"It has been [India's] consistent priority to safe-

Modi outsourced key decisions to the U.S.: Congress

NEW DELHI
Congress leader Rahul Gandhi said PM Modi is "frightened" of U.S. President Donald Trump. In a post on X, he said, "[Modi] allows Trump to decide and announce that India will not buy Russian oil..." » PAGE 4

China defends oil purchase, slams U.S. for 'bullying'

BEIJING
China said that its purchases of Russian oil were "legitimate" and decried recent "unilateral bullying" measures by the U.S. as the trade row between the two countries continues to intensify. » PAGE 14

guard the interests of the Indian consumer in a volatile energy scenario," the statement said, referring to stable prices and secure supplies as "twin goals". "This includes broad-basing our energy sourcing and diversifying as appropriate to meet market conditions."

The MEA was more direct on its response to U.K. sanctions on Nayara, an Indian refiner owned by Russian oil major Rosneft.

"India does not subscribe to any unilateral sanctions... There should be no double standards, especially when it comes to energy trade," Mr. Jaiswal said.

Static Topic	Current Relevance
Energy Security	Ensuring affordability, stability, and diversification in oil sourcing.
Strategic Autonomy	Reflects India's independent stance despite U.S. pressure.
Balance of Payments (BoP)	Discounted Russian oil helps contain the import bill.
India–U.S. Relations	Emerging friction amid deepening strategic cooperation.
Global Geopolitics	Illustrates multipolar tensions in post-Ukraine global order.

Analytical Perspective

a. Energy Security & Realpolitik

- India's approach reflects pragmatic realism — prioritizing domestic stability and inflation control through cheaper energy sources.
- Diversification of imports from Russia, the Middle East, and Africa enhances resilience against supply shocks.

b. Diplomatic Balancing

- India continues to balance relations between Washington and Moscow, emphasizing national interest over alliance politics.
- MEA's denial signals India's intent to avoid public confrontation while quietly recalibrating its import mix.

c. Economic Dimension

- Reduced dependence on Russia could help ease Western trade tensions, but may raise import costs in the short term.
- Maintaining discounted Russian oil flows supports fiscal stability and the rupee's external balance.

d. Bilateral & Global Context

- India–U.S. relations remain strong overall, especially in defence, technology, and Indo-Pacific cooperation, though temporary friction persists over energy policy.
- The episode also underlines the changing global power matrix, where nations assert autonomy amid great-power rivalry.

Policy Significance

- **Energy Policy:** Need for expanding LNG infrastructure, renewable energy, and African energy partnerships.
- **Diplomacy:** Reinforces India's doctrine of "strategic autonomy" and resistance to bloc politics.
- **Economic Resilience:** Broader sourcing prevents overreliance on any single supplier or geopolitical bloc.
- **Long-term Strategy:** Alignment with Atmanirbhar Bharat goals through self-reliant and sustainable energy systems.

Strategic & Economic Implications

Aspect	Implication
External Sector Stability	Russian discounts help stabilize India's BoP.
India-U.S. Relations	Minor strain, but overall cooperation likely to continue.
Energy Diplomacy	India asserting autonomy in global energy markets.
Global Politics	Highlights U.S. pressure versus China's defiance — India charting middle path.
Policy Continuity	Pragmatic import decisions aligned with domestic needs.

Challenges Ahead

- **Geopolitical Pressure:** Managing relations with both Russia and the U.S. amid global polarization.
- **Price Volatility:** Global oil market fluctuations impacting fiscal balance.
- **Sanction Risks:** Exposure of refiners like Nayara Energy to Western sanctions.
- **Energy Transition:** Accelerating renewables to reduce fossil-fuel dependency.

Conclusion

India's response to U.S. pressure on Russian oil imports epitomizes its balanced and interest-driven diplomacy.

While Washington seeks solidarity against Moscow, New Delhi prioritizes energy affordability, supply security, and domestic stability. The episode reaffirms India's commitment to strategic autonomy, even as it deepens global partnerships. Going forward, achieving energy diversification and sustainability will be key to realizing the long-term vision of "Viksit Bharat @2047", where India engages with the world from a position of strength and self-reliance.

UPSC Prelims Practice Question

Ques: Consider the following statements about India's crude oil imports:

1. Russia has emerged as India's largest supplier of crude oil in recent years.
2. India's oil imports are entirely decided through government-to-government agreements.
3. The Ministry of External Affairs (MEA) has the primary role in determining India's energy sourcing strategy.

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 1 and 2 only
- (c) 1 and 3 only
- (d) 2 and 3 only

Ans : a)

UPSC Mains Practice Question

Ques: India's energy diplomacy reflects the balance between strategic autonomy and global responsibility." In light of recent tensions with the U.S. over Russian oil imports, discuss. **(150 Words)**

Dopamine, commonly known as the “feel-good” neurotransmitter, plays a central role in motivation, reward, and pleasure. While historically linked to natural rewards and substance addiction, contemporary digital lifestyles — characterized by social media, short videos, and constant notifications — have transformed dopamine into a double-edged sword. Overstimulation of the brain’s reward system is increasingly leading to addiction-like behaviours, emotional instability, and mental health challenges, particularly among adolescents and young adults. Understanding this neurobiological and societal phenomenon is crucial for promoting mental well-being and balanced technology use.

Issue Overview

- **Core Concern:** Modern technology overstimulates the mesolimbic dopamine pathway, creating compulsive behaviour patterns and reducing baseline happiness.
- **Youth Impact:** Adolescents and young adults are especially vulnerable due to brain plasticity, making them prone to attention deficits, anxiety, and compulsive checking behaviours.
- **Mechanism:** Social media engagement, notifications, and algorithm-driven content mimic drug-like intermittent reinforcement, activating the nucleus accumbens similarly to addictive substances.

Dopamine overdose: how modern lifestyles are rewiring our brains

Contemporary life has made dopamine a double-edged sword that both stimulates productivity and feeds addiction. Bringing back balance is key: breaks from devices, regular movement and meaningful social connections can all help stabilise dopamine levels and enhance mental well-being

Prerity Duggar Gupta

If there were a chemical formula for happiness, dopamine would be at its core. Often called the “feel-good” neurotransmitter, dopamine drives motivation, reward, and pleasure, whether from a good meal, an achievement, or a meaningful relationship. From drug addictions to social media marathons, contemporary life has made dopamine a double-edged sword that both stimulates productivity and feeds addiction.

Dopamine is a chemical signal that conveys pleasure and thus a sense of reward. Each time something happens that makes us happy, such as eating chocolate or receiving a compliment, our brain releases dopamine, prompting us to act in the same manner again. On a neurobiological level, this is largely contingent on the mesolimbic pathway from the ventral tegmental area (VTA) to the nucleus accumbens, a central part of the brain’s reward pathways. The mesolimbic pathway reinforces behaviours we perceive as constructive or pleasurable, along with reward prediction and a motivation to learn.

Certain times, these processes are commandeered by addictive drugs, including cocaine, nicotine, or alcohol. Such drugs induce massive dopamine surges, overwhelming the reward centre of the brain. Over time however, the brain gets desensitised, requiring more doses of the addictive substance in order to feel normal. This is where addiction begins — not from pleasure itself, but from the brain trying to bring balance back.

From substances to screens

Drugs used to be the primary cause of dopamine overload, but now, technology is the new push. Every ping, like, and notification serves to deliver tiny doses of dopamine, delivered intermittently, to promote user engagement in a reward schedule that best resembles a slot machine. Social media, short videos, reels, and streaming services exploit this gap, producing dependency with their endless cycle of suspense and satisfaction.

Although scrolling on Instagram or watching endless short videos may feel harmless, neuroscientists have shown that the brain processes the kind of stimulation presented by technology similarly to actual drug use. Such use promotes compulsive checking behaviours, fractured attention, anxiety, or withdrawal when disconnected. Functional MRI studies have shown overlapping activation in the nucleus accumbens during social media engagement and substance use, supporting the idea that digital stimuli can trigger the same reward circuits that drive addiction.

What is more concerning is that coincidental — it is a result of behavioural engineering, in which algorithms find out what rewards you the most and serve you more of it.

Young adults and teenagers, who are still learning how to manage their emotions and impulses, are especially susceptible. Research indicates that adolescents who report spending more than three hours a day on social media report substantially higher levels of anxiety and depressive symptoms. The adolescent brain is particularly plastic in development. This means that under-stimulation from the world around them and overstimulation from technology may, quickly yet casually, shape their reward circuits — creating hyper-short attention spans and emotional instability. Excessive screen time is shown by research to change the sensitivity of dopamine receptors, making it more difficult to find pleasure in daily life. Short of that, our normal baseline happiness is decreasing, while our appetites for stimulation become stronger.

An overload of dopamine does not indicate that we are off the charts happy; it suggests that our brain’s reward system may be fatigued. By constantly seeking out stimulation, we are unknowingly setting ourselves up for burnout. The implications may be slow and stealthy at first: the experience of losing motivation when performing a normal task as it feels bland compared to an immediate sense of stability experienced while waiting for digital affirmation or enjoying the pharmacologic effects of a substance. Eventually, wear and tear will dull our emotional responses to regular experiences, for instance, the ability to experience joy, and will interrupt sleep, shorten our attention span and begin to deteriorate our mental health with anxiety, depression and poor self-esteem.

It is possible to use social media engagement to stimulate reward circuits in the brain that resemble what drives some to addiction. When the brain becomes accustomed to constant spikes of pleasure and begins screaming for more, potential manifestations include addiction, whether social media, video games, or drugs.

Reclaiming balance

The solution, of course, is not to eliminate dopamine, but rather to bring it back in balance. “Dopamine fasting” refers to taking a break from the defeating pleasure and excitement our brains tend to rely on and instead, attempting to retrain our brains to function appropriately with a more moderate and sustainable level of happiness when engaging in slower and deeper experiences. Taking time away from constant phone reminders, silencing emails, taking a break from your devices, making your devices grayscale, or simply instituting a tech break can help your mind reset its rhythm.

Regular movement and moderate engagement with mindfulness will allow you to experience dopamine naturally and at a more stable and healthy level, instead of the non-stop hyper-stimulating level we are used to in the present. Focusing on meaningful activities — deep work, learning new skills — also ushers in enjoyable experiences with slower, more lasting rewards.

The most important return to balance comes with real human connection — a good old-fashioned conversation, a laugh with a friend, or time spent with family that provides a level of happiness that no social media “likes” can match. Ensuring good sleep, good nutrition, and emotional awareness helps stabilise dopamine levels and grounds our moods.

(Dr. Prerity Duggar Gupta is consultant psychiatrist, Aster Hospital, Bengaluru. prerity.gupta@asterhospital.in)

THE GIST

▼ Dopamine is a chemical signal that conveys pleasure and thus a sense of reward. Each time something happens that makes us happy, such as eating chocolate or receiving a compliment, our brain releases dopamine, prompting us to act in the same manner again.

▼ An overload of dopamine does not indicate that we are off the charts happy; it suggests that our brain’s reward system may be fatigued. By constantly seeking out stimulation, we are unknowingly setting ourselves up for burnout.

▼ Regular movement and moderate engagement with mindfulness will allow you to experience dopamine naturally and at a more stable and healthy level, instead of the non-stop hyper-stimulating level we are used to in the present. Focusing on meaningful activities also ushers in enjoyable experiences with slower, more lasting rewards.



Worrying trend: Although scrolling on Instagram or watching endless short videos may feel harmless, neuroscientists have shown that the brain processes the kind of stimulation presented by technology similarly to actual drug use. K.A. SIDERAS

Key Observations

- **Neuroscience Evidence:** Functional MRI studies indicate overlapping activation in reward circuits for both digital engagement and substance use.
- **Behavioural Trends:** Excessive screen time leads to shorter attention spans, emotional instability, compulsive checking, and reduced ability to derive pleasure from ordinary activities.
- **Mental Health Impacts:** Anxiety, depression, sleep disturbances, and diminished self-esteem are linked to dopamine dysregulation.

Static and Current Linkages

Static Topic	Current Relevance
Neurobiology	Dopamine’s role in reward, motivation, and addiction pathways.
Mental Health	Rising anxiety and depression due to digital overstimulation.
Addiction Studies	Digital addiction parallels substance addiction at a neurobiological level.
Public Health	Implications for preventive mental health interventions.
Lifestyle & Productivity	Overstimulation reduces capacity for sustained focus and deep work.

Analytical Perspective

- **Neurobiological Implications:** Chronic dopamine spikes desensitize the reward system, prompting higher stimulation-seeking behaviour.
- **Behavioural Implications:** Overuse of digital media creates compulsive behaviour, fractured attention, and emotional instability.
- **Mental Health Concerns:** Reward system fatigue reduces motivation and joy from natural rewards, leading to burnout and anhedonia.
- **Policy & Societal Lens:** Rising digital addiction demands awareness campaigns, regulated screen time, and interventions to stabilize reward pathways.

Solutions and Policy Significance

- **Dopamine Fasting:** Temporary breaks from high-stimulus media to recalibrate the reward system.
- **Mindful Engagement:** Focus on slow, meaningful activities like deep work, skill development, or hobbies.
- **Physical & Social Interventions:** Regular exercise, proper sleep, nutrition, and quality social interactions to stabilize dopamine naturally.
- **Public Health Measures:** Education, parental guidance, and school-based interventions to prevent digital addiction, especially in adolescents.

Strategic & Societal Implications

Aspect	Implication
Youth Mental Health	Critical window for interventions to prevent long-term compulsive behaviour.
Digital Policy	Need for guidelines on screen time, app design, and reward-based algorithms.
Work Productivity	Excessive stimulation reduces ability to sustain attention for meaningful tasks.
Public Awareness	Promotes responsible tech use and emotional well-being.
Healthcare System	Increasing demand for counselling and psychiatric services related to digital addiction.

Challenges Ahead

- Rapid evolution of digital platforms.
- Algorithmic behavioural engineering reinforcing compulsive use.
- High vulnerability of adolescents due to brain plasticity.
- Rising mental health burden from anxiety, depression, and attention disorders.
- Lifestyle imbalance from sedentary habits and social isolation.

Conclusion

Modern lifestyles have transformed dopamine from a natural motivator into a potential source of addiction and mental health challenges. While technology provides rewards and motivation, overstimulation rewires the brain, diminishing baseline happiness and attention span. Restoring balance through mindful engagement, physical activity, social interactions, and controlled technology use is essential. Policy initiatives, public awareness, and personal strategies must converge to ensure healthy neurocognitive development and mental well-being, particularly among youth, enabling a society capable of leveraging technology responsibly without compromising mental health.

UPSC Prelims Practice Question

Ques: Dopamine is primarily associated with:

- a) Stress response
- b) Reward, motivation, and pleasure
- c) Immune system regulation
- d) Sleep-wake cycle

Ans: b)

UPSC Mains Practice Question

Ques: Discuss how modern technology and social media are contributing to dopamine overload. Highlight the neurobiological and psychological consequences, particularly among adolescents.

As India transitions toward a low-carbon economy, carbon credit markets are emerging as a key instrument to incentivize emissions reduction. Carbon credits, generated through renewable energy, afforestation, and sustainable agriculture, offer firms a way to offset emissions while rewarding climate-positive practices in developing countries. However, experiences from global projects, particularly in Kenya, highlight the risks of marginalizing local communities, undermining customary land rights, and replicating extractive power structures. For India, ensuring **equity, consent, and transparency** in its Carbon Credit Trading Scheme (CCTS) is critical to balance climate goals with social justice and community welfare.

Ensure safeguards for India's carbon market

The growth-driven model of development, rooted in the Industrial Revolution, has already pushed planetary boundaries beyond safe limits. Some call for "degrowth" to address environmental damage, but this is neither just nor feasible for developing countries that are still grappling with poverty and hunger. A more equitable path lies in decoupling growth from environmental harm. In other words, countries must find ways to reduce poverty and expand their economies without repeating the high-pollution, high-emission model of the past.

This can be done by relying on cleaner technologies, renewable energy and sustainable farming practices. In India, for instance, the rapid expansion of solar energy and micro-irrigation illustrate how growth and sustainability can go hand in hand.

On carbon credit

Carbon crediting is one such tool. A carbon credit represents a certified reduction or removal of greenhouse gases, expressed in carbon dioxide (CO₂) -equivalents. These can be generated through mitigation activities such as renewable energy or sequestration efforts such as reforestation, agroforestry and biochar. Firms buy them to offset emissions while transitioning to cleaner processes, ideally rewarding developing countries for adopting low-carbon practices.

Carbon credits are booming, with 175 million-180 million retired annually, primarily from renewable energy and nature-based projects such as REDD+ and afforestation. India is also building its own carbon market through the Carbon Credit Trading Scheme (CCTS). The scheme will set emission-intensity benchmarks for energy-intensive sectors and include voluntary offsets. A national registry and trading platform will manage transactions, with draft methods for biomass, compressed biogas, and low-emission rice cultivation already released.

Globally, agriculture-based projects lag despite high potential. Of 64 Indian agricultural projects listed under Verra, only four are registered and none has issued credits. CIMMYT's research links



K.S. Aditya

is a Scientist at the Indian Council of Agricultural Research-Indian Agricultural Research Institute (ICAR-IARI), New Delhi



Adeeth A.G. Cariappa

is an Environmental and Resource Economist at the International Maize and Wheat Improvement Center (CIMMYT)-India

As India builds its carbon market, the lessons from global failures show why protecting farmers and communities must come first

this to weak farmer engagement, training and follow-up, especially among smallholders and marginalised caste groups.

Carbon markets and the risk of exploitation

Carbon projects are meant to reward communities at the frontlines of climate action. But without safeguards, they risk replicating extractive power structures, echoing the logic of colonial plantations. Rising carbon prices only heighten this risk. The Northern Kenya Rangelands Carbon Project offers a cautionary tale. Launched in 2012, it spanned 1.9 million hectares and sought to remove 50 million tonnes of CO₂ over 30 years. Though framed as community-led, the project has drawn scrutiny for bypassing consent and weakening local land rights, raising critical questions about who truly controls and benefits from carbon projects. The project introduced rotational grazing and rangeland restoration, but cracks soon appeared.

In 2023, Verra suspended credit issuance after advocacy groups highlighted flaws in soil carbon measurement and a lack of free, prior, and informed consent (FPIC) from indigenous communities. Petitioners alleged that the conservancies were created without public consultation, on unregistered community land, and enforced through armed rangers. In 2025, a Kenyan court confirmed that key conservancies had bypassed public participation, prompting a second suspension by Verra. Community conservancies, common across Kenya, are locally managed bodies meant to promote sustainability and protect livelihoods through elected governance. In principle, they embody decentralised, community-driven resource management. Critics argue that the project's top-down grazing restrictions and opaque governance structures mirror colonial-era resource control, infringing on pastoralist land rights and underscoring the urgent need for community-led, decolonised carbon initiatives.

Similarly, the Lake Turkana Wind Power project (Kenya) fenced 1,50,000 acres of community rangeland, cutting off herders from grazing routes and water; it raised the question of

whether sustainability is advancing at the expense of the vulnerable.

India could face similar risks. Carbon projects in afforestation, reforestation and agriculture often extend into areas with customary land use. Plantations on village commons or forest fringes could disrupt access to grazing, fuelwood and forest produce without community consent. Agricultural projects have already shown signs of bypassing marginalised caste farmers while delivering few benefits. The Kenyan judgment is a timely warning: unless land rights, consent and fair benefit-sharing are secured, India's carbon market risks reproducing extractive models under the guise of climate action.

Why carbon projects are vulnerable

Carbon projects can slip into "modern plantations" when powerful companies dominate and local communities are sidelined. In India, farmers and tribal communities often face information and power asymmetries that enable opaque deals and unfair benefit-sharing. Developers are not required to disclose benefit-sharing arrangements, and practices are often imposed top-down, with little regard for local contexts or consent.

India's Carbon Credit Trading Scheme, while ambitious, focuses mainly on procedures and compliance, with scant attention to land rights, FPIC, and equitable revenue distribution. These blind spots may expose vulnerable groups to exclusion and exploitation as the market expands.

Overregulation is not the solution, as burdensome legal frameworks could discourage even well-intentioned actors. What India needs is a balanced, lightweight regulatory architecture that guarantees transparency, formalises benefit-sharing, and protects community rights, without creating bureaucratic choke points.

Achieving this will require stakeholder consultation, adaptive regulation and a clear-eyed recognition of risks. Only then can India build trust and integrity in its carbon market while ensuring that climate action does not come at the cost of justice.

Issue Overview

- **Carbon Credits in India:** India's Carbon Credit Trading Scheme sets emission-intensity benchmarks and allows voluntary offsets. Draft methodologies exist for biomass, low-emission rice, and compressed biogas projects.

- **Global Lessons:** Projects like Northern Kenya Rangelands and Lake Turkana Wind Power highlight risks of bypassing community consent, restricting access to land, and imposing top-down governance.
- **Domestic Vulnerabilities:** Afforestation, reforestation, and agricultural carbon projects may intersect with village commons or forest fringes, potentially disrupting local livelihoods and marginalizing smallholder or caste-based farmers.

Key Observations

- **Market Growth:** 175–180 million carbon credits are retired annually, largely from renewable energy and nature-based projects. Agricultural projects lag despite high potential.
- **Community Risk:** Power imbalances, opaque benefit-sharing, and lack of prior informed consent (FPIC) expose communities to exploitation.
- **Regulatory Gap:** India's CCTS emphasizes procedural compliance but lacks safeguards for land rights, FPIC, and equitable revenue distribution.
- **Overregulation Pitfall:** Excessive legal burdens may discourage participation; a **balanced regulatory approach** is required.

Static and Current Linkages

Static Topic	Current Relevance
Climate Policy & Carbon Markets	Incentivizing low-carbon practices through market mechanisms.
Sustainable Agriculture	Potential to generate credits while promoting climate-resilient farming.
Community Rights & Justice	FPIC, land rights, and fair benefit-sharing are essential safeguards.
Global Best Practices	Kenyan carbon projects provide cautionary lessons on governance and equity.
Green Growth & Decoupling	Carbon markets support decoupling economic growth from environmental harm.

Analytical Perspective

- **Economic & Environmental Significance:** Carbon markets can accelerate India's energy transition, promote low-emission technologies, and support sustainable agriculture.
- **Social Dimension:** Without safeguards, carbon projects risk **mimicking colonial extractive models**, sidelining vulnerable communities, and causing inequitable benefit distribution.
- **Governance Challenges:** Asymmetric information and top-down implementation in rural India can reproduce power imbalances.
- **Policy Trade-Offs:** Effective regulation must balance transparency, equity, and market efficiency without imposing bureaucratic choke points.

Policy Significance

- **Equitable Benefit-Sharing:** Formalizing transparent mechanisms to distribute financial rewards to local communities.
- **Community Consent:** Ensuring FPIC in project design and implementation.
- **Stakeholder Engagement:** Inclusive consultation with farmers, tribal communities, and smallholders to build trust.
- **Adaptive Regulation:** Lightweight, flexible frameworks that prevent exploitation while encouraging participation.
- **Integrity of Carbon Market:** Safeguards enhance credibility domestically and internationally, attracting investment while maintaining social legitimacy.

Strategic & Economic Implications

Aspect	Implication
Climate Action Credibility	Protecting community rights reinforces trust and market integrity.
Rural Livelihoods	Fair benefit-sharing ensures climate projects support, not undermine, local communities.
Investment Attraction	Transparent, equitable carbon markets attract private and international investment.
Social Justice	Integrating FPIC and land rights safeguards prevent marginalization of vulnerable groups.
Global Leadership	India can set an example in designing low-carbon initiatives aligned with equity and sustainability.

Challenges Ahead

- Power asymmetry and marginalization of smallholders and tribal communities.
- Potential land-use conflicts with customary rights and village commons.
- Lack of transparency in benefit-sharing arrangements.
- Risk of top-down project imposition replicating extractive models.
- Ensuring market participation while keeping regulatory frameworks light and effective.

Conclusion

India's Carbon Credit Trading Scheme offers a pathway to low-carbon economic growth and climate action, but without safeguards, it risks marginalizing vulnerable communities and replicating extractive practices. Learning from global experiences, India must ensure community consent, equitable benefit-sharing, and transparent governance, while maintaining market efficiency. A balanced regulatory approach, combined with stakeholder engagement, will help India build a credible, equitable, and socially just carbon market — promoting both environmental sustainability and social justice.

UPSC Prelims Practice Question

Ques: Which of the following statements regarding India–Russia oil trade in 2025 is correct?

- a) India completely stopped importing oil from Russia in 2025.
- b) India remains the largest buyer of Russian oil, though imports fell by ~45% in some PSUs between June–Sept 2025.
- c) India imposed penalty tariffs on the U.S. due to energy imports.
- d) Russia no longer exports oil to India.

Ans : b)

UPSC Mains Practice Question

Ques. Examine the potential social and environmental risks associated with carbon markets in India and suggest safeguards. **(250 Words)**

Bihar, despite its fertile land and historical significance, remains one of India's most underdeveloped states. While some attribute this to its landlocked geography, a closer analysis reveals that structural, political, and social factors play a more decisive role. Challenges related to agricultural productivity, industrialisation, state capacity, and resource utilisation have historically constrained Bihar's growth. Understanding these dynamics is critical for designing policies that leverage the state's comparative advantages while addressing its developmental deficits.

Is landlockedness the reason for Bihar's underdevelopment?



R. Nagaraj
Economist and retired professor from the India Gandhi Institute of Development Research, Mumbai



Manindra Nath Thakur
Professor, Centre for Political Studies, JNU, Delhi

PARLEY

It is election season in Bihar. While the Opposition often speaks about the lack of development and industrialisation in the State, in its campaigns, the National Democratic Alliance, which is in power, argues that a change of government will bring back the 'Jungle Raj' of the earlier decade. What makes Bihar one of India's most underdeveloped States? Is landlockedness a reason for its underdevelopment, as some argue? R. Nagaraj and Manindra Nath Thakur discuss the question in a conversation moderated by Saptaparno Ghosh. Edited excerpts:

It is often argued that Bihar is disadvantaged because it is a landlocked State. Punjab and Telangana are landlocked as well, and they are doing relatively well. So how is being landlocked a constraint for Bihar?

R. Nagaraj: If you look at the success of Telangana, especially Hyderabad, it is mostly because of the tertiary sector; it has nothing to do with geography. If a State has an educated workforce and good infrastructure, being landlocked will not be an issue. Punjab, too, has a developed network of railways and roads, and has FCI (Food Corporation of India) godowns across the country to help with export of crops.

Manindra Nath Thakur: Let us look at Bihar's prominent exports: makhana, litchi, and corn. It has been difficult for Bihar to transport these items from Patna to West Bengal or to any port. These, alongside the vegetables Bihar exports, are perishable. Moreover, significant costs are incurred due to road transport; time and distance are crucial factors in agrarian exports. One way Bihar is attempting to resolve this issue is by launching projects along the Ganga. So, it is not that concerns about being landlocked are not genuine, but they cannot be cited as a major reason for the State's economic backwardness.

Prof. Nagaraj spoke of the tertiary sector; you spoke of agrarian exports. Bihar has been assessed as an agrarian economy. What should be its imperative going forward: industrialisation or agriculture?

MT: In the last 10 years, the Chief Minister has tried to engage with industrialists. However, industrialists have often raised concerns about access to ports, citing the need to spend more on transportation. Having said that, I do think that in this modern capitalist system, no society can think of surviving with just agricultural products. While Bihar should capitalise on its potential in terms of agricultural production and



A woman shucks corn in Virpur village in Begusarai, Bihar. R.V. MOORTHY

processing, it must ultimately transition to industry. Without that, there is no future.

RN: Before we think of high-technology and/or manufacturing industries, we should consider where the comparative advantage lies. Four-fifth of Bihar's labour force is in agriculture. But despite Bihar having fertile land and irrigation facilities, agricultural productivity is mostly less than the national average. Why is agriculture not picking up? That is the big question.

In the 1970s or 80s, a committee set up under the agricultural economist, S.R. Sen, was figuring out how to take the Green Revolution to the Indo-Gangetic belt. It came up with a plan for massive State investments in infrastructure and electrification to ensure that States have abundant water for the cultivation of wheat and rice. Surprisingly, the Green Revolution spread to the Malwa region of Madhya Pradesh rather than the Indo-Gangetic belt. We must understand what went wrong.

I think it will be both in Bihar's interest and the national interest to get basic wheat, rice, and sugarcane cultivation going. This way, western India will be burdened less; it can conserve more water and move to value-added crops.

MT: On the agrarian front, I don't think Bihar should repeat the mistake that Punjab made during the Green Revolution, which produced a water crisis. Although Bihar has abundant water, it may face the same consequences as Punjab if water is overused. Moreover, increasing agricultural production is linked with the heavy use of fertilizers and pesticides, creating a health crisis. Therefore, I don't support the shifting of agriculture to eastern India. Agriculture is not profitable anywhere in the world unless it is heavily supported by the State.

RN: Madhya Pradesh was also seen as a backward State. It does not have the same water



It is not that concerns about being landlocked are not genuine, but they cannot be cited as a major reason for the State's economic backwardness.

MANINDRA NATH THAKUR

resources as Bihar, yet the Green Revolution expanded there. Prosperity in the Malwa region is amazing. Therefore, I am sceptical about the idea that agriculture has no potential.

So what do you think are the factors that contributed to Bihar's underdevelopment?

MT: Apart from what I have said, there are also notions that the Centre is not interested in Bihar's growth. The State, I think, is frozen in its transition from feudalism to capitalism. One of the reasons for this is the internal colonisation of the State. Earlier, Bihar supplied raw materials, but due to policies such as freight equalisation, it suffered significantly, and industries didn't develop locally, despite having the advantage of raw material availability. Bihar ultimately lost revenues and its natural advantage. Now, with a supply of labour from Bihar, nobody is interested in developing the State.

RN: A commodity where freight equalisation was done and which benefited eastern India was cement. Steel did not accrue the same advantage. Cement has heavy transport costs compared to steel so the freight equalisation policy for it helped eastern India.

Furthermore, why Bihar is leaving Bihar has no element of capitalist conspiracy. In fact, when investments in agriculture were made in Bihar, migration to Punjab declined. It is clear that if people have more options at home, they will not move out.

Literature often suggests that Bihar has a 'socialist hangover', and that entrepreneurship does not draw confidence.

RN: The socialist ideology in Bihar is often equated with caste politics and caste in general – basically, distributing limited resources across various castes. If the focus shifts to productive investment, it will do a lot of good for Bihar. Policy must focus on how to augment production rather than looking at redistributing the limited resources more equitably or in a manner that helps people stay in power.

MT: Bihar has never really followed the socialist model. It also failed to understand the logic behind India's shift to capitalism. Bihar is

currently at a significant disadvantage. For any structural change, there must be a solid commitment to reinvestment by the Union government. Unless that is done, the transition to capital will not take place. With respect to migration, if there are good working conditions and a decent income, no Bihar would like to migrate. The amount of investment required to help Bihar move out of this 'frozen transition' phase has not been made. It could be linked to general societal politics. One argument, as Shaibal Gupta used to make, relates to the lack of a distinct Bihar identity. Or as Prashant Kishore says, of the concept of Bihar's *asmita*.

Would special status be of any help to Bihar?

RN: I am not sure it would help. The bigger question relates to whether it will be utilised productively or not. Bihar lacks the state capacity to use it. Whereas, if you give the same money to Andhra Pradesh or Tamil Nadu, they will grab it and use it better.

Being among the poorest states, Bihar gets a considerable amount of resources from the Finance Commission on considerations of its backwardness and to bring greater equality among States. When those are not utilised, the money lapses. Many of these grants are performance-based – meaning the State must raise its own share of resources to access the full amount. This often doesn't happen in Bihar.

MT: If a good amount of money is invested, it would certainly be beneficial. However, no change will come unless we make sure that the money we reinvest is not appropriated by a small number of people – elites, politicians, and contractors. If the money is invested properly, it leads to capital formation. But this also requires a kind of social revolution, one that raises public awareness that these funds are not free gifts, but more like loans. People must understand that we need to rebuild and strengthen our society in order to repay that investment.

About state capacity – many funding packages include a clause requiring the state to contribute a portion of the investment. Now, suppose you give me ₹100 and tell me that I have added to it to utilise the amount. I can't do that as I don't have the money. In a way that amounts to forcing me not to use the money. The special status might be of help – it might remove these conditions and allow us to access the support without being held back by limited state capacity.



To listen to the full interview
Scan the code or go to the link
www.thehindu.com

Issue Overview

- **Landlocked Argument:** Bihar's geography is often cited as a hindrance for trade and industrial development. However, other landlocked states like Telangana and Punjab have successfully industrialised, suggesting that infrastructure, human capital, and institutional capacity matter more than mere geography.
- **Agricultural Exports:** Perishable commodities like makhana, litchi, and corn face high transport costs and logistical challenges, partially justifying concerns about market access. Projects along the Ganga aim to alleviate these constraints.

- **Industrialisation vs Agriculture:** Bihar's economy remains predominantly agrarian, with four-fifths of its labour in agriculture. Experts argue for a **dual strategy** — improving agricultural productivity while gradually transitioning to industrial and tertiary sectors.

Key Observations

- **Agricultural Productivity:** Despite fertile land and irrigation, Bihar lags behind the national average. Lack of state investment during the Green Revolution limited the spread of modern agricultural practices in the Indo-Gangetic belt.
- **Industrial Constraints:** Freight equalisation policies, internal colonisation, and historical resource extraction hindered local industrial development. Industries often rely on cheap labour from Bihar without reinvesting locally.
- **Social & Political Factors:**
 - Socialist and caste-based politics may have prioritised resource redistribution over productive investment.
 - Limited state capacity and inefficient utilisation of Finance Commission grants impede developmental initiatives.
- **Migration and Human Capital:** Outmigration is a response to lack of local opportunities rather than a capitalist conspiracy. Investments in local agriculture and industry reduce migration.

Static and Current Linkages

Static Topic	Current Relevance
Geography & Development	Landlockedness is less decisive than infrastructure and institutional capacity.
Agriculture	Fertile land underutilised; potential for high-value crops and agro-processing.
Industrial Policy	Historical neglect, freight policies, and weak reinvestment limit industrialisation.
Governance & State Capacity	Inefficient resource utilisation constrains growth despite availability of grants.
Social Structure	Caste-based politics affects entrepreneurship and investment confidence.

Analytical Perspective

- **Economic Factors:** Bihar's backwardness is not geographic but structural: low agricultural productivity, weak industrial base, and poor infrastructure.
- **Institutional Constraints:** Limited state capacity and ineffective utilisation of funds hinder growth.
- **Policy Implications:** Investments must focus on capital formation, skill development, and infrastructure, rather than solely providing special status or grants.

- **Social Dynamics:** Resource allocation and caste politics affect productive investment; fostering entrepreneurship and social accountability is critical.
- **Comparative Lessons:** Other landlocked states like Telangana and Punjab demonstrate that educated workforce, infrastructure, and policy orientation can overcome geographic limitations.

Policy Significance

- **Agricultural Modernisation:** Invest in irrigation, mechanisation, and value-added crop processing.
- **Industrial Promotion:** Provide incentives, ease of doing business, and infrastructure to attract local and external industries.
- **Effective Fund Utilisation:** Ensure Finance Commission grants and special status funds are reinvested for productive outcomes.
- **Social Awareness & Governance:** Encourage transparency and accountability to prevent elite capture of resources.
- **Balanced Development:** Combine improvements in agriculture with industrialisation to create employment and reduce migration.

Strategic & Economic Implications

Aspect	Implication
Economic Growth	Structural reforms, not geography, are key to unlocking Bihar's potential.
Agricultural Productivity	Modernisation can reduce dependence on migration and improve rural livelihoods.
Industrial Development	Focused investment can attract capital and create employment locally.
Social Equity	Equitable reinvestment strengthens human capital and reduces elite capture.
State Capacity	Enhancing institutional effectiveness is crucial for utilising special status funds.

Challenges Ahead

- Low agricultural productivity despite fertile land.
- Historical neglect of industrialisation and infrastructure.
- Caste-based politics affecting resource allocation.
- Limited state capacity and inefficient fund utilisation.
- Migration persists due to lack of local opportunities.

Conclusion

Bihar's underdevelopment cannot be attributed solely to its landlocked geography. The state faces structural, institutional, and social constraints that impede growth. Improving agricultural productivity, industrialisation, infrastructure, and state capacity, coupled with effective utilisation of resources, can transform Bihar's economy. Special status or grants may help if reinvested productively, but sustainable development requires a long-term strategy of capital formation, skill development, and social accountability. Geography alone is not destiny; institutional effectiveness and policy orientation are decisive.

UPSC Prelims Practice Question

Ques : Consider the following statements regarding the economic geography of Bihar:

1. Bihar is a landlocked State and lacks direct access to seaports.
2. Bihar has higher agricultural productivity than the national average due to its fertile Gangetic plains.
3. The Green Revolution spread widely in Bihar's Indo-Gangetic belt due to State-led irrigation investments.

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 1 and 2 only
- (c) 1 and 3 only
- (d) 2 and 3 only

Ans: a)

UPSC Mains Practice Question

Ques: Despite being landlocked, states like Punjab and Telangana have achieved significant economic growth, while Bihar continues to lag behind. Critically examine the factors responsible for Bihar's underdevelopment. **(150 Words)**

India's federal fiscal framework has been undergoing structural changes since the introduction of the Goods and Services Tax (GST) in 2017. While GST aimed to create a unified tax regime and improve efficiency, it has also centralised taxation power, thereby constraining the fiscal autonomy of the States. The recent abolition of the GST compensation cess marks the end of a transitional era, intensifying concerns over State finances, resource distribution, and cooperative federalism. As public expectations and service delivery responsibilities expand, the imbalance between the Centre's control over taxation and the States' expenditure obligations has become increasingly visible.

Issue Overview

• End of GST Compensation:

- The merger of the compensation cess with regular taxes marks the cessation of the five-year revenue protection mechanism initially guaranteed to States.
- While the Centre argues that States have benefitted through compensation, several States fear a larger-than-estimated revenue loss and lack of fiscal safeguards.

• Centralisation of Tax Power:

- Post-GST, taxation power has effectively shifted from individual States to the GST Council, where the Centre dominates.
- The cess and surcharge mechanism, outside the divisible tax pool, further strengthens the Centre's fiscal leverage.

• Rising State Expenditure Commitments:

- States bear primary responsibility for key welfare and governance areas — health, education, agriculture, law and order, and local government — leading to rising expenditure without corresponding revenue flexibility.

Constitutional and Institutional Framework

• Constitutional Provisions:

- Articles 246, 268–293 define Centre-State fiscal relations.
- Article 280 establishes the Finance Commission (FC) to recommend tax devolution and grants.

Restoring fiscal space for the States

With rising public aspirations and widening service gaps, States' expenditure commitments are steadily increasing. GST introduction has altered the resource position of the States, in addition to centralising the authority to levy tax.

ECONOMIC NOTES

R. Shrinivasan

The journey of Goods and Services Tax (GST) implementation has entered a major new stage with the latest restructuring of tax slabs, a move expected to pass on over ₹2 lakh crore in tax benefits to consumers. With this, the GST compensation cess stands abolished as it merges with the regular tax, marking the end of an era of compensation under GST. The decision is likely to boost local demand, and the consequent growth in revenue may reduce the expected revenue loss. However, certain States feel that no proper estimation of this has been made, and that the actual loss could be much higher than projected. They are aggrieved that their demand for compensation has been ignored.

Though studies show that GST implementation has largely benefited all States through liberal compensatory mechanisms, the post-compensation tax structure is expected to raise concerns in some of them. The cess and surcharge mechanism gives the Centre additional coverage over the States. With significant changes in the local policy landscape in recent years, including the introduction of GST, which has effectively shifted revenue power from the States to the GST Council, there is an increasing demand to rein in the local policy on tax sharing to live up to the principle of 'cooperative federalism'.

Revolving tax landscape

Local policy in India, particularly on revenue sharing between the Union and State governments, is an ever-moving target. Article 246 of the Constitution, subject matter of laws made by the Parliament and by the Legislatures of States demarcates the areas of taxation power between the Centre and the States under the Union List and the State List, respectively. The 12th Finance Commission, which was replaced by a global sharing principle, thanks to the 50th Amendment that came into effect during the 10th Finance Commission (2000-2005). The States out of the proceeds of divisible Central taxes, which were gradually enhanced to 30.5% by the 12th Finance Commission, 32% by the 13th Finance Commission and 42% by the 14th Finance Commission, in June of Jammu and Kashmir having ceased to be a State, the share came down to 40%. However, despite higher recommendations, the actual devolution to the States as a percentage of the total tax revenue (PTR) has consistently fallen short (Table 1).

The shortfall is attributed to the over-increasing cesses and surcharges, which are not part of the divisible pool of revenue. The cess and surcharge accounted for ₹36,440 crore as per the Revised Estimates (RE) 2020-25. It is expected to be ₹4,22,456 crore under the Budget Estimates (BE) for 2025-26, excluding the GST compensation cess. States have been constantly pressing for their merger with the divisible pool, a demand the Union government has not accepted. This resource gives additional leverage to the Centre in managing its expenses over and above its usual tax share, as the proceeds from cesses and surcharges often find the Central share in various schemes.

Dependence on Central transfers

Central transfers still account for 44% of the States' revenue receipts. It ranges from 72% for Bihar to 20% for Haryana with nine States — Jammu & Kashmir, Telangana (20%), Odisha (20%), Tamil Nadu (20%), Kerala (20%), and Mizoram (40%) — getting less than the overall average figure of 44%. This indicates heavy dependence of States on Central transfers and, to that extent, a compromise in their fiscal autonomy.

Role of Finance Commission

Article 280 to 293 of the Constitution defines the Centre-State financial relations.

Table 1 shows how the actual devolution of Central taxes to States has fallen short

Year	Actual share as % of total tax revenue	Share as per the Finance Commission
2013-14	30	30
2014-15	42	32
2015-16	41	32

The Finance Commission (FC) is constituted under Article 280, which has been constitutionally assigned the task of determining transfers to all States. However, there are grievances regarding the manner in which the Central Finance Commission applies its tax-sharing criteria, which, according to some States, penalise progressive ones. There are also complaints of inconsistency among the Finance Commissions in adopting criteria and applying relative weights. The Commission's grants are supplemented by grants under various Central Sector Schemes (CSS), Central Sector Schemes, and, earlier, by the Union Finance Commission (UFC). Article 285 provides for direct grants by the Union government, while Article 275 provides for statutory grants through the Finance Commissions. Some States feel that the flow of funds through these channels is neither fair nor transparent.

Falling devolution share

The major reason of sharing individual taxes was replaced by a global sharing principle, thanks to the 50th Amendment that came into effect during the 10th Finance Commission (2000-2005). The States out of the proceeds of divisible Central taxes, which were gradually enhanced to 30.5% by the 12th Finance Commission, 32% by the 13th Finance Commission and 42% by the 14th Finance Commission, in June of Jammu and Kashmir having ceased to be a State, the share came down to 40%. However, despite higher recommendations, the actual devolution to the States as a percentage of the total tax revenue (PTR) has consistently fallen short (Table 1).

The shortfall is attributed to the over-increasing cesses and surcharges, which are not part of the divisible pool of revenue. The cess and surcharge accounted for ₹36,440 crore as per the Revised Estimates (RE) 2020-25. It is expected to be ₹4,22,456 crore under the Budget Estimates (BE) for 2025-26, excluding the GST compensation cess. States have been constantly pressing for their merger with the divisible pool, a demand the Union government has not accepted. This resource gives additional leverage to the Centre in managing its expenses over and above its usual tax share, as the proceeds from cesses and surcharges often find the Central share in various schemes.

Dependence on Central transfers Central transfers still account for 44% of the States' revenue receipts. It ranges from 72% for Bihar to 20% for Haryana with nine States — Jammu & Kashmir, Telangana (20%), Odisha (20%), Tamil Nadu (20%), Kerala (20%), and Mizoram (40%) — getting less than the overall average figure of 44%. This indicates heavy dependence of States on Central transfers and, to that extent, a compromise in their fiscal autonomy.

Role of Finance Commission

Article 280 to 293 of the Constitution defines the Centre-State financial relations.



With the end of GST compensation, States have a loss of fiscal autonomy. R. Shrinivasan

Year	Revenue share of States (%)	Central tax share (%)	% of total tax revenue	% of total tax revenue	% of total tax revenue	% of total tax revenue
2013-14	30	30	30	30	30	30
2014-15	42	32	32	32	32	32
2015-16	41	32	32	32	32	32
2016-17	40	32	32	32	32	32
2017-18	40	32	32	32	32	32
2018-19	40	32	32	32	32	32
2019-20	40	32	32	32	32	32
2020-21	40	32	32	32	32	32
2021-22	40	32	32	32	32	32
2022-23	40	32	32	32	32	32
2023-24	40	32	32	32	32	32
2024-25	40	32	32	32	32	32
2025-26	40	32	32	32	32	32

Table 2 shows the share of central taxes in total tax revenue for various years.

For the five years from 2013-14 to 2017-18, the pre-GST period, the Centre collected 67% of the total tax revenue, while the States collected 33%. During the post GST period (2018-19 to 2022-23), the ratio remained unchanged. As for revenue expenditure, the Centre incurred 47% and the States 53% in the pre-GST era. During the post GST period, the figures were 48% and 52%, respectively. Increases in the Centre's revenue expenditure in recent years are largely attributed to the expansion of CSS on subjects that mostly fall in the domain of the States.

The expenditure commitments of the States are comparatively higher, as they are responsible for tackling the subjects of law and order, health, education, agriculture, and local self-government. As a result, States seek power to collect higher tax revenues, as the present fiscal policy of taxing power does not adequately address their requirements. Further, heavy dependence on Central transfers also creates problems such as liquidity management and the fear of political vendettes on the Opposition ruled States.

As a way out, some States suggest that the example of Canada be followed where the federal government collects 46% of tax revenue and spends 40%, while substantial government debt (44% of GDP) and spend 40%. Such a system gives more financial autonomy and flexibility to the States.

With rising public aspirations and widening service gaps, States' expenditure commitments are steadily increasing. GST introduction has altered the resource position of the States, in addition to centralising the authority to levy tax.

The restructuring of GST slabs merges the GST compensation cess with regular tax, ending compensation under GST and potentially boosting local demand.

Central transfers still account for 44% of the States' revenue receipts, with several States relying less than the overall average, indicating heavy dependency on the Centre.

Progressive States contributing more tax revenues are directly benefited if the personal income tax base is shared or States are empowered to 'top-up', reducing fiscal dependency.

R. Shrinivasan is a former officer of the Indian Administrative Service. He served as Chief Secretary of the Tamil Nadu government during 2009-11, after being the State's Deputy Secretary from 2005 to 2009.

- Articles 275 & 282 provide for statutory and discretionary grants respectively.
- **Evolution of Revenue Sharing:**
 - From the 11th to 14th Finance Commission, States' share in central taxes rose from 29.5% to 42%, later adjusted to 41% after J&K's reorganisation.
 - However, actual devolution as a share of Gross Tax Revenue (GTR) has fallen, largely due to the Centre's growing reliance on cesses and surcharges, which are not shareable with States.

Key Observations

Aspect	Observation
GST Regime Impact	Shifted taxation power to the Centre through the GST Council; eroded States' fiscal autonomy.
Falling Devolution Share	Despite higher FC recommendations, actual transfers lag due to exclusion of cesses/surcharges.
Dependence on Centre	States' dependence on central transfers is 44% on average, with poorer States like Bihar depending up to 72%.
Fiscal Asymmetry	Centre controls most revenue; States bear most expenditure responsibility.
Finance Commission Concerns	Inconsistency in criteria and weights penalises progressive States.
Centrally Sponsored Schemes (CSS)	Expansion of CSS increases Centre's expenditure but overlaps with State subjects.

Analytical Perspective

- **Design Asymmetry:** India's fiscal system exhibits vertical imbalance — centralised revenue collection and decentralised spending responsibilities. The post-GST architecture has aggravated this mismatch.
- **Cooperative Federalism in Question:** The erosion of fiscal space for States undermines the spirit of cooperative federalism, especially in Opposition-ruled States that face uncertainty in fund flows.
- **Inefficient Resource Utilisation:** Complex transfer mechanisms and political discretion in scheme-based funding reduce transparency and accountability.
- **International Comparison (Canada Model):** Canada allows greater fiscal autonomy — provinces collect 54% of revenue and spend 60%, ensuring flexibility and ownership in service delivery.

Policy Implications & Reform Options

Reform Area	Recommended Measures
Expand Tax Base Sharing	Allow States to share or top-up personal income tax on a 50:50 basis with the Centre.
Revisit Devolution Formula	Review the Finance Commission's approach to ensure progressive States are not penalised.
Merge Cesses & Surcharges	Bring these into the divisible pool to ensure fairer distribution.
Empower GST Council States	Enhance voting parity and representation in decision-making.
Rationalise CSS	Limit Central intervention in subjects constitutionally assigned to States.
Transparency Mechanisms	Public disclosure of fund allocations and performance-based grants.

Static & Current Linkages

Static Topic (Polity & Economy)	Current Relevance
Centre–State Financial Relations	GST and cess structure alter fiscal federalism balance.
Finance Commission	Role in vertical and horizontal devolution critical post-GST.
Cooperative Federalism	Erosion of fiscal autonomy challenges the principle.
Fiscal Consolidation	States' borrowing limits and deficits impact macroeconomic stability.
Tax Policy	Income tax sharing and GST rationalisation debates intensify.

Challenges Ahead

- Rising expenditure responsibilities with limited revenue control.
- Political friction over fiscal autonomy and compensation.
- Dependence on Central transfers creates liquidity risks.
- Inconsistency in Finance Commission criteria and CSS funding.
- Need for dynamic federal adjustments amid evolving fiscal landscape.

Strategic & Economic Implications

Aspect	Implication
Economic Stability	Fiscal imbalance may strain national growth and fiscal discipline.
Federal Governance	States' constrained autonomy can weaken cooperative federalism.
Service Delivery	Revenue limitations affect sectors like education, health, and rural development.
Fiscal Innovation	Sharing income tax base or creating State-level surcharges could enhance efficiency.

Conclusion

India's fiscal federalism stands at a crossroads. While GST has streamlined taxation and improved compliance, it has also centralised fiscal authority, restricting the States' capacity to mobilise resources independently. With public aspirations rising and service demands widening, restoring fiscal space for States is not just an economic necessity but a political imperative. Empowering States through revised devolution formulas, transparent transfers, and partial tax autonomy will help revitalise cooperative federalism and ensure that development remains balanced, inclusive, and truly federal.

UPSC Prelims Practice Question

Ques: Which of the following revenues are not part of the divisible pool shared between the Centre and the States?

- (a) Income tax
- (b) Corporation tax
- (c) Cesses and surcharges
- (d) Customs duty

Ans : c)

UPSC Mains Practice Question

Ques: Despite successive Finance Commissions recommending higher devolution, States continue to face fiscal constraints. Analyse the reasons for this trend and suggest measures to enhance fiscal autonomy of States. **(150 Words)**

A reading of a revisionism in constitutional history

A quiet revisionism in constitutional history is being seeded. Some commentators now argue that Sir Benegal Narsing Rau, the Constitutional Adviser to the Constituent Assembly, was the real architect of India's Constitution, while Dr. Bhimrao Ramji Ambedkar, the Chairman of the Drafting Committee, merely polished an already finished product. This argument may sound academic, but it is not. It represents an attempt to diminish Dalit agency in India's founding story and to erase the moral force that B.R. Ambedkar brought to the making of the Republic.

Complementary, not competing

Both men were indispensable to the Constitution's creation, but their roles were entirely different. Sir B.N. Rau, a distinguished civil servant and jurist, was appointed Constitutional Adviser in July 1946. His assignment was technical and preparatory. Rau had in British India, helped in the drafting of the Government of India Act of 1935. Eleven years later, he had to prepare a working draft of the Constitution based on reports of the Constituent Assembly's committees and his study of other constitutions. He examined the American, Canadian, Irish, Australian and Weimar models, and consulted jurists such as Felix Frankfurter and Harold Laski. In October 1947, he submitted his draft with 243 articles and 13 schedules. Rau's document provided the Assembly with a starting point. He had no seat in the Constituent Assembly and no political mandate. His authority was scholarly, not representative.

Ambedkar's task was of a different order. As Chairman of the Drafting Committee, he had to turn a legal draft into a political covenant. He carried the Constitution through the turbulence of Partition, the murder of the Mahatma and had to defend its provisions, clause by clause, in the Assembly. His responsibility was not only to refine the text but also to build consensus among sharply divided interests. Rau built the framework. Ambedkar made it a living instrument of justice.

Ambedkar never denied Rau's contribution. In his concluding address to the Constituent Assembly on November 25, 1949, he said: "The credit that is given to me does not really belong to me. It belongs partly to Sir B.N. Rau, the Constitutional Adviser to the Constituent Assembly who prepared a rough draft of the Constitution for the consideration of the Drafting Committee."

He also said, "A part of the credit must go to the members of the Drafting Committee who, as I have said, have sat for 141 days... Much greater share of the credit must go to Mr. S.N. Mukherjee,



Sanjay Hegde

is a Senior Advocate designated by the Supreme Court of India

the Chief Draftsman of the Constitution. His ability to put the most intricate proposals in the simplest and clearest legal form can rarely be equalled, nor his capacity for hard work."

Thus the words which are often used to claim that Rau, not Ambedkar, was the real author of the Constitution in fact, show the opposite. Ambedkar called Rau's work a "rough draft", not a finished text. The Drafting Committee and the Assembly turned that raw material into the document that finally came into force in January 1950. Nor does any evidence exist to show that Rau ever claimed to be the Constitution's author. His correspondence at that time with Ambedkar and Jawaharlal Nehru conveys respect and cooperation. The current effort to crown him as "Father of the Constitution" distorts both the record and Rau's own modesty.

The political motive

The campaign to elevate Rau and sideline Ambedkar is not driven by scholarship alone. It reflects a discomfort with the idea that a Dalit thinker could stand at the centre of the Republic's founding moment. Recasting Rau as the Constitution's principal author is an attempt to reclaim authorship for caste privilege. It tames Ambedkar's radical legacy and turns a social revolution into a bureaucratic exercise. The Constitution is not a sterile legal document. It is, first and foremost, a social manifesto which promises the dignity of the individual. It was born out of conflict, hope and redemption. It represented the arrival of the oppressed at the table of power. To detach Ambedkar from it is to rob it of its soul.

Ambedkar's presence in the Constituent Assembly was itself the result of a decisive act of political wisdom. He had originally been elected from Bengal, but after Partition, that seat went to Pakistan. Many within the Congress were hesitant to bring him back because of past disagreements. It was Mahatma Gandhi's intervention that settled the question.

Though Gandhi and Ambedkar had clashed over separate electorates, Gandhi insisted that Ambedkar must be part of the Assembly. He told Congress leaders that no Constitution could claim legitimacy if the Scheduled Castes were excluded from its making.

As a result, Ambedkar was re-elected from the Bombay Presidency. Gandhi's insistence was an act of foresight. In 1947, when the nation was fractured by religion, an alienated Dalit leadership could have deepened the divide. By ensuring Ambedkar's inclusion, Gandhi prevented a crisis that could have weakened the new Republic at its birth. Ambedkar's subsequent leadership proved that inclusion right. He turned the making of the Constitution into a moral

enterprise that bound the country together.

Rau's draft provided the order and structure. Ambedkar gave the Constitution its moral depth. The provisions on Fundamental Rights, Directive Principles, and affirmative action bear his imprint. His speeches in the Assembly made the Constitution a living moral philosophy.

Ambedkar warned that political equality would fail without social and economic equality. He said, "How long shall we continue to deny equality in our social and economic life? If we continue to deny it for long, we will do so only by putting our political democracy in peril. We must remove this contradiction at the earliest possible moment or else those who suffer from inequality will blow up the structure of political democracy which this Assembly has so laboriously built up." That warning still remains the most powerful moral statement in India's constitutional history.

The peril of forgetting

Every Republic must guard its memory. The attempt to raise Rau above Ambedkar is part of a larger effort to drain the Constitution of its radical spirit. It presents the founding as a matter of technical competence rather than social transformation. To honour Ambedkar is not to diminish Rau. Both served the Republic faithfully. But the Constitution is more than a legal framework. It is a statement of national purpose. It needed a scholar's precision, but it also needed a reformer's conviction. Ambedkar was that reformer.

When the Constitution was adopted, leaders across the political spectrum, including Nehru, Patel and Prasad, publicly acknowledged Ambedkar's central role. None suggested that Rau was the Constitution's principal author. They understood the difference between drafting a text and shaping a nation's conscience.

Rau deserves admiration as a brilliant adviser. Ambedkar deserves reverence as the Constitution's moral architect. The Constitution was not written in the calm of colonial offices but in the shadow of Partition, the Mahatma's assassination and caste oppression. To place Ambedkar at its centre was not symbolic generosity but a statement that India's new order would belong equally to those once excluded.

Ambedkar never claimed sole authorship. Yet, his leadership of the Drafting Committee, his defence of every clause, and his vision of liberty, equality and fraternity have defined the Indian Republic. To diminish his role is to betray the Republic's founding promise. Rau built the structure; Ambedkar filled it with justice. Sir B.N. Rau deserves gratitude as the constitutional engineer. Dr. B.R. Ambedkar remains the architect and moral founder of modern India.

To deny that truth is to deny the Republic.

The campaign to elevate B.N. Rau and sideline B.R. Ambedkar as the real architect of India's Constitution is misplaced

GS. Paper 2— Indian Polity

UPSC Mains Practice Question: The attempt to elevate B.N. Rau over B.R. Ambedkar in constitutional authorship reflects a larger discomfort with Dalit agency in India's nation-building. Discuss. (150 Words)

Context :

The global economic order is undergoing a seismic transformation, driven by the U.S.–China great-power rivalry, populist-autocratic governance, and technological shifts. Traditional norms of liberal globalisation are challenged by state-centric capitalism, digital ecosystems, and geopolitical recalibrations, creating both risks and opportunities for emerging economies like India.

- Populist-autocrats prioritise oligopolies and crony-capitalists, often undermining social contracts.
- U.S. strategic and economic actions (tariffs, sanctions, supply chain securitisation, digital currency ecosystems) are reshaping global trade, finance, and tech landscapes.
- Big Tech and digital infrastructure influence value chains, political outcomes, and economic sovereignty.
- Global South nations are seeking alternatives via bilateral treaties, localisation of production, de-dollarisation, and strategic alliances.
- India and China, historically dominant economies, have a window to forge a more equitable global order.

Static and Current Linkages

Static Topic	Current Relevance / Link
Globalisation & Economic Governance	Neoliberal norms disrupted by U.S.–China rivalry and populist-autocrats.
Digital Finance & AI	SWIFT system, AI Action Plans, digital currencies influence trade and sovereign autonomy.
Debt and Development	Cuts in aid and structural adjustment constraints harm vulnerable nations.
Global South Collaboration	BRICS, South-South partnerships, and new trade/debt frameworks offer alternatives.
Domestic Policy & State Role	Strong state intervention needed in critical sectors for national security and global competitiveness.

Analytical Perspective**1. Great-Power Rivalry & Geoeconomic Shifts**

- U.S.–China competition drives supply chain realignments, rare earth securitisation, and protectionist measures.
- Emerging conflicts, sanctions, and trade wars disrupt traditional liberal order.

2. Digital and Financial Paradigm

- Big Tech and AI reshape value extraction, political power, and economic dependencies.

- State-backed digital currencies may undermine national sovereignty and AML frameworks.

3. **Opportunities for the Global South**

- Strategic localisation, debt relief frameworks, and South-South alliances allow countries to assert agency in global economics.
- India can lead a New Economic Deal advocating fairer representation in global institutions and sustainable development.

4. **Domestic Recalibration Imperative**

- State must prioritise energy, infrastructure, defence, health, education, and digital finance.
- Public sector units and sovereign wealth-funds can drive strategic national objectives.
- Anti-monopoly norms and R&D investment are crucial for global competitiveness.

Strategic Implications

- **National Security & Sovereignty:** Economic self-reliance in strategic sectors reduces vulnerability to external shocks.
- **Global Leadership:** India can shape a more equitable world order and amplify South-South cooperation.
- **Economic Resilience:** Diversified supply chains, sovereign control, and strategic investments safeguard against global turbulence.
- **Digital & Technological Edge:** Harnessing AI, cloud, and digital finance strengthens India's competitive advantage.

Challenges

1. **Global Uncertainty:** Great-power conflicts and populist policies increase instability.
2. **Digital Colonisation:** Dependence on foreign digital infrastructure risks economic sovereignty.
3. **Domestic Implementation:** Strong state action requires policy continuity, bipartisan consensus, and anti-corruption measures.
4. **Debt and Aid Gaps:** Vulnerable economies are constrained by declining development aid.
5. **Geopolitical Pressure:** Aligning with multiple global actors without compromising autonomy.

Conclusion

The ongoing global economic transformation presents India with a strategic window to consolidate economic sovereignty, strengthen domestic institutions, and lead the Global South toward a more just and stable world order. By combining state-led intervention, strategic public sector leverage, and global partnerships, India can not only safeguard its national interests but also assert a constructive role in shaping the emerging geoeconomic landscape.