

DAILY **CURRENT AFFAIRS**

SPECIAL FOR UPSC & GPSC EXAMINATION

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Edition : International Table of Contents

Page 01 Syllabus : GS 3 : Indian Economy / Prelims	Nations must prepare to deal with stablecoins: Sitharaman
Page 06 Syllabus : GS 2 & 3 : IR & Security/ Prelims	The maritime signalling after Operation Sindoor
Page 07 Syllabus : GS 3 : Disaster Management / Prelims	In Karur, where there was no way out
Page 11 Syllabus : GS 3 : Environment/ Prelims	India tells renewable energy units to cancel rushed solar tenders
Page 09 (03/10/2025) Syllabus : GS 2 : Indian Polity / Prelims	Should Ladakh get statehood?
Page 06 : Editorial Analysis Syllabus : GS 3 : Environment	This clean energy rise needs climate finance expansion

Union Finance Minister Nirmala Sitharaman recently highlighted that nations cannot ignore the rise of stablecoins and must prepare to engage with them. Speaking at the Kautilya Economic Conclave (2025), she stressed that innovations in cryptocurrency are reshaping money, capital flows, and even the global financial order. This has direct implications for India's monetary policy, financial stability, and strategic autonomy.

Nations must prepare to deal with stablecoins: Sitharaman

Innovations in cryptocurrency are transforming landscape of money and capital flows, and they may force nations to adapt to new monetary architectures or risk exclusion, says Finance Minister; India's economic leverage is evolving, Minister adds

T.C.A. Sharad Raghavan
NEW DELHI

Hinting at a possible shift in India's cryptocurrency policy, Union Finance Minister Nirmala Sitharaman on Friday said countries would have to "prepare to engage" with stablecoins whether they welcome the change or not.

"Innovations like stablecoins are transforming the landscape of money and capital flows," Ms. Sitharaman said in her inaugural address at the Kautilya Economic Conclave here.

Scale of transformation
"These shifts may force nations to make binary choices: adapt to new monetary architectures or risk exclusion," she said.

What is a stablecoin?

A stablecoin is a crypto asset that aims to maintain a stable value relative to a specified asset, or a pool of assets

- These assets could be a monetary unit of account such as the dollar or euro, a currency basket, a commodity such as gold, or unbacked crypto assets

- This stability can also be achieved only if a centralised institution is in charge of issuing (minting) and redeeming (burning) these crypto assets



SOURCE: IMF

"Such developments underscore the scale of the transformation under way. They also remind us that no nation can insulate itself from systemic change. Whether we welcome these shifts or not, we must prepare to engage with them."

Stablecoins are a type of cryptocurrency that at-

tempt to maintain stable prices as they are pegged to an underlying asset, such as a basket of currencies or precious metals.

The remarks come at a time when the Finance Ministry and the Reserve Bank of India (RBI) have both voiced their reservations about private cryptocurrencies, also referred to

as virtual digital assets.

India has not legalised these products in terms of regulation, but it does tax transactions that involve them.

The RBI, on the other hand, has lobbied hard to ban virtual digital assets outright, while simultaneously launching pilot projects of its own Central Bank Digital Currency (CBDC).

Legal backing

CBDCs are cryptocurrencies issued by central banks and have the same legal backing as official currency.

The Finance Minister said India's capacity to absorb external shocks was strong and that its economic leverage was evolving. "Wars and strategic rival-

ries are redrawing the boundaries of cooperation and conflict," Ms. Sitharaman said.

"Alliances that once appeared solid are being tested, and new coalitions are emerging. For India, these dynamics highlight both vulnerability and resilience."

However, despite this reliance, she also cautioned that there was no time for complacency. "Just as eternal vigilance is the price of liberty, eternal performance is the price of strategic independence," she said.

"There is no room for complacency or self-congratulation beyond a quiet confidence in our abilities to take the right decisions and execute them," the Finance Minister added.

Static Context

1. Cryptocurrencies & Stablecoins

- Cryptocurrency: Digital/virtual currency secured by cryptography, often decentralised.
- Stablecoins: A sub-type pegged to an underlying asset (e.g., USD, gold, basket of currencies) to maintain price stability. Examples: Tether (USDT), USD Coin (USDC).

2. Concerns with Cryptocurrencies

- Volatility in value.
- Risk of money laundering and terror financing.

- Threat to monetary sovereignty of nations.
- Regulatory vacuum.

3. Central Bank Digital Currency (CBDC)

- Issued by central banks with legal tender status.
- Aims to provide safe digital alternative to private crypto.
- India's RBI is currently piloting its Digital Rupee (wholesale and retail models).

4. Global Developments

- G20 and IMF stress on global coordination for crypto regulation.
- EU has introduced MiCA (Markets in Crypto Assets Regulation).
- US and China exploring regulatory and technological frameworks.

Current Context

- **Finance Minister's Caution:**

- Stablecoins are reshaping monetary architecture.
- Countries face binary choice: adapt or risk exclusion from global flows.
- India must prepare despite RBI's reservations.

- **India's Policy Position:**

- No legalisation yet; taxation (30% on gains, 1% TDS on transactions).
- RBI lobbying for ban on private crypto, but parallel work on CBDC.

- **Strategic Implications:**

- Wars and rivalries redefining coalitions; digital money can play a role in sanctions, trade settlements, and financial independence.
- India's evolving leverage lies in balancing innovation with stability.

Implications for UPSC

Prelims Pointers:

- Definition of Stablecoins vs. CBDC.
- Features of Digital Rupee pilot.
- India's tax regime on crypto (30% gains + 1% TDS).
- Global regulatory frameworks (IMF, G20, EU's MiCA).

Mains Pointers

- Role of stablecoins in global finance.
- Challenges to India's monetary sovereignty.
- Need for regulation vs. outright ban.
- Linkage with strategic autonomy in global politics (India's resilience against external shocks).

Conclusion

The Finance Minister's remarks signal that ignoring stablecoins is no longer an option. For India, the challenge lies in crafting a balanced policy that protects financial stability, prevents misuse (terror financing, money laundering), and yet does not stifle innovation. A globally coordinated regulatory framework, alongside India's own CBDC initiative, may provide the middle path. In a world of shifting economic alliances, digital currencies will increasingly shape both financial flows and strategic independence.

UPSC Prelims Practice Question

Ques: The term "Stablecoins" was recently in the news. Which of the following best describes it?

- (A) A crypto token issued by a country's central bank.
- (B) A crypto asset whose value is pegged to a real-world asset such as a currency, gold, or other commodities.
- (C) A blockchain-based payment system controlled only by the central bank.
- (D) A digital token linked to a specific stock market index.

Ans: b)

UPSC Mains Practice Question

Ques: Stablecoins and other private cryptocurrencies bring both new opportunities and challenges to the global financial system. Discuss with reference to India. **(250 Words)**

Page 06 : GS 2 & 3: IR & Security / Prelims

The aftermath of Operation Sindoor (May 2025 India-Pakistan standoff) is shifting attention from the air domain to the maritime theatre. Recent naval movements, capability inductions, and official statements from both India and Pakistan highlight a recalibration of naval postures. This signals that future crises may unfold at sea, where risks of escalation are qualitatively different from aerial encounters.

The maritime signalling after Operation Sindoor

While the standoff with Pakistan in May 2025 culminated in engagement in the air domain, subsequent developments have shifted attention to the maritime theatre, as seen in key naval movements, capability demonstrations and official statements from both India and Pakistan, with their navies recalibrating posture and signalling readiness for potential escalation.

On October 2, Defence Minister Rajnath Singh, citing the 1965 war, warned Pakistan of a "resounding response" that could alter its "history and geography" should any misadventure occur in the Sir Creek area – Pakistan is expanding military infrastructure in the region, a development that has been ongoing since 2023. Historically, Pakistan has had a perceived military edge in the area. This follows the statement in August by the Chief of Naval Staff, Admiral Dinesh Tripathi, that the service would be the first to take action against Pakistan in any future conflict. Operation Sindoor itself was described as designed for a naval forward deterrent posture, highlighting a readiness for a 'more active role' than during the standoff in May. Induction of the first indigenously designed diving support vessel, *INS Nistar*, and India's first joint patrols with the Philippines in the South China Sea reflect both capacity-building and alignment with a wider Indo-Pacific strategy, where a Chinese presence at Karachi and Gwadar remains a key factor.

Pakistan has also reinforced its maritime signalling. In May, it dispersed assets from Karachi to Gwadar to mitigate vulnerability. Since then, it has launched the Chinese-built Hangor-class submarine, *PNS Mangro*, and showcased the domestically developed P282 ship-launched ballistic missile. In the months after, there have also been overlapping NOTAMs, missile tests and live-fire drills – at times just 60 nautical miles apart – sustaining a cycle of alerts and operational friction in the Arabian Sea.

Strategic weight of naval signalling

The surge of naval activity following Operation Sindoor raises a fundamental question of whether these parallel exercises are mere routine activities or a calculated show of force implying a shift in the India-Pakistan deterrence equation in the naval domain. The answer matters because the current crisis, while resolved in the air domain, has left behind a residue of strategic uncertainty at sea. India and Pakistan appear to be recalibrating their naval postures, preparing not just for deterrence but also for the possibility that the next phase of confrontation could unfold in the maritime theatre.

This shift must also be understood against the broader balance of capabilities. Much like the air domain, the maritime balance can no longer be assumed to mirror the asymmetries of Kargil in



Hely Desai

is a Research Associate at the Council for Strategic and Defense Research, New Delhi

1999, or India's decisive superiority of 1971. India retains numerical and geographical advantages, but its naval fleet is aging, raising modernisation concerns. Pakistan is steadily expanding capabilities, inducting Chinese-designed submarines and Babur-class corvettes from Türkiye. With advanced radar, electronic warfare suites, and versatile anti-air and anti-surface weaponry, these assets are significant.

Acknowledging this shift, India's Navy Chief had also pointed to the "surprising growth" of Pakistan's naval fleet. While India's edge may still endure, the gap is narrowing, complicating assumptions of uncontested dominance in the Indian Ocean. Taken together, these developments are important for three reasons: escalation control, external involvement and shifting doctrines on both sides.

First, escalation control is far harder at sea. Unlike aerial skirmishes that may be calibrated and walked back, any naval engagement (ship-on-ship or ship-on-land) would carry a higher risk of crossing the war threshold. Memories of 1971, when Indian naval operations decisively tilted the conflict, add extra sensitivity – even limited maritime action is associated with existential risk in Pakistan's strategic imagination. Since then, Pakistan's core maritime concern has been to avert a recurrence of its vulnerability to Indian naval operations, seen in its pursuit of anti-access/area-denial (A2/AD) capabilities and gradual articulation of a doctrine oriented toward deterrence-by-denial.

The development of Gwadar under the China-Pakistan Economic Corridor framework must also be understood within this deterrence logic. Pakistan's decision-makers have for long said that Gwadar's origins lay in Islamabad's own strategic calculations than in Beijing's. Thus, Gwadar and Karachi seem more than operational or economic hubs – they are also psychological pressure points. Against this backdrop, should the Indian Navy be drawn into direct operations in future, space for coercion short of war would shrink drastically, with India also having to consider the presence and stakes of the People's Liberation Army Navy (PLAN).

External dimension

Second, parallel exercises and missile tests by both sides may reflect more than isolated drills, pointing to deliberate efforts to demonstrate readiness and complicate the adversary's planning cycle. For India, the pattern may suggest an effort to maintain pressure and shape the post-crisis narrative, reflecting unease with how the post-Sindoor outcome has been perceived. Pakistan has sought to underscore the point that its Navy is no longer the vulnerable force of 1971 and is signalling preparedness to deter coercion and complicate Indian operational planning in the maritime domain. India appears intent on retaining the initiative through visible

demonstrations of capability and risk acceptance. This parallelism suggests that both sides may signal preparedness and also be actively invested in shaping a future "conflict-template" at sea.

Third, the external dimension is sharpening. Chinese involvement in the Karachi and Gwadar ports erodes India's assumed dominance by raising the spectre of PLAN support to Pakistan in crisis. Türkiye's emerging role, even if limited to supply or training, adds another layer of uncertainty.

These shifts matter because they change how coercion and deterrence work. It has been reported that Indian deployments had forced Pakistan to disperse its fleet from Karachi, demonstrating dominance and imposing psychological costs without triggering escalation, but that playbook may no longer work. At the same time, projections of recent procurements and high-profile inductions may have fuelled expectations of a more prominent naval role in the future, creating a dilemma – the coercive option may be narrowing, but the pressure to use it is increasing.

Finally, there may also be the problem of strategic drift. Both militaries appear to be operating on precedents from past crises, even as new capabilities from hypersonic missiles to drones are altering the escalatory ladder. If crisis decision-making remains anchored in outdated assumptions, the risk of miscalculation grows. In effect, the maritime theatre is becoming the space where this cognitive gap will be tested.

The broad view

The naval element of the next India-Pakistan crisis is unlikely to remain peripheral. Both sides may not just be testing platforms but also signalling thresholds at sea, where risks of miscalculation are qualitatively different from the air domain. Unlike air skirmishes, naval deployments linger, continuously, shaping perceptions of intent and resolve.

Yet, paradoxically, this very pattern may also carry stabilising effects. By testing and observing each other's tactics, manoeuvres, and novel applications of capability, both navies are building mutual awareness that may, over time, reduce the fog of war. In this sense, the Indian Navy may be acquiring insights into its Pakistani counterpart in a way the Air Force arguably could not prior to Operation Sindoor.

For India, the challenge will be to decide whether to treat the maritime theatre as an arena for early signalling or hold it back as a reserve domain of escalation. The commissioning of stealth frigates, emphasis on joint patrols in the wider Indo-Pacific, and drive for indigenous capacity suggest that New Delhi is preparing for both possibilities: an expanded regional role and a crisis-specific coercive lever. The question then remains whether the Navy will be drawn into frontline operations earlier than in the past.

In the tensions between India and Pakistan after May 2025, the frontiers are shifting from airspace to sea

Static Context

1. Maritime Significance in India-Pakistan Rivalry

- In 1971, Indian Navy's blockade of Karachi was decisive.

- Pakistan's vulnerability at sea has historically shaped its doctrine — moving toward A2/AD (anti-access/area-denial) strategies.
- Sir Creek dispute remains unresolved, strategically sensitive.

2. India's Naval Capabilities

- Largest navy in the Indian Ocean region.
- Tri-carrier ambitions (INS Vikramaditya, INS Vikrant, and future INS Vishal).
- Submarine arm (Arihant-class SSBNs, Scorpene-class).
- Modernisation challenges: aging fleet, procurement delays.

3. Pakistan's Naval Posture

- Historically weaker but supported by external partners.
- Expanding Chinese-designed Hangor-class submarines.
- Turkish-supplied Babur-class corvettes.
- Doctrinal focus on deterrence-by-denial.

4. External Players in Indian Ocean

- China (PLAN): Karachi, Gwadar under CPEC framework.
- Türkiye: supply/training.
- US, ASEAN: balancing presence through Quad, Indo-Pacific partnerships.

Current Context (Developments Post-Sindoor)

1. India's Moves

- Defence Minister's warning on Sir Creek (Oct 2025).
- Navy Chief signalling proactive role in any conflict.
- Induction of INS Nistar (indigenous diving support vessel).
- First joint patrols with Philippines in South China Sea → Indo-Pacific alignment.

2. Pakistan's Moves

- Fleet dispersal from Karachi to Gwadar.
- Launch of PNS Mangro (Hangor-class submarine).
- Test of P282 ship-launched ballistic missile.
- Frequent NOTAMs, live-fire drills near Indian exercises.

3. Strategic Implications

- Escalation Control: Naval conflicts harder to contain; ship-on-ship engagement carries existential stakes.
- External Involvement: China's PLAN at Gwadar + Türkiye's role → complicate India's dominance.
- Doctrinal Drift: Both sides using old playbooks despite new tech (hypersonics, drones), raising risk of miscalculation.
- Psychological Factors: Karachi, Gwadar remain "pressure points" in Pakistan's strategic imagination.

UPSC Relevance

Prelims Pointers

- Operation Trident (1971), Operation Python.
- Sir Creek dispute.
- A2/AD (Anti-access/area-denial).
- Hangor-class (China–Pakistan), Babur-class (Türkiye–Pakistan).

Mains Dimensions

- “Changing deterrence equation in Indian Ocean” (India’s edge narrowing).
- External actors (China, Türkiye) shaping regional maritime security.
- Escalation risks in naval conflicts vs. air skirmishes.
- India’s maritime strategy: deterrence, Indo-Pacific partnerships, indigenous capacity-building.

Conclusion

The naval domain is emerging as the new frontier of India-Pakistan rivalry. While India retains geographic and numerical advantages, Pakistan’s China- and Türkiye-assisted modernisation is narrowing the gap. Escalation risks at sea are qualitatively higher, making crisis management more difficult. For India, the challenge is to balance between:

- using the Navy for early deterrence signalling, and
- holding it back as a reserve escalation domain.

In the broader Indo-Pacific, where China’s presence looms large, India’s naval preparedness, partnerships, and indigenous modernisation will be crucial to safeguard both national security and its strategic autonomy.

UPSC Prelims Practice Question

Ques: The term “A2/AD (Anti-Access/Area-Denial)” was recently in the news. It refers to:

- (A) An anti-satellite weapon related to space technology
- (B) A maritime security strategy aimed at limiting the adversary’s access and operational capacity
- (C) A provision under the Nuclear Non-Proliferation Treaty
- (D) A type of encryption used in cyber security

Ans: (b)

UPSC Mains Practice Question

Ques: The recent crisis between India and Pakistan has highlighted growing maritime signalling which reflects not only bilateral rivalry but also the role of external powers. Discuss. **(150 Words)**

Page 07 : GS 3 : Disaster Management/ Prelims

On September 27, 2025, a political rally of Tamil actor-turned-politician Vijay's Tamilaga Vettri Kazhagam (TVK) in Karur, Tamil Nadu, turned into a deadly stampede, killing 41 people (including 10 children) and injuring more than 100. The tragedy is being described as the first of its kind at a political rally in India, highlighting issues of crowd management, political responsibility, and state capacity in public safety.



In Karur, where there was no way out

On September 27, thousands of people gathered in Karur, Tamil Nadu, to attend a rally by actor-turned-politician Vijay. As the chief of the Tamilaga Vettri Kazhagam party arrived hours late, the crowd swelled and surged towards his vehicle, triggering a stampede that killed 41 people and injured over 100.

C. Jaisankar and Nachikethan K.M. report on the tragedy, caused by many factors, including poor planning and alleged security lapses

Lalli, a 32-year-old housewife, is consumed by grief. She is unable to shake the feeling that she failed to save her son. She is a resident of Karur, a town of 100,000 people, 100 km from Chennai. On the evening of September 27, a Saturday, Lalli carried the infant in her arms and walked to the venue of the rally. Karur is a small town in the Karur district. It is one of the poorest districts in Tamil Nadu. The rally was held in Karur to mark the 100th birth anniversary of the late leader of the party, the actor-turned-politician Vijay. The rally was held in Karur, a town of 100,000 people, 100 km from Chennai. The rally was held in Karur to mark the 100th birth anniversary of the late leader of the party, the actor-turned-politician Vijay.

At the time, the crowd kept swelling despite the heat. Vijay arrived several hours late, and there was already little room to place him. People fanned out, while others tried to get closer to his vehicle. Chaos erupted and the resulting crowd crush led to 41 deaths, including 10 children, and injured more than 100 people. Most of the adult victims were aged 18-30. "I thought I could see him. This girl will stay with me until I die," says Lalli, who is sitting with family members in their home in Karur. The city of the family echo through the town. Karur is a small town in the Karur district. It is one of the poorest districts in Tamil Nadu. The rally was held in Karur to mark the 100th birth anniversary of the late leader of the party, the actor-turned-politician Vijay.

A deadly cocktail
For the people of Velupuram, where houses and hotels are built on both sides of the road, the rally left deep scars. Many residents said that the closer the vehicles were to the road, the more people were pushed towards the road. The rally was held in Karur to mark the 100th birth anniversary of the late leader of the party, the actor-turned-politician Vijay.

The blame game
The tragedy, believed to be the first of its kind in a political rally in India, drew nationwide attention. As soon as news of a broker, President Thirupathi Murthy, Prime Minister Narendra Modi,

marks the end of the hottest season, temperatures during the day can soar to 38°C. "People stood in the sun for hours. I saw children faint, and boys climbing trees to get a glimpse of Vijay," says C. Chitra, a housewife in Karur. There was only one road, which was open, but the heat was too much for people to stand. The rally was held in Karur to mark the 100th birth anniversary of the late leader of the party, the actor-turned-politician Vijay.

A descent into chaos
Karur residents draw parallels with other recent political gatherings, including the two main parties in the State - the Dravida Munnetra Kazhagam (DMK) and the All India Anna Dravida Munnetra Kazhagam (AIADMK).

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Only a few policemen were standing along the side of the road. Many of the policemen were posted in the outer ring of the meeting spot, only to regulate the traffic.

KARUR
A stampede broke out during an election campaign for Karur's Tamil Nadu Legislative Assembly, Vijay's Karur. The incident occurred at Karur, a small town in the Karur district. It is one of the poorest districts in Tamil Nadu. The rally was held in Karur to mark the 100th birth anniversary of the late leader of the party, the actor-turned-politician Vijay.

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Static Context

1. Crowd Management in India

- NCRB data: India witnesses multiple deaths annually from religious, sports, or political gatherings.
- Past incidents: Sabarimala (2011, 102 dead), Godavari Pushkaram (2015), Hathras (2016), Mumbai (2017).

- Causes: poor planning, lack of security, inadequate medical response.

2. Legal/Institutional Framework

- Disaster Management Act, 2005: mass gatherings can be treated as potential disasters, needing preparedness.
- National Disaster Management Authority (NDMA) guidelines: mandates risk assessment, evacuation routes, adequate police deployment, medical units.
- Indian Penal Code / Bharatiya Nyaya Sanhita (BNS) 2023: organisers can be held criminally liable for negligence leading to loss of life.

3. Political Rallies as High-Risk Events

- Combination of emotion, crowd psychology, heat, and delays.
- Unlike religious events with expected crowds, political rallies often underestimate or deliberately inflate crowd size for optics, creating vulnerability.

Current Context (Karur Case)

1. Causes of Tragedy

- Overcrowding: Organisers expected 10,000; >25,000 arrived.
- Delayed arrival of Vijay → people waited in heat for hours.
- Poor infrastructure: Narrow Velusampuram street; no alternate exits.
- Basic needs ignored: No water, food, or shaded areas; temperature ~38°C.
- Security lapses: Few policemen near stage; FIR alleges warnings were ignored.
- Triggering incident: Vehicle movement + mic failure + power cut created chaos → crowd surge → compressive asphyxia deaths.

2. Government & Political Response

- Tamil Nadu govt: CM Stalin visited victims, set up a one-member Commission of Inquiry (Justice Aruna Jagadeesan).
- Police FIR: Booked TVK organisers under BNS sections for culpable homicide & negligence.
- Opposition: AIADMK, BJP demanded CBI probe; accused DMK govt of security failure.
- Centre: NDA MP delegation led by Hema Malini visited, called venue "inappropriate".
- Actor Vijay: Criticised for leaving the venue, later issued video condolence; defended decision to avoid "further incidents".

3. Impact

- First large-scale political rally stampede → raises question of organisational ethics in electioneering.
- Becomes a political flashpoint ahead of TN Assembly elections 2026.
- Creates trust deficit between citizens and political leaders.

Analysis for UPSC (Key Dimensions)

1. Governance & Responsibility

- Organisers and police both share accountability.
- Need for legal liability clarity for political leaders in mass events.

2. Disaster Management Lessons

- Mass gatherings = predictable risks, need advance simulation & crowd-flow studies.
- Enforcement of NDMA guidelines (e.g., multiple entry/exit points, medical tents, coordination with local hospitals).

3. Ethical/Political Angle

- Leaders prioritising optics over safety.
- Ethics in public leadership: Responsibility to stay with victims, not just issue digital condolences.

4. Broader Implications

- As India enters a period of frequent elections + celebrity-driven politics, crowd risks will increase.
- This tragedy may push for mandatory safety audits before granting permission for rallies.

Conclusion

The Karur stampede is a grim reminder that public safety must override political spectacle. Political rallies, like religious festivals, require professional disaster management planning, accountability, and enforcement of crowd-control norms. The tragedy underlines a critical governance lesson: charisma cannot substitute preparedness.

If lessons are not learned, India risks repeating such disasters as electoral competition intensifies. The need of the hour is codified crowd management law, mandatory venue suitability checks, and clear liability of organisers and political leaders — ensuring that democracy does not come at the cost of innocent lives.

UPSC Prelims Practice Question

Ques: Which Act in India governs disaster management and the safety of large gatherings?

- | | |
|----------------------------------|-----------------------------|
| A) Disaster Management Act, 2005 | B) Indian Penal Code, 1860 |
| C) Motor Vehicles Act, 1988 | D) Civil Security Act, 2010 |

Ans: (a)

UPSC Mains Practice Question

Ques: What administrative and technological measures can effectively reduce disaster risks in large public gatherings? **(150 Words)**

The Ministry of New and Renewable Energy (MNRE) has instructed agencies to cancel and reissue solar project tenders that were rushed through, allegedly to circumvent rules mandating the use of domestic solar modules and cells. This reflects India's growing focus on energy self-reliance and adherence to the Production-Linked Incentive (PLI) and local content norms in the renewable energy sector.

India tells renewable energy units to cancel rushed solar tenders

Reuters

NEW DELHI

India's renewable energy ministry has asked clean energy agencies to cancel and reissue tenders for government projects that were rushed through in an attempt to circumvent certain rules, according to a Friday circular posted on its website.

Most Indian companies use cheaper China-made solar cells, but, starting June 1, rules under India's clean energy policy require developers of government projects to use only locally-made modules and cells.

Renewable energy agencies act as intermediaries between the government and private players and issue tenders for projects. Once the projects are built,

the electricity is sold to state power utilities.

Some agencies gave companies only seven days to submit bids, the Ministry said in the circular, without providing details on which agencies were involved or the values of such projects.

Short window

This short window may have been used to avoid a rule that requires government-backed solar projects to use domestic solar cells, the ministry said.

The agencies have been given 15 days to report back on the action taken.

India should be largely self-sufficient in solar cells only by March 2027, and effective production could be lower in the initial quarters, SBI Caps said in a research note in August.

Static Context

1. Solar Energy in India

- India's installed solar capacity (2025) exceeds 60 GW; government targets 500 GW renewable capacity by 2030.
- Projects are implemented via tenders issued by renewable energy agencies; electricity is sold to state power utilities.

2. Domestic Manufacturing Rules

- Local Content Requirement (LCR): Government-backed solar projects must use Indian-made modules/cells (effective from June 1, 2025).
- Aims to reduce dependence on China-made solar cells.

3. Renewable Energy Policy Framework

- MNRE oversees policies and project approvals.
- PLI schemes support domestic manufacturing.
- Tenders are crucial tools for market allocation and project commissioning.

Current Context

1. Issue with Rushed Tenders

- Some agencies allegedly gave only 7 days for bid submission.
- Short window may have aimed to bypass the LCR rule, allowing use of cheaper imported Chinese cells.
- MNRE has asked agencies to report actions within 15 days.

2. Challenges in Domestic Production

- India is expected to achieve substantial self-sufficiency in solar cells by March 2027.
- Initial quarters may face limited domestic supply, affecting tender compliance and project timelines.

3. Strategic Significance

- Aligns with Atmanirbhar Bharat (Energy Security).
- Reduces dependence on China for renewable energy inputs.
- Supports India's climate and economic goals, including job creation in the domestic solar manufacturing sector.

Implications for UPSC

Prelims:

- Solar energy policy, LCR, PLI scheme.
- Key MNRE initiatives and renewable capacity targets.
- Dependence on China for solar imports.

Mains

- Energy security and self-reliance in renewable energy.
- Policy enforcement and governance challenges in large-scale renewable projects.
- Economic and strategic implications of domestic manufacturing mandates.
- Transition to clean energy while balancing cost, supply, and global trade relations.

Conclusion

The MNRE's directive to cancel rushed tenders underscores the government's commitment to enforce local content rules, promote domestic solar manufacturing, and ensure energy self-reliance. While India faces short-term supply constraints, adherence to these rules is expected to strengthen the renewable energy ecosystem, create jobs, and reduce import dependence. This move highlights the delicate balance between rapid renewable deployment and strategic manufacturing priorities.

UPSC Prelims Practice Question

Ques : What is the objective of India's Production Linked Incentive (PLI) scheme for solar energy?

- (A) Provide subsidies for imported solar modules
- (B) Boost domestic solar manufacturing capacity
- (C) Issue tenders only to state governments
- (D) Limit solar energy production

Ans: b)

UPSC Mains Practice Question

Ques: Examine the role of Local Content Requirement and PLI schemes in ensuring India's energy self-reliance. **(150 Words)**

Since August 2019, after the bifurcation of Jammu & Kashmir, Ladakh has been a Union Territory (UT) without a legislature. While the move was aimed at streamlining administration and security, Ladakhis feel politically disempowered, lacking legislative powers, control over land, and representation in key governance posts. Recent protests on September 24, 2025, resulting in four deaths, have reignited the demand for statehood and constitutional safeguards, with civil society groups like the Leh Apex Body (LAB) and Kargil Democratic Alliance (KDA) leading the advocacy.

Should Ladakh get statehood?



Sajjad Kargili
Member of the
Kargil
Democratic
Alliance



Rangarajan R.
Former IAS
officer and
author of
'Courseware on
Quality
Simplified'

PARLEY

In September 24, when protesters in Ladakh clashed with the police, four people died in the violence. Two days later, climate activist and educator, Sonam Wangchuck, who had been spearheading a hunger strike with 15 others, was detained under the National Security Act, 1980, and taken to Jodhpur Central Jail in Rajasthan. The Union government has accused him of instigating the violence, a charge that he has denied. Ladakh, which was turned into a Union Territory (UT) in 2019, has been protesting for statehood and tribal status under the Sixth Schedule of the Constitution. The government has been in talks with two civil society groups – the Leh Apex Body (LAB) and the Kargil Democratic Alliance (KDA), representing the Leh and Kargil regions, respectively – for three years. Should Ladakh get statehood? Rangarajan R. and Sajjad Kargili discuss the question in a conversation moderated by Vijaita Singh. Edited excerpts:

Should Ladakh get statehood?

Sajjad Kargili: When Ladakh was part of Jammu and Kashmir (J&K), we had representation in the J&K Assembly, a voice, and some powers to elect the Chief Minister of the State. After becoming a UT, Ladakh has become voiceless. Bureaucrats come here for two years and try and impose policies according to their own wishes, without the consent of the people. Second, as far as land is concerned, we don't have any safeguards. Earlier, we had safeguards under Article 370 and Article 35A of the Constitution. The BJP promised to include Ladakh under the Sixth Schedule of the Constitution, but it is not fulfilling that promise. For the last six years, not a single person from Ladakh has been recruited for gazetted posts and there is no Public Service Commission. Ladakh has been disempowered for six years. So yes, we need statehood, democracy, and a voice. The idea of making Ladakh a UT has failed to address the aspirations of the people.

Rangarajan R.: The decision of bifurcating J&K into two UTs was a sensitive matter. The Supreme Court upheld that decision, so there is nothing more to discuss about that. But it is true that people had very serious apprehensions about the way in which it was done.

There is still a Member of Parliament from Ladakh, so Ladakh does have democratic representation. Ladakh has a unique landscape. It is vast, but the population is limited and is primarily concentrated in Leh, Kargil, and a few other places. Including Ladakh under the Sixth



Two of the four people who lost their lives during the September 24 violence in Leh were cremated under tight security. ANI

Schedule would be a logical first step (towards constitutional safeguards) and would offer its population – about 3.5 lakh according to the 2011 Census – some protection over land. Statehood is something which has to be deliberated further considering the population size. Ladakh should start with (demanding) Sixth Schedule status because that, if provided, will give Ladakhis more financial power, democratic representation, and protection for tribal and land-related rights in that region.

The 2020 Chinese aggression and incursion happened when Ladakh became a UT, not when it was part of J&K. Many States share international borders, so why have a different yardstick for Ladakh?

RR: I am not getting into the security angle. The border areas are secured by the armed forces, and that will be the case irrespective of whether Ladakh is a UT or a State. Punjab, Uttarakhand, Sikkim are full-fledged States, but the Army is always present in those regions. That is not the point here. Various criteria are considered for Statehood: the area, sensitivity of the area, the population size... The people on the ground have reasons (for demanding statehood) and the administrators also have valid reasons for why (granting statehood) is not appropriate at this point in time. I am not saying that I am against it. But as someone who has been observing the situation and who understands the Constitution, I feel it has to be a staggered approach.

Also, the Sixth Schedule or even Statehood is not a panacea for all ills. Ultimately, it also depends on how well these things are implemented. There are areas with Sixth Schedule status in Assam; the State still has grouses. Meghalaya and Mizoram also fall under the Sixth Schedule, but they still don't get autonomy, as rights have not been granted fully.



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R. RANGARAJAN

The LAB and KDA have announced that they are not going ahead with any talks with the Ministry of Home Affairs (MHA), but the MHA has said it is open to dialogue. The MHA has also stated that the high-powered committee on Ladakh has yielded positive outcomes, including increased reservations for Scheduled Tribes, provision of women's reservation in the Hill Councils, and steps towards protecting local languages. It also said that the recruitment process for 1,800 government posts in the UT has begun. How true is this statement? And if it is true, shouldn't you give the government adequate time to keep up with the promises?

SK: We have four demands: Sixth Schedule status, statehood, a Public Service Commission, and separate Lok Sabha seats for Leh and Kargil regions. We never demanded 33% reservation for women. They proposed it; we didn't oppose it. The same goes for protecting languages. The government is not discussing the real agenda of the LAB and KDA. The reservation policy and the domicile law they brought in are executive orders, not constitutional guarantees. They can be amended or abolished any time. That is why we want constitutional guarantees for these reservations.

Second, Ladakh is a peaceful region. The dialogue should be held in a dignified manner, not by arresting our youth and by imposing draconian laws. We hope that the government will conduct a judicial probe as to what happened on September 24.

I don't agree with Mr. Rangarajan that we should start with Sixth Schedule status. The Lieutenant Governor (LG) administration is ignoring our elected representatives. Till now, the LG has not called a meeting with the elected bodies. So, you can imagine the extent of lack of democracy. The Hill Councils and the UT administration have failed to establish business rules.

Ladakh has two hostile powers on the either side – Pakistan and China – and the people of Ladakh are patriotic. But today, the government

is supporting lobbies and organisations which are trolling Ladakhis, calling them anti-national, pro-Chinese and pro-Pakistan. That is unfortunate. The people of Ladakh have given blood to save these frontiers.

Also, when Sikkim was granted statehood, it had nearly the same population that Ladakh has today. The Government of India announced five new districts for Ladakh and in some of the regions, the population is just 5,000-7,000. So, I don't think population is the only criteria. The absence of governance and democracy should be the criteria for granting statehood. The government will also gain more trust from the people; today the people feel betrayed.

RR: I also take Mr. Sajjad's data point at face value – his point that ever since the State was converted into a UT, not one or not a significant number of people have been recruited from the region into public service. That needs to be addressed. Ladakh is such a vast region that it would make sense to create maybe even separate Class A and Class B services just for the area. Since it's a UT, the UPSC (Union Public Service Commission) could handle recruitment.

Some members of the LAB and KDA also believe that the autonomous councils should be strengthened more. Could you settle for more empowered autonomous councils rather than demanding statehood?

SK: We have seen this happen before – even in Delhi – where the elected government had to sit in protest outside the LG's office every day, because of constant interference from the LG in matters that should have been handled by the elected government. A UT with a legislature is worse than a UT without a legislature. We have Hill Councils and the Act (Ladakh Autonomous Hill Development Council Act, 1995) mentions that the Chief Executive Councillor (CEC) will have the power and protocol of a Cabinet Minister of a State and the Executive Councillors would have the power and protocol of a Minister of State. But in Ladakh, business rules have not been defined yet. That is why the CEC or the Council Chairman is compelled to visit the Chief Secretary's office for routine matters. The government has a budget of ₹6,000 crore for Ladakh but only ₹600 crore for Ladakh's Hill Councils. We get a small chunk from the Centre, while a large amount, nearly 80%, is utilised by the bureaucrats through the LG administration.



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

Static Context

1. Union Territory vs Statehood

- UTs: Administered by a Lieutenant Governor (LG) appointed by the Centre; limited legislative powers.
- States: Have elected legislature, State Government, and Public Service Commission, allowing local decision-making and autonomy.

2. Sixth Schedule of the Constitution

- Provides tribal areas with autonomy, including control over land, resources, and governance through Autonomous District Councils.
- Applied mainly in Northeast India (Assam, Meghalaya, Mizoram, Tripura).

3. Democracy & Representation

- Ladakh currently has one MP, but no legislature or state-level representation.
- Limited recruitment into public services undermines local empowerment.

Current Context

1. Civil Society & Local Demands

- LAB and KDA demand:
 - Statehood
 - Sixth Schedule status
 - Public Service Commission
 - Separate Lok Sabha seats
- Concern over executive orders (women's reservation, language protection) lacking constitutional guarantees.

2. Government Measures

- High-powered committees have:
 - Increased ST reservations
 - Initiated 1,800 government post recruitments
 - Proposed women's reservation in Hill Councils and protection of local languages
- The administration emphasizes gradual reforms over immediate statehood.

3. Governance Challenges

- Hill Councils underfunded: ₹600 crore for councils vs ₹6,000 crore for UT administration.
- Bureaucratic control dominates routine affairs; elected representatives have limited say.
- Existing laws (Ladakh Autonomous Hill Development Council Act, 1995) not fully operational.

4. Strategic & Security Context

- Border region with China and Pakistan
- Security is primarily ensured by the armed forces, making statehood or Sixth Schedule status more a governance issue than a security concern.

Analysis for UPSC

1. Governance & Democracy

- UT status without legislature has led to centralized decision-making, weakening local voice and accountability.

- Statehood would provide democratic legitimacy, local public service recruitment, and policy autonomy.

2. Constitutional Safeguards

- Sixth Schedule could protect land, culture, and tribal rights, especially relevant given Ladakh's sparse population and unique demographics.
- Mere administrative measures are insufficient without constitutional backing.

3. Socio-Political Considerations

- Comparisons with Sikkim (similar population at the time of statehood) suggest population alone is not a limiting factor.
- Strong local identity, historical marginalization, and underrepresentation justify demands for statehood or autonomy.

4. Challenges & Caveats

- Implementation of Sixth Schedule or statehood must ensure effective resource allocation, clarity in administrative powers, and integration with national security priorities.
- Past Northeast experiences show autonomous councils without proper enforcement can fail to empower local populations.

Conclusion

Ladakh's demand for statehood and constitutional safeguards stems from political disempowerment, bureaucratic dominance, and lack of local representation. While Sixth Schedule status may be a first step, comprehensive reforms including statehood, autonomous governance, and Public Service Commission would strengthen democracy, local development, and citizen trust. Given Ladakh's strategic importance and unique geography, a staggered but responsive approach balancing constitutional safeguards, local autonomy, and national security is crucial.

UPSC Prelims Practice Question

Ques: Which type of areas does the Sixth Schedule provide autonomy to?

- | | |
|-------------------------------|---------------------------|
| (A) Tribal and hilly areas | (B) All Union Territories |
| (C) Urban areas of all states | (D) Only border areas |

Ans : a)

UPSC Mains Practice Question

Ques: How has the lack of political representation and administrative autonomy in Ladakh given rise to discontent among local communities? Compare your answer with the experiences of other Union Territories and hilly states in India. **(150 Words)**

This clean energy rise needs climate finance expansion

India's clean energy transition is gaining momentum. In 2024, India added 24.5 gigawatts (GW) of solar energy capacity, making it the third largest contributor globally after China and the United States, making it a key player in the global shift towards renewables.

The United Nations Secretary-General's 2025 Climate Report recognises India, alongside Brazil and China, as a leading developing country in scaling solar and wind energy. In 2023, the renewable energy sector employed over a million people, contributing to 5% of GDP growth. Of this, off-grid solar alone employed over 80,000 people in 2021. India's leadership in establishing the International Solar Alliance (ISA) is laudable.

The critical gap

But this impressive momentum needs a consistent push. Beneath the headlines lies a critical gap – the financial scaffolding that is needed to sustain and scale this transition. Without a dramatic expansion of climate finance, India will struggle to meet its climate targets.

The economic case for clean energy has solid basis. According to the International Renewable Energy Agency (IRENA), if India follows a 1.5°C-aligned pathway, it could achieve average annual GDP growth of 2.8% through 2050, more than double the G-20 average. Battery-integrated renewables, decentralised grids and green hydrogen technologies are all creating new opportunities for inclusive, future-ready growth. Yet, this momentum hinges on the missing piece of climate finance.

The size of India's climate finance gap is wide. Recent estimates indicate a requirement of \$1.5 trillion by 2030 to stay on a 1.5°C pathway, while the Ministry of Finance places the figure at over \$2.5 trillion by 2030 to meet national targets. This includes capital for expanding renewables, strengthening the electricity grid, deploying



Flavia Lopes

is Programme, United Nations Environment Programme (UNEP) India



Balakrishna Pisupati

is Head, United Nations Environment Programme (UNEP) India

Without this, India will struggle to meet its climate targets

battery storage, scaling up green hydrogen, and transitioning to sustainable transport and agriculture. The current flow of climate finance falls well short of this target.

By December 2024, India's cumulative aligned green, social, sustainability and sustainability-linked (GSS+) debt issuance had reached \$55.9 billion, representing a 186% increase since 2021, with green bonds accounting for 83% of total aligned issuance. The trajectory remains strong, with green bond investment in India crossing \$45 billion in 2025, and sustainable finance targets aiming for \$100 billion by 2030, indicating robust private sector engagement.

However, the challenge of expanding beyond large corporates remains valid. While the private sector was responsible for 84% of the total green bond issuance, access for micro, small, and medium enterprises, agri-tech innovators, and local infrastructure developers continues to need enhancement through concessional finance and risk-sharing mechanisms. India's successful solar energy auctions under the Solar Park Scheme have been cited as one initiative in support of attracting private financing. Similarly, India's issuance of sovereign green bonds and the success of Securities and Exchange Board of India (SEBI)-regulated social bonds have channelled private capital into climate action, education and health care.

Changes to strategy

To unlock this gap in finance, India must diversify and deepen its climate finance strategy, starting with public finance. National and State governments can use Budget allocations and fiscal tools to attract private capital and de-risk green investments.

Blended finance can bridge this divide. While concessional finance and risk-sharing mechanisms are often referenced, there is a need

to examine how they work across sectors, scales and investor profiles. Credit enhancement instruments such as partial guarantees or subordinated debt can improve the risk-return profile of green projects, making them more attractive to private lenders. Similarly, performance or loan guarantees can unlock finance for mid-sized clean energy infrastructure in Tier II and III cities, where governance and delivery risks may deter investors.

Scaling such models will require unlocking domestic institutional capital, from pension funds, insurers and sovereign wealth funds. India, too, can unlock similar potential by enabling its institutional investors such as the Employees' Provident Fund Organisation or the Life Insurance Corporation, to allocate a portion of their portfolios to climate-aligned investments. This would require regulatory reforms such as clearer environmental, social, and governance investment guidelines, risk mitigation instruments and long-term green project pipelines.

Tap carbon markets

Policy and institutional support are critical. Carbon markets offer another avenue. India's new Carbon Credit Trading Scheme could unlock new finance streams if it is transparent, well regulated and equitable. Equally urgent is financing for adaptation and loss and damage.

India must lead not just on clean energy but also on climate finance innovation, with visible, scalable breakthroughs. This can be through blockchain for tracking climate finance, Artificial Intelligence-driven risk assessment for green portfolios, or tailored blended finance models that reflect India's unique social, environmental and economic realities.

The views expressed are personal

GS. Paper 03– Environment

UPSC Mains Practice Question: Examine the role of climate finance in India's renewable energy transition. (150 Words)

Context :

India has emerged as a global leader in renewable energy, ranking third worldwide in solar capacity addition in 2024 with 24.5 GW. The country's renewable sector contributes significantly to GDP growth (5%) and employment (over 1 million jobs), and India has been instrumental in establishing the International Solar Alliance (ISA). However, sustaining and scaling this transition requires a robust climate finance ecosystem, without which India risks missing its net-zero and renewable targets.

Static Context

1. Climate Finance

- Funding to support mitigation and adaptation efforts in developing countries.
- Includes public finance, private investment, blended finance, green bonds, and carbon markets.

2. Renewable Energy Targets

- India aims for 500 GW renewable capacity by 2030, including solar, wind, and green hydrogen.
- Alignment with 1.5°C pathway under the Paris Agreement requires \$1.5–2.5 trillion investment by 2030.

3. Blended Finance & Instruments

- Credit enhancements, guarantees, subordinated debt reduce risk for private investors.
- Supports MSMEs, local infrastructure projects, and Tier II/III cities.

Current Context

1. Private Sector Engagement

- Green bond issuance: \$55.9 billion by Dec 2024, 186% increase since 2021.
- Private sector accounts for 84% of funding; MSMEs and small innovators face financing gaps.

2. Policy Measures

- Sovereign green bonds, SEBI-regulated social bonds, and Solar Park Scheme auctions attract private investment.
- Domestic institutional capital (LIC, EPFO, pension funds) can be mobilized with regulatory reforms and ESG guidelines.

3. Carbon Markets & Innovation

- India's Carbon Credit Trading Scheme could unlock additional finance if transparent and well-regulated.
- Technological solutions like blockchain for tracking and AI for risk assessment can enhance climate finance efficiency.

Analysis for UPSC (Key Dimensions)

1. Economic & Developmental Benefits

- Clean energy investment aligns with GDP growth, employment creation, and industrial innovation.
- Green hydrogen, battery-integrated renewables, and decentralized grids offer inclusive and future-ready growth opportunities.
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2. Challenges in Scaling Finance

- Climate finance gap of \$1.5–2.5 trillion by 2030 threatens energy transition.
- Limited access for MSMEs and local developers; high perceived risk in Tier II/III cities.

3. Strategic Policy Approach

- Blended finance to de-risk investments, mobilize private capital.
- Regulatory reforms to allow institutional investors to allocate funds to green projects.
- Focus on adaptation, loss and damage, and carbon market financing.

4. Global & Domestic Significance

- India's leadership in renewables and climate finance contributes to global climate goals.
- Innovative finance solutions can make India a model for emerging economies.

Conclusion

India's renewable energy momentum is impressive, but sustainable financing is the missing pillar. Expanding climate finance through public-private partnerships, blended finance, carbon markets, and institutional investment is critical for achieving national climate targets and global climate leadership. Strategic interventions can ensure that India's energy transition is inclusive, resilient, and economically transformative.
