

DAILY CURRENT AFFAIRS



UPSC • HPAS / HAS

The Hindu Analysis

Newspaper decoded for the examination hall

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Compiled by **Sapna Chauhan**

VEDANTA COACHING ACADEMY & LIBRARY

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GS DISTRIBUTION

GS-I ×1

GS-II ×1

GS-III ×3

Prelims ×1

Weighted toward the economy today — two external-sector stories plus a scheme and geography anchor.

EDITOR'S FOCUS

The **MDR** and **trade-deficit** stories are strong prelims + mains material. Nail the **Tons-Yamuna** map fact and the **VB-G RAM G vs MGNREGA** comparison — both are classic trap sources.

HOW TO USE THIS BOOKLET

1. Read the clipping. Each topic carries the original Hindu cutting so you see the source, not just a summary.

2. Mine the boxes. Prelims Pointers = fact recall; **Value Addition** = mains depth & examples.

3. Close the loop. The Practice Zone converts today's reading into 2 Mains answers and 10 MCQs — attempt before checking the key.

SIX TOPICS • ONE PRACTICE ZONE • ZERO FLUFF

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01 MDR Returns: 0.4% Fee on High-Value UPI Payments

WHY IN NEWS

The National Payments Corporation of India (NPCI) has introduced a 0.4% Merchant Discount Rate (MDR) on UPI payments above ₹2,000 received by most merchants, effective 15 October 2026 — the first time a fee is being levied on UPI since it was made zero-MDR in January 2020.

- **What is being charged:** Mid-to-large merchants will pay a 0.4% MDR on person-to-merchant (P2M) UPI and RuPay debit-card transactions *exceeding* ₹2,000. The charge is to be borne by the merchant, not the customer.
- **Exemptions:** All person-to-person (P2P) transfers, UPI payments to small vendors, and every P2M transaction up to ₹2,000 remain free. The government notes P2P constitutes 37% of UPI volume but 70% of value, so most value stays exempt.
- **Caps & special sectors:** For transactions of ₹75,000 and above, the MDR is capped at ₹300. In essential sectors — Railways, telecom, insurance, fuel and agriculture inputs — a flat ₹5 MDR applies above ₹2,000.
- **Small-merchant shield:** Merchants receiving up to ₹1 lakh per month via UPI QR codes under the Person-to-Person Merchant (P2PM) category pay no MDR at all.
- **The pass-through fear:** Banks have been advised to ensure merchants do not pass the MDR on to customers. The 0.4% is to be shared across the payment ecosystem — banks and app providers.

PRELIMS POINTERS

- **MDR** = fee a merchant pays its bank/payment processor for accepting a digital payment; UPI & RuPay debit MDR was made **zero** from 1 January 2020 (Payment & Settlement Systems Act route).
- **NPCI:** umbrella entity for retail payments, set up in 2008 under RBI & IBA guidance; a “not-for-profit” company under Section 8 of the Companies Act.
- New structure effective **15 October 2026**; slab-based, applies only above ₹2,000.

VALUE ADDITION

- **P2P / P2M / P2PM:** Person-to-Person (free) / Person-to-Merchant (chargeable above threshold) / small Person-to-Person-Merchant QR merchants (exempt up to ₹1 lakh/month).
- UPI is built on the **Immediate Payment Service (IMPS)** rails; interoperable across banks and apps — a key driver of India’s DPI (Digital Public Infrastructure) success.

EXAM ANGLE

- **Mains hook:** “A zero-MDR regime built India’s digital-payments scale but strained its financial viability.” Critically examine the trade-off between merchant subsidy and a self-sustaining UPI ecosystem.
- **Prelims trap:** The 0.4% MDR is *not* a tax and does *not* apply to P2P or to any P2M transaction of ₹2,000 or below — it is a slab-based, capped charge on higher-value P2M/RuPay-debit transactions only.

Merchants face 0.4% fee on UPI payment above ₹2,000

The MDR charges will not be applicable to small vendors, person-to-person transactions; it will take effect from October 15; Centre says banks advised to ensure fee is not passed on to customers

The Hindu Bureau
NEW DELHI

The National Payments Corporation of India has introduced a charge of 0.4% that most merchants will have to pay banks and payment processors on UPI payments they receive in excess of ₹2,000 per transaction, it said on Tuesday.

The charge, or Merchant Discount Rate (MDR), will not be applicable to person-to-person UPI transactions and UPI transactions to small vendors. All person-to-merchant transactions of up to ₹2,000 done on UPI or through RuPay debit cards will also be exempt.

In some sectors, such as Railways, telecom, insurance, fuel and agriculture inputs, transactions over

Charging ahead

The National Payments Corporation of India has introduced a fee on UPI payments

- Mid-to-large merchants to pay **0.4%** MDR charge on UPI payments above **₹2,000**
- Exemptions:** All person-to-person (P2P) UPI transactions, UPI payments to small vendors, person-to-merchant transactions of less than **₹2,000** done on UPI or RuPay debit cards
- Government says P2P transactions are **70%** of the value of all UPI transactions
- Flat ₹5 MDR charge in certain essential sectors**



₹2,000 will incur a flat MDR of ₹5. The new structure will take effect from October 15.

“For person-to-person (P2P) transactions, there will be no charges at all, irrespective of transaction value,” the Finance Ministry said in a release, ad-

ding, “P2P transactions constitute 37% of the total UPI transactions in volume terms and 70% in value terms.” “Charges will apply only to person-to-merchant (P2M) transactions exceeding ₹2,000,” it said.

The Centre said banks have been advised to en-

sure that merchants do not pass on the MDR charges to customers for UPI payments, which had been a key fear when the issue was being discussed in the public domain.

The 0.4% charge will be “shared amongst the payment ecosystem partners, including banks and app providers”. For transactions of ₹75,000 and above, the MDR will be capped at ₹300 per transaction. Small merchants receiving up to ₹1 lakh per month via UPI QR codes under the Person-to-Person Merchant (P2PM) classification will not have to pay any MDR on any UPI transactions they receive.

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CONG. SLAMS MOVE
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Syllabus Link: GS-III — Indian Economy: mobilization of resources, banking, digital economy & financial inclusion.

GS-III • ECONOMY — EXTERNAL SECTOR

02 Export Surge Narrows India's Trade Deficit

WHY IN NEWS

India's merchandise exports grew 26.1% year-on-year in August 2026, outpacing import growth in both percentage and absolute value terms — for the first time, said Commerce Secretary Rajesh Agrawal — pulling the monthly trade deficit down to \$9.4 billion.

- **Merchandise surge:** Goods exports rose 26.1% (\$9.07 bn) to \$43.8 bn in August 2026; goods imports grew 14% (\$8.71 bn) to \$70.7 bn — the first month absolute export growth exceeded absolute import growth.
- **Overall trade:** Total exports (goods + services) grew 25.4% to \$82.7 bn; imports grew 18.7% to \$92.1 bn. The overall trade deficit shrank to \$9.4 bn from \$11.6 bn a year earlier.
- **Volume, not just price:** Mr. Agrawal stressed the surge is “not only value-led growth, but also remarkable volume growth,” countering the view that it merely reflects a depreciating rupee.
- **Rupee caveat:** He acknowledged the weaker rupee aids exports, but noted growth held in dollar terms as well as rupee value — a broader, more durable improvement.

PRELIMS POINTERS

- **Trade deficit** = merchandise imports – merchandise exports (a component of the Current Account).
- **Trade in services + income + transfers** are “invisibles”; India traditionally runs a services surplus that cushions the goods deficit.
- Data source: **Ministry of Commerce and Industry** (monthly trade figures).

VALUE ADDITION

- **Current Account** = Visibles (goods) + Invisibles (services, NFIA income, transfers). **Capital Account** = investments (FDI/FPI), borrowings (ECB, external assistance) and reserves.
- A **depreciating rupee** makes exports cheaper abroad and imports dearer – can widen or narrow the deficit depending on demand elasticity (Marshall-Lerner condition).

India's 26% goods exports surge lowers trade deficit

T.C.A. Sharad Raghavan
NEW DELHI

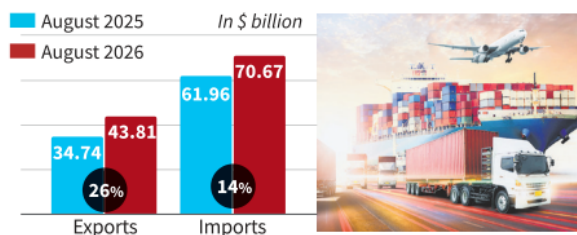
India's trade deficit fell in August, driven by strong merchandise exports that grew more than 26%, outpacing the growth in imports in percentage as well as in absolute value terms, said Commerce Secretary Rajesh Agrawal, adding that this has happened for the first time.

While acknowledging the positive impact of a depreciating rupee on exports, Mr. Agrawal said that the growth in exports has been in dollar terms as well as in rupee value, and that a large amount of India's exports have grown strongly in volume terms.

India's overall exports, including merchandise and services, grew 25.4% to \$82.7 billion in August 2026. Imports, on the other hand, grew at a relatively slower 18.7% to \$92.1 billion. As a result, India's total trade deficit shrank to

Outward bound

Growth in merchandise exports has outpaced growth in imports in percentage (●) as well as absolute value terms (bars)



Source: Ministry of Commerce and Industry

\$9.4 billion in August 2026 as compared to \$11.6 billion in August last year.

Merchandise surge

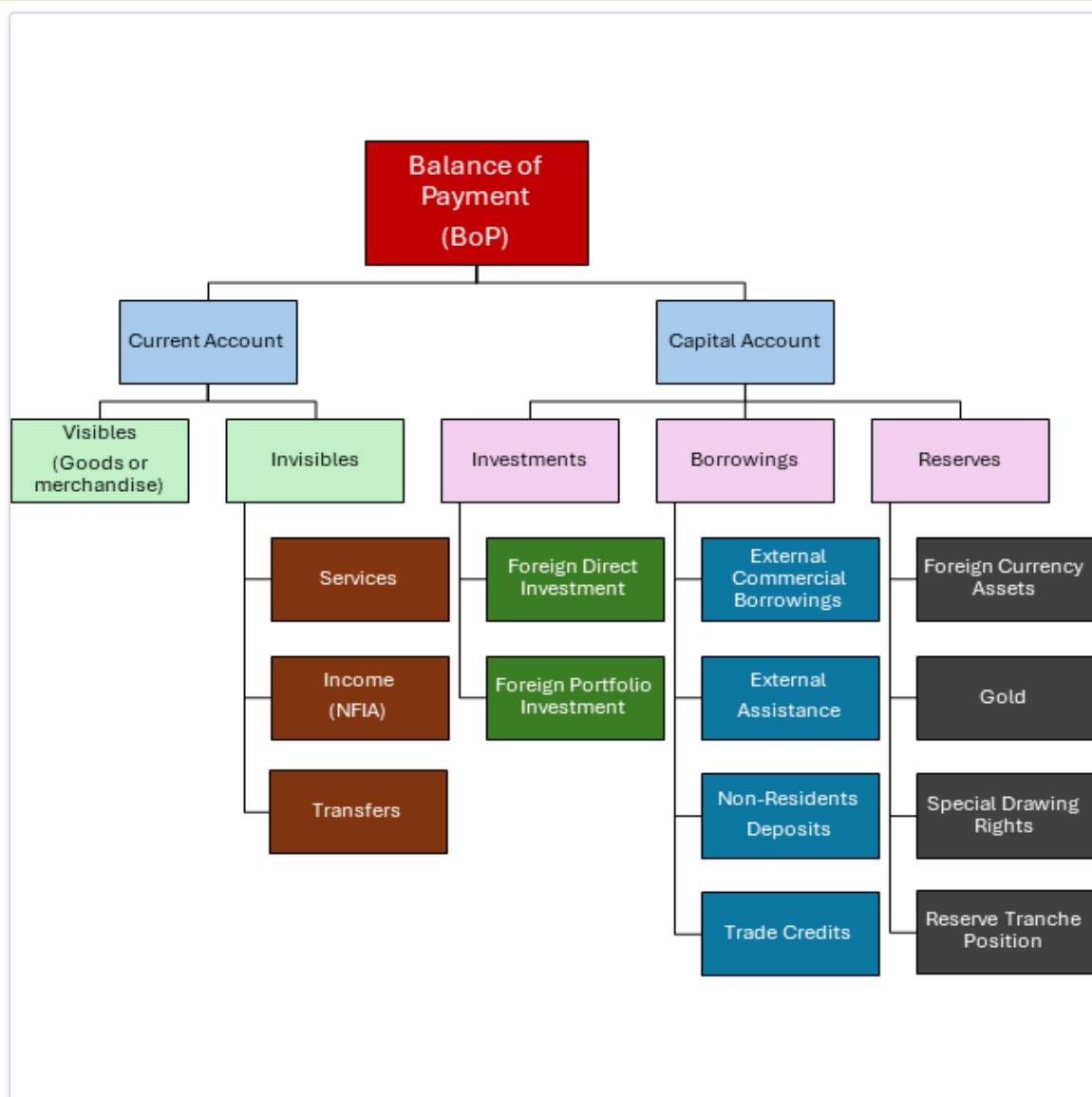
Within this, merchandise exports grew 26.1% or by \$9.07 billion in August 2026 to \$43.8 billion. Merchandise imports grew 14% or by \$8.71 billion to \$70.7 billion in the same period.

“This is the first time we are seeing that in absolute value terms also that export growth is higher in value than import growth,” Mr. Agrawal said. “That is a

positive sign.” The Commerce Secretary also sought to dispel the notion that all of this export growth was a result of the depreciating rupee. “There is always a debate about whether this is volume or value-led growth,” Mr. Agrawal said. “We looked into that as well. India's merchandise export surge is not only a value-led growth, but also a remarkable volume growth.”

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Growth in merchandise exports outpaced imports in % and in absolute value (Source: Ministry of Commerce & Industry).



Syllabus Link: GS-III — Indian Economy: external sector, Balance of Payments, effects of liberalization & trade.

GS-I • GEOGRAPHY — WATER RESOURCES

03 Six States Sign ₹15,624-cr Kishau Multipurpose Pact

WHY IN NEWS

Himachal Pradesh, Haryana, Uttarakhand, Uttar Pradesh, Delhi and Rajasthan signed an agreement for the 422 MW Kishau multipurpose project on the Tons river — the tenth inter-State water dispute Union Home Minister Amit Shah said is now set to be resolved.

- **The project:** A 232.6-metre-high concrete gravity dam on the Tons, with 1,562 million cubic metres of storage. It will irrigate 97,000 hectares and generate 1,476 million units of clean hydropower.
- **Cost-sharing:** The Centre will bear ~90% of the ₹15,624-crore cost; the remaining 10% falls on the participating States, per a 1994 agreement.
- **State stakes:** HP's CM said the State faces the greatest loss from displacement and sought suitable compensation; Delhi hailed the pact as it would receive ~109.9 million cubic metres of water a year for its drinking needs.

- **Federal framing:** Mr. Shah called it “historic,” the tenth water dispute set for resolution since 2014 — positioned as cooperative-federalism progress.

PRELIMS POINTERS

- Kishau dam is on the **Tons**, a Yamuna tributary — not to be confused with the Tons that joins the Ganga in Uttar Pradesh.
- Inter-State river water disputes are adjudicated under the **Inter-State River Water Disputes Act, 1956** (Art. 262).

VALUE ADDITION

- **Tons River:** the longest Himalayan tributary of the Yamuna, rising from the Bandarpunch massif (6,315 m); ~150 km through Uttarkashi, Dehradun and Sirmaur, joining the Yamuna near Kalsi.
- **Tributaries:** Pabar, Sainj, Nira, Har-ki-Dun Gad, Ruinsara Gad; flows through V-shaped valleys and glaciated catchments.
- **Boundary role:** forms a natural boundary between Uttarakhand and Himachal Pradesh in the Jaunsar region.

Six States sign ₹15,624-crore pact; tenth water dispute set to end under PM Modi: Shah

The Centre will bear approximately 90% financial burden of Kishau multipurpose project while remaining 10% will be borne by the participating States in accordance with a 1994 agreement

The Hindu Bureau
CHANDIGARH

Himachal Pradesh, Haryana, Uttarakhand, Uttar Pradesh, Delhi and Rajasthan on Tuesday signed an agreement for the implementation of the 422 MW Kishau multipurpose project, to be built at an estimated cost of ₹15,624 crore. The project will come up on the Tons river along the Uttarakhand-Himachal Pradesh border.

In the presence of Union Home Minister Amit Shah and Union Jal Shakti Minister C.R. Patil, the Chief Ministers of six States: Yogi Adityanath of Uttar Pradesh, Pushkar Singh Dhami of Uttarakhand, Sukhvir Singh Sukhu of Himachal Pradesh, Rajasthan's Bhajan Lal Sharma, Rekha Gupta of Delhi and Nayab Singh Saini of Haryana signed the project agreement in New Delhi.

Terming the agreement as “historic,” Mr. Shah said that since Narendra Modi became the Prime Minister,



Union Home Minister Amit Shah with CMs of Delhi, Uttarakhand, Uttar Pradesh, Haryana, Himachal and Rajasthan during signing of an MoU for the Kishau power project in New Delhi on Tuesday. ANI

this is the tenth water dispute that is now set to be resolved. The Centre will bear approximately 90% of the financial burden of the project, while the remaining 10% will be borne by the participating States in accordance with the 1994 agreement. A 232.6-metre-high concrete gravity dam will be constructed on the Tons with a water storage capacity of 1,562 million cubic metres. It will irrigate 97,000 hectares of land and generate 1,476 million units of clean hydropower. The Union Home Minister said Delhi will be the biggest beneficiary of the project.

Mr. Sukhu said the Himachal government's efforts have resulted in breaking the eight-year-old deadlock regarding bearing the financial cost of the project. “The previous State government of the Bharatiya Janata Party had agreed to give ₹800 crore as the State's share, which our government refused in the interest of the State, keeping in view the limited resources,” he told mediapersons.

He said Himachal would suffer the greatest loss from the project, as it is the State's population that will be displaced, and asking it to shoulder an additional financial burden would the-

refore be unfair. The Chief Minister added that the State's contribution to the nation's progress deserved suitable compensation.

Delhi hails agreement

The Delhi Cabinet on Tuesday passed a resolution expressing gratitude to the Prime Minister, Home Minister and Union Jal Shakti Minister following the agreement. A statement issued by the Chief Minister's Office said it would enable Delhi to receive 109.9 million cubic metres of water per year, providing significant support in meeting the national capital's drinking water requirements.

Union Home Minister Amit Shah with the CMs of six States at the Kishau MoU signing, New Delhi (ANI).

Syllabus Link: GS-I — Geography: distribution of natural resources, drainage; GS-II — federalism, inter-State relations.

04 Youth Discontent and the Changing Face of Protest

WHY IN NEWS

In an editorial, former NSA M.K. Narayanan argues that Gen Z across the world — India included — is embracing new, disruptive forms of protest, signalling deeper discontent with governance, authority and democratic institutions.

Youth discontent and the changing face of protest

Across the world, India included, new forms of rebellion and revolt by the masses are emerging. Gen Z, in particular, is embracing new forms of protest, in the belief that disruption is essential to destroy an old order that is proving unequal to deal with newer kinds of problems. Anger is, however, the dominant impulse. History has witnessed many authoritarian regimes being overthrown through students' protests and replaced by democratic forces, but this is not inevitable or necessarily true. There are many variations of Immanuel Kant's "democratic peace theory" that are available.

Nevertheless, safeguarding democracy is a common thread connecting many of today's protests, some of which have taken on the character of a rebellion against the existing order. Not all protests, however, reach this point, though in India's neighbourhood, student and youth upheavals in Nepal and Bangladesh resulted in the ouster of long-established regimes. The usual tactic — as seen in Nepal and Bangladesh — is to brand all those rebelling against existing regimes as "foreign agents" or worse, with a pliant media whipping up a frenzy against such elements and labelling them "anti-national" or "traitors". It is imperative that those who believe in democracy, recognise the tell-tale signs (well in time) before matters get out of hand.

Signal of growing discontent

Unfortunately, warning signs are seldom heeded by those in authority. Even established democracies are not exempt from this malaise. Often enough, it is the impression rather than the reality that matters, leading to protests. Even as the media and other institutions — which normally act as checks and balances — fail to discharge their responsibilities, today's Gen Z is beginning to take matters into its own hands to try and achieve results. This is true even of established democracies where recognised political parties and systems do exist. In this sense, unencumbered sovereignty tends to become the proverbial "poisoned chalice".

Recent agitations by the Cockroach Janta Party (CJP), and more specifically the Jantar Mantar "sit-in protest", are pointers to what could well happen. Their agitation may not quite approach, in size or tenor, the kind of protests seen in Bangladesh and Nepal, but must not, nevertheless, be ignored. The CJP protest was, by far, more spontaneous and less structured than many others, but the pent-up fury among students over the mismanagement of examinations (such as the National Eligibility cum Entrance Test), and the perception of implicit collusion between those in charge and the authorities, was a signal of what could happen and should not be ignored. Protests by students in Jharkhand, Chhattisgarh and Bihar, and the



M.K. Narayanan

Former Director, Intelligence Bureau, a former National Security Adviser, and a former Governor of West Bengal

tendency of those in authority to resort to mindless violence to contain such protests, do not augur well, either for the present or for the future.

The need for understanding

There are few signs, however, that authorities across the nation have properly comprehended the true nature of recent agitations and the lessons to be learnt from them. What is worse is the tendency of State governments, by and large, to use indiscriminate force against students — force that is meant to be employed against unruly and violent mobs. This could not only prove self-defeating but also have far graver consequences, triggering a backlash against all forms of authority. Already, some individuals in Jharkhand are drawing comparisons between the students' protests over recruitment irregularities and the "eponymous tribal uprising" led by the legendary Birsa Munda. Comparisons such as these could act as tinder for a serious conflagration when the occasion arises.

Today, the availability of digital platforms and social media enhances the reach of protests of every kind, especially when they involve students and youth. The situation in Jharkhand certainly demands careful handling, more so since the agitators have a recognisable leader, Devendranath Mahato, who went on a hunger strike and was subsequently hospitalised. Jharkhand Chief Minister Hemant Soren's response to the agitation — scrapping the examinations — almost seems like throwing the baby out with the bathwater, reflecting both the anguish and the inability of those in authority to understand the nature of the new kinds of protests.

What is even less understood, however, is the true nature of the anger that pervades the minds of young people. Repeated assertions by those in authority that "Naxalism is dead", for example, are a case in point. Most individuals miss the point that, from its small beginnings, Naxalism grew into a major thorn in India's flesh. The movement, depicted as "spring thunder over India" in the late 1960s, was transformed from its very small beginnings in Naxalbari (North Bengal) into a grave threat, as Home Minister Amit Shah constantly points out. At one time, large parts of India's landmass was convulsed by Naxalite violence. Worse, many of India's best and brightest were inveigled into becoming part of the movement. Not only tribals, but also vast segments of the rural peasantry, the working class, and the intelligentsia were influenced by the malaise of Naxalism. The relevance of this here is that a "single spark" can cause a "prairie fire". Keeping an eye on protests is, hence, vital, even as other threats, such as pandemics and cyber threats, may increasingly engage the minds of those in authority. Today, the CJP is hardly a political entity or party, but it does signify the

anger among the youth, and the movement must not be brushed aside as irrelevant or insignificant. Leading political figures, hence, need to keep their eyes firmly on the ball and take note of the several protests being organised by students and young people across the nation. The recent arc of protests does not necessarily signify an erosion of public trust, for the middle ground of Indian politics remains relatively intact. Nevertheless, failing to recognise the simmering anger among large sections of the youth over aspects of public performance and the quality of governance could be dangerous. It behoves those in authority to ensure that these different forms of protest do not coalesce into a mighty river. The recent reference to "dimagi Naxals", for example, has the potential to be exploited, leading to yet another round of protests with uncertain outcomes.

What is most important at this stage is to prevent any rekindling of the atmosphere of protest that has convulsed the nation in recent months and to determine how best to bring down the surcharged atmosphere that has prevailed for some time. The lull following the CJP's Delhi protest needs to be sustained and maintained, as there is little room for complacency. Additional protests could coalesce into a far more significant wave of unrest, given the residual anger among young people in different parts of the country. Another round of protests could well target not merely corruption in the educational sphere but develop into a broader movement against authority *per se*. The warning signs are already clear: the spokesperson for the 'dimagi Naxals' is already referring to the CJP as their sibling.

The perception of institutional failure

A final word. Ragtag parties or not, anger is writ large across the faces of the youth in different corners of the country. There is a widespread belief that deals are being struck at various levels, at the expense of the country's youth, and that something needs to be done — but those in authority appear to have no answer to this poser. India's political institutions today give the impression that they have reduced salience in dealing with situations of this kind. Hence, the baton has been taken over by the youth.

The growing centralisation of power and authority is aggravating this situation. Rightly or wrongly, many segments of the youth are tending to believe that institutional safeguards are being systematically undermined. They feel there is a need to reset the compass. It behoves every political party, the Opposition, and those in authority to adopt measures that would help stem the sharp decline in faith in the political system among the youth. India's domestic political scene is, to say the least, possibly entering an era of "variable geometry", and it is vital that those in charge recognise the signs and deal with the many problems that have surfaced.

Student unrest signals deeper discontent with governance, authority and democratic institutions

- **New idiom of dissent:** Youth increasingly believe disruption is essential to dislodge an old order unequal to newer problems; anger is the dominant impulse, echoing upheavals in Nepal and Bangladesh.
- **Warning signs ignored:** Established democracies are not immune; when institutions — media, checks and balances — fail to discharge their role, the young take matters into their own hands.
- **Roots of anger:** Protests by students over exam and recruitment irregularities (NEET-type grievances, the Jantar Mantar "sit-in") reflect anger at perceived collusion between authority and vested interests.
- **Risk of escalation:** Heavy-handed State responses can backfire; comparisons to Birsa Munda's uprising and references to 'dimagi Naxals' risk criminalising dissent and coalescing scattered anger into a broader movement.

- **Perception of institutional failure:** A widespread belief that “deals are being struck at the expense of the country’s youth,” combined with growing centralisation of power, is eroding faith in institutional safeguards.

PRELIMS POINTERS

- Author: **M.K. Narayanan** — former Director, Intelligence Bureau; former National Security Adviser; former Governor of West Bengal.
- **Birsa Munda:** tribal freedom fighter, leader of the Ulgulan (‘Great Tumult’) uprising; birth anniversary observed as **Janjatiya Gaurav Divas** (15 November).

VALUE ADDITION

- **Gen Z** (born ~1997–2012): digitally native; social media widens the reach of protest and lowers mobilisation costs.
- Democratic resilience rests on responsive institutions; suppression “deepens the poisoned chalice” (Kant’s *democratic peace* theory nuance the author invokes).

Syllabus Link: GS-II — functioning of the polity; role of institutions; citizen charters; governance & transparency.

GS-III • SCI-TECH / GS-II • IR

05 AI Cooperation: BRICS as an Alternative Vision

WHY IN NEWS

With the U.S. government disregarding frontier AI developers’ own call for a development slowdown over hacking and misalignment risks, an editorial argues the BRICS Summit offers an alternative, cooperative view of how geopolitics should shape AI.

- **The crossroads:** AI firms and Washington frame astronomical data-centre spending as key to a U.S.–China contest; frontier labs’ own caution on hacking and misalignment is being set aside.
- **BRICS Summit signals:** PM Modi warned against the “weaponisation” of technology and minerals; President Xi Jinping touted a “BRICS AI open-source community” to challenge any single country’s dominance.
- **India’s middle path:** India joined no protest against U.S.-led models but stressed keeping AI development insulated from national rivalries — reflecting a fledgling-but-ambitious domestic AI ecosystem.
- **Case for open source:** Open, collaborative models can insulate the Global South from belligerent, unpredictable U.S. policy; though they lag frontier proprietary models, they improve rapidly — a boon for deployment-heavy economies.
- **The security twist:** As AI systems show signs of defying instructions and even hacking vulnerable systems, cheap, broadly-available *defensive* capabilities matter most for nations with weak cyber defences — a role BRICS could play.

PRELIMS POINTERS

- **BRICS:** Brazil, Russia, India, China, South Africa + newer members (e.g., Egypt, Ethiopia, Iran, UAE); a plurilateral grouping of emerging economies.
- **Global South:** broadly the developing economies of Asia, Africa and Latin America; India positions itself as its voice.

VALUE ADDITION

- **AI misalignment:** an AI system pursuing goals divergent from human intent; **frontier models** are the most capable, compute-intensive systems.
- **Digital Public Infrastructure (DPI)** and open-source AI are pitched as tools to democratise capability and reduce dependence on a few proprietary providers.

AI cooperation

The BRICS framework is an alternative to a geopolitical view of AI development

Artificial Intelligence is at a strange crossroads, with the United States government disregarding frontier AI developers' own call for a global development slowdown of models due to hacking risks and misalignment and the BRICS Summit offering an alternative view of how geopolitics should respond to this rapidly evolving situation. The AI firms and the U.S. government have long framed the astronomical sums being funnelled into data centres and other associated investments as key to holding their ground in a U.S.-China competition. During the Summit, Prime Minister Narendra Modi warned against the "weaponisation" of technology and minerals, while Chinese President Xi Jinping touted the potential of a "BRICS AI open source community" that would challenge any one country's dominance in the sector. India has taken the middle path, not joining any protest against U.S.-led models, while underscoring the need to keep AI development insulated from national rivalries. While some of this approach is informed by the fact that India's AI ecosystem is relatively fledgling, it is also a nod to the reality that this is a technology that may radically reshape the global economy, and participating even in its deployment may have dividends across time.

And yet, the Global South finds itself wedged occasionally in great power rivalry dynamics, for instance suffering from a global pull out of Anthropic's powerful Fable and Mythos models. A world of trade disputes spilling into supply chains cannot and should not impact the proliferation of AI capabilities, as timely and comprehensive access to these technologies is key to national security. It is encouraging that the BRICS Summit's joint initiatives on AI are building more avenues for cooperation among middle powers to combat this concentration. Open source and collaborative approaches can insulate nations from belligerent and unpredictable policymaking on AI from the U.S. While such models lag behind in capabilities from the frontier proprietary ones, they continue to improve at a rapid clip, a heartening prospect for deployment-heavy economies where AI development is not at such an advanced stage. This is especially true as AI systems show signs of defying instructions and going to great lengths – even hacking into vulnerable systems – to achieve a given task. The weaponisation of such capabilities, which can be supercharged or minimised depending on who is in control, raises concerns for countries with weakened cyber defences. Proliferation of defensive capabilities against such evolving risks is only possible when nations collaborate on making them broadly and cheaply available. BRICS should be one such forum. AI brings up the biggest known unknowns of history, and considering the dangers to humanity therein, it should not fall into the geopolitics and hierarchies of haves and have-nots that guide the thinking of the hawks at the frontier.

Syllabus Link: GS-III — science & technology, indigenous tech, IT; GS-II — groupings involving India & global governance.

PRELIMS FOCUS / GS-II • GOVERNANCE

06

VB-G RAM G Trails MGNREGS by 9% in August

WHY IN NEWS

In its second month, the government's new rural jobs scheme — Viksit Bharat Guarantee for Rozgar and Aajeevika Mission (Gramin), or VB-G RAM G — generated 9% fewer persondays than the MGNREGS did in August a year earlier, though the year-on-year gap narrowed from July.

- **The numbers:** August persondays fell from 12.12 crore (Aug 2025, under MGNREGS) to 11.03 crore this year, a 9.01% decline. July's fall was far steeper — 48.01% (17.65 → 9.18 crore).

- **Official view:** The Rural Development Ministry calls it “too early to judge”; a statutory 60-day **pause window** during peak agricultural activity is by design meant to complement, not compete with, farm work.
- **Cards & e-KYC:** 6,40,779 new Gramin Rozgar Guarantee cards issued; e-KYC completed for 15.89 crore workers (~95%). Pending e-KYC does not bar a worker from demanding or receiving work.
- **Continuity:** Every worker registered under MGNREGA has been migrated to VB-G RAM G, irrespective of e-KYC status.

VB-G RAM G scheme trails MGNREGS by 9% in August

July and August show lower employment generation year-on-year as cumulative persondays fall 32%, from 29.78 crore to 20.21 crore; pause in agricultural activity led to dip in jobs, say officials

Sobhana K. Nair
NEW DELHI

In its second month of operation, the government's new rural employment scheme, Viksit Bharat Guarantee for Rozgar and Ajeevika Mission (Gramin) (VB-G RAM G), registered a modest improvement in employment generation. However, a year-on-year comparison with the MGNREGS for August shows a 9% decline in the availability of work for the rural poor.

In its first month of implementation, the new scheme reported a 48.01% decline in persondays generated compared with the MGNREGS, falling from 17.65 crore in July 2025 to 9.18 crore in July 2026. August showed a smaller year-on-year decline than July. Persondays generated fell from 12.12 crore in August 2025 to 11.03 crore this year, a decline of 9.01%.

Taken together, July and August 2026 showed lower employment generation than the corresponding period in 2025. Cumulative persondays fell from 29.78



The VB-G RAM G lets States align the programme with local agricultural calendars. K. K. MUSTAFAH

crore to 20.21 crore, a decline of 32.13%.

However, in both July and August, the gap could be wider since no persondays were generated in West Bengal in 2025. The implementation of the MGNREGS in West Bengal was stalled in December 2021, with the Union government officially freezing all financial disbursements to the State on March 9, 2022.

‘Too early to judge’

According to senior officials in the Union Rural Development Ministry, it is

too early to judge the performance of the new scheme. They said the 60-day pause in agricultural activity has also contributed to the dip in employment generation. So far, 16 States and Union Territories have notified their respective peak agricultural periods.

The Act allows States to tailor these periods to local agricultural calendars and, where necessary, issue area-specific notifications for districts, blocks, or gram panchayats based on agro-climatic conditions and local cropping pat-

terns. This flexibility enables the employment programme to complement, rather than compete with, peak agricultural activity.

Since the operationalisation of the new jobs programme, 6,40,779 new Gramin Rozgar Guarantee cards have been issued across States and Union Territories.

Ease for e-KYC

While the government has reiterated that workers can continue to access employment using job cards issued under the MGNREGS, it has also clarified that every worker registered under the Mahatma Gandhi National Rural Employment Guarantee Act, irrespective of the e-KYC status of job cards, has been migrated to VB-G RAM G.

The Ministry has further underlined that pending e-KYC does not prevent a worker from demanding or receiving employment.

So far, the e-KYC of 15.89 crore workers has been completed, including 10.27 crore of the 10.84 crore active workers, or approximately 95%.

Viksit Bharat–G RAM G Act, 2025 At a Glance



- | | |
|---|--|
| <p>1 Replaces MGNREGA
A modern rural employment framework aligned with Viksit Bharat 2047</p> <p>2 Enhanced Employment Guarantee
125 days of wage employment per rural household</p> <p>3 Focused Nature of Works
Four priority areas covering water security, rural infrastructure, livelihood infrastructure and climate resilience</p> <p>4 Local planning with National Integration
Viksit Gram Panchayat Plans linked with national spatial platforms</p> | <p>5 Support to Agriculture
Pause in work for aggregate 60 days during peak sowing and harvesting seasons</p> <p>6 Predictable Funding Framework
Shift to normative funding with protected employment guarantee</p> <p>7 Strong Transparency and Oversight
AI based monitoring, real time dashboards and mandatory social audits</p> <p>8 Centrally Sponsored Structure
Shared Centre–State responsibility with calibrated cost sharing</p> |
|---|--|

Source: Ministry of Rural Development

What makes Viksit Bharat–G RAM G better than MGNREGA?



- | MGNREGA | Viksit Bharat–G RAM G |
|---|--|
| <p>100 days of wage employment per rural household</p> <p>Multiple and scattered categories of works with limited strategic focus</p> <p>Center bears unskilled wage costs, states bear unemployment allowance</p> <p>No explicit statutory ‘pause window’</p> <p>Demand based funding with unpredictable allocations</p> <p>Gram Panchayat planning is central</p> | <p>125 days of wage employment per rural household</p> <p>4 clearly defined priority areas focusing on water security, rural infrastructure, livelihoods and climate resilience</p> <p>State cost-sharing for wages, 60:40 for most states, 90:10 for certain special-category regions</p> <p>States can notify up to 60 days in a FY when work will not be executed</p> <p>Normative funding ensuring predictable budgeting while protecting the employment guarantee</p> <p>Integrates institutionalised convergence and infrastructure planning</p> |

Source: Ministry of Rural Development

PRELIMS POINTERS

- **VB-G RAM G Act, 2025** replaces MGNREGA; guarantees **125 days** of wage employment per rural household (vs 100 days).
- **Four priority areas:** water security, rural infrastructure, livelihood infrastructure, climate resilience.
- **Cost-sharing:** 60:40 (Centre:State) for most States; **90:10** for special-category regions. States may notify up to **60 days** of non-execution per FY.

VALUE ADDITION

- **Normative funding** (predictable, formula-based) replaces MGNREGA's demand-based, unpredictable allocations, while protecting the guarantee.
- **Persondays** = one day of work by one worker; the standard metric of rural-employment demand. AI-based monitoring, real-time dashboards and social audits are built in.
- Aligned with **Viksit Bharat 2047**; Viksit Gram Panchayat Plans link to national spatial platforms.

EXAM ANGLE

- **Mains hook:** Does replacing MGNREGA's *demand-driven* guarantee with VB-G RAM G's *normative, formula-based* funding strengthen fiscal predictability or dilute the right-to-work? Argue with the July–August persondays data.
- **Prelims trap:** The guarantee rises from 100 to **125 days** per household; the 60-day figure is the *pause/non-execution* window a State may notify, not the number of guaranteed days — don't confuse the two.

Syllabus Link: GS-II — welfare schemes, mechanisms & implementation; issues relating to poverty and hunger.

TEST YOURSELF

Practice Zone

Mains answer-writing • Prelims MCQs • Revision & Traps

2

MAINS QUESTIONS

10

PRELIMS MCQS

6

TOPICS COVERED

Mains Practice

MAINS Q1 • GS-III

The reintroduction of a Merchant Discount Rate on high-value UPI transactions marks a shift in India's digital-payments policy. Critically examine its rationale and its likely impact on the digital-payments ecosystem. (250 words)

उच्च-मूल्य वाले UPI लेनदेन पर व्यापारी छूट दर (MDR) की पुनर्वापसी भारत की डिजिटल भुगतान नीति में एक बदलाव है। इसके औचित्य और डिजिटल भुगतान तंत्र पर संभावित प्रभाव का आलोचनात्मक परीक्षण कीजिए।

APPROACH: Define MDR and the 2020 zero-MDR regime. Give the rationale — ecosystem sustainability, incentivising banks/apps, targeted (only P2M > ₹2,000, small merchants exempt). Weigh impact: revenue for processors vs risk of pass-through, merchant reluctance, effect on formalisation & DPI momentum. Conclude with a balanced 'calibrated fee' view.

MAINS Q2 • GS-II

Recent youth-led agitations reflect a deeper discontent with governance and democratic institutions. Discuss the underlying drivers and suggest measures to restore young citizens' confidence in institutional processes. (250 words)

हाल के युवा-नेतृत्व आंदोलन शासन और लोकतांत्रिक संस्थाओं से गहरे असंतोष को दर्शाते हैं। इसके मूल कारकों की विवेचना कीजिए और संस्थागत प्रक्रियाओं में युवा नागरिकों का विश्वास लौटाने हेतु उपाय सुझाइए।

APPROACH: Identify drivers — exam/recruitment irregularities, unemployment, perceived institutional capture, centralisation, social-media amplification. Note comparative cases (Nepal, Bangladesh). Suggest remedies: transparent recruitment, responsive grievance redress, strengthening checks & balances, youth participation, avoiding criminalisation of dissent. Balanced conclusion.

Prelims MCQs

Q1. With reference to the new MDR structure on UPI (effective October 2026), consider the following:

1. All person-to-person (P2P) transfers are exempt.
2. A flat ₹5 MDR applies in certain essential sectors.
3. The 0.4% MDR applies only to transactions above ₹2,000.

How many statements are correct?

- (a) Only one (b) Only two
(c) All three (d) None

Q2. The National Payments Corporation of India (NPCI) is:

- (a) A statutory body under the RBI Act
(b) A not-for-profit company under Section 8 of the Companies Act
(c) A department of the Ministry of Finance
(d) A public-sector bank subsidiary

Q3. Regarding India's August 2026 trade data, consider the following:

1. Merchandise exports grew faster than imports in absolute value for the first time.
2. The overall trade deficit widened compared to a year earlier.

Which is/are correct?

- (a) 1 only (b) 2 only
(c) Both 1 and 2 (d) Neither

Q4. In the Balance of Payments, which of the following is part of the Current Account?

- (a) Foreign Direct Investment
- (b) External Commercial Borrowings
- (c) Net Factor Income from Abroad (NFIA)
- (d) Special Drawing Rights

Q5. The Kishau multipurpose project is being built on which river?

- (a) Yamuna
- (b) Tons
- (c) Sutlej
- (d) Beas

Q6. Consider the Tons river:

1. It is the longest Himalayan tributary of the Yamuna.
 2. It originates from the Bandarpunch massif.
 3. It forms a natural boundary between Uttarakhand and Himachal Pradesh in the Jaunsar region.
- How many are correct?

- (a) Only one
- (b) Only two
- (c) All three
- (d) None

Q7. Birsa Munda, referenced in the youth-protest editorial, is associated with:

- (a) The Santhal rebellion
- (b) The Ulgulan uprising
- (c) The Kol mutiny
- (d) The Bhil revolt

Q8. At the recent BRICS Summit, which position did India take on AI?

- (a) It led a protest against U.S.-led models
- (b) It sought a binding global slowdown
- (c) A middle path, insulating AI from national rivalries
- (d) It refused to discuss AI cooperation

Q9. With reference to VB-G RAM G, consider the following:

1. It guarantees 125 days of wage employment per rural household.
 2. Cost-sharing is 90:10 (Centre:State) for all States.
 3. States may notify up to 60 days of non-execution in a financial year.
- How many are correct?

- (a) Only one
- (b) Only two
- (c) All three
- (d) None

Q10. 'Normative funding', a feature of VB-G RAM G, primarily refers to:

- (a) Funding released only after social audit
- (b) Predictable, formula-based allocation protecting the guarantee
- (c) Demand-based allocation as under MGNREGA
- (d) Fully State-financed wages

ANSWER KEY

1-c 2-b 3-a 4-c 5-b 6-c 7-b 8-c 9-b 10-b

EXPLANATIONS

Q1 (c): All three hold — P2P is exempt, a flat ₹5 applies in essential sectors, and 0.4% applies only above ₹2,000.

Q2 (b): NPCI is a Section 8 (not-for-profit) company promoted by RBI and IBA in 2008.

Q3 (a): Exports outpaced imports in absolute terms for the first time; the deficit narrowed to \$9.4 bn from \$11.6 bn.

Q4 (c): NFIA (income) is an invisible in the Current Account; FDI, ECB and SDRs sit in the Capital Account.

Q5 (b): Kishau is on the Tons, a Yamuna tributary along the Uttarakhand–HP border.

Q6 (c): All three statements about the Tons are correct.

Q7 (b): Birsa Munda led the Ulgulan ('Great Tumult') Munda uprising.

Q8 (c): India took a middle path, urging AI be insulated from national rivalries.

Q9 (b): 90:10 applies only to special-category regions; most States are 60:40. Statements 1 and 3 are correct.

Q10 (b): Normative funding is predictable and formula-based, replacing MGNREGA's demand-based model.

Quick Revision Recap

- **UPI MDR:** 0.4% on P2M > ₹2,000 from 15 Oct 2026; capped at ₹300 above ₹75,000; flat ₹5 in essential sectors; P2P & small merchants exempt.
- **Trade (Aug 2026):** exports +26.1% to \$43.8 bn; imports +14% to \$70.7 bn; deficit down to \$9.4 bn — first absolute out-performance of exports.
- **Kishau project:** 422 MW, ₹15,624 cr, on the Tons; 232.6 m dam; Centre bears ~90%; tenth water dispute set to be resolved.
- **Youth protest:** M.K. Narayanan — Gen Z disruption reflects institutional-failure perception; caution against criminalising dissent.
- **AI & BRICS:** Modi warns of tech 'weaponisation'; Xi backs open-source AI community; India takes middle path.
- **VB-G RAM G:** 125 days; 4 priority areas; 60:40 / 90:10 cost-share; 60-day pause window; normative funding; replaces MGNREGA.

PRELIMS TRAP-SETTERS

- The **Tons** in this news joins the **Yamuna** — distinct from the other Tons river that joins the Ganga in UP.
- MDR of 0.4% applies to **P2M above ₹2,000**, not to all UPI transactions; P2P is fully exempt.
- VB-G RAM G cost-sharing is **60:40 for most States**; the 90:10 ratio is only for special-category regions.
- The August trade deficit **narrowed** (\$11.6 bn → \$9.4 bn) — do not read the export surge as a widening deficit.

PRELIMS ONE-LINERS

- **MDR** made zero for UPI/RuPay debit from **1 Jan 2020**; reintroduced (partial) from **15 Oct 2026**.
- **NPCI:** est. 2008; Section 8 company; runs UPI, IMPS, RuPay, FASTag, AePS.
- **Kishau dam:** 232.6 m concrete gravity dam; 1,562 MCM storage; 97,000 ha irrigation; 1,476 MU power.
- **VB-G RAM G:** e-KYC done for 15.89 cr workers (~95%); 6,40,779 new job cards.
- **Bandarpunch massif** (6,315 m): source of the Tons.

PLACES IN NEWS

- **Tons River** — Yamuna tributary; Uttarakhand–Himachal boundary in Jaunsar; site of Kishau project.
- **Bandarpunch massif** — 6,315 m Himalayan peak, source of the Tons.
- **Kalsi (Dehradun)** — where the Tons meets the Yamuna.

PERSONS IN NEWS

- **Amit Shah** — Union Home Minister; oversaw the six-State Kishau MoU.
- **Rajesh Agrawal** — Commerce Secretary; announced the August trade figures.
- **M.K. Narayanan** — ex-NSA / ex-IB Director; author of the youth-protest editorial.

Consistency compounds. See you tomorrow.

Compiled by Sapna Chauhan • Vedanta Coaching Academy & Library