Prelims Exam Topics

ARUL MIHU NAVASAKTHI VINAYAGAR TEMPLE

Context

The Prime Minister visited the **Arul Mihu Navasakthi Vinayagar Temple** during his three-day State visit to Seychelles.

About Arul Mihu Navasakthi Vinayagar Temple

- A Hindu temple located in **Victoria**, the capital of **Seychelles**.
- It is the **only Hindu temple** in the country.
- Built in **1992** by the Hindu community, which constitutes around **2%** of Seychelles' population.
- Dedicated to **Lord Vinayagar (Ganesha)** and situated on **Mahé Island**.
- **Architecture**
    - Designed in the **Dravidian style**, resembling the temples of Tamil Nadu and South India.
    - Features a nearly **100-foot-high colourful gopuram** adorned with intricately carved and brightly painted deities and mythological figures.

UNITED NATIONS ECONOMIC AND SOCIAL COMMISSION FOR ASIA AND THE PACIFIC

Context

A recent **UNESCAP** report estimates that developing economies in the Asia-Pacific region face an **annual climate finance gap of nearly USD 800 billion**, highlighting the need for greater investment in climate action.

About the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP)

- Established in **1947**, it is the **most inclusive intergovernmental platform** in the Asia-Pacific region.
- It is one of the **five regional commissions of the United Nations**.
- **Mandate:** To promote **economic and social development** by fostering regional cooperation among member States and associate members.

- **Membership:** Comprises **53 member States**.
- **Headquarters: Bangkok, Thailand**.

UN Regional Commissions	Region Covered	Headquarters
United Nations Economic Commission for Europe	Europe, North America & Central Asia	Geneva, Switzerland
United Nations Economic Commission for Africa	Africa	Addis Ababa, Ethiopia
United Nations Economic Commission for Latin America and the Caribbean	Latin America & the Caribbean	Santiago, Chile
United Nations Economic and Social Commission for Western Asia	Western Asia (Middle East)	Beirut, Lebanon
United Nations Economic and Social Commission for Asia and the Pacific	Asia & the Pacific	Bangkok, Thailand

FINANCIAL STABILITY REPORT (FSR)

Context:

The Reserve Bank of India (RBI) has released the latest edition of its Financial Stability Report (FSR), highlighting geopolitical fragmentation and the rapid advancement of Artificial Intelligence (AI) as key forces reshaping the global financial system.

About Financial Stability Report

- A **comprehensive biannual report** published by the **Reserve Bank of India (RBI)** since **2010**.
- Assesses the **stability, resilience, and vulnerabilities** of India's financial system, covers the performance and soundness of key financial sectors, including **banks, insurance companies, and Non-Banking Financial Companies (NBFCs)**.

Highlights of the Financial Stability Report (FSR) 2026

- **The Indian economy and financial system have remained resilient despite** significant external shocks.

- **Strong economic growth, low inflation, healthy balance sheets of financial and non-financial entities, and adequate capital buffers** have helped maintain **macro-financial stability**.
- The report identifies key vulnerabilities that could amplify future shocks, including:
  - **High public debt**,
  - **Fragilities in bond markets**,
  - **Stretched asset valuations**..

PROF. P.C. MAHALANOBIS

Context

The **Ministry of Statistics and Programme Implementation (MoSPI)** celebrated the **20th National Statistics Day** on **29 June 2026** to mark the **133rd birth anniversary of Prof. P.C. Mahalanobis**, honouring his contributions to India's statistical system.

About Prof. P.C. Mahalanobis (1893–1972)

- Known as the **Father of Indian Statistics**.
- Founder of the **Indian Statistical Institute (ISI)** in **1931**; declared an **Institution of National Importance** in **1959**.
- Established:
  - **National Sample Survey (NSS)** (1950)
  - **Central Statistical Organisation (CSO)**
  - **Sankhya** (1933), India's first statistical journal.
- Member of the **first Planning Commission** and principal architect of the **Second Five-Year Plan (1956–61)**through the **Mahalanobis Model**, which emphasized **heavy industrialisation and capital goods industries**.
- Developed the **Mahalanobis Distance (1930)**, a statistical measure widely used in **machine learning**, **pattern recognition**, and **multivariate analysis**.
- Pioneered **large-scale sample survey methodology**, demonstrating that scientifically designed samples can produce reliable estimates at much lower cost than a complete census.
- Awarded the **Padma Vibhushan** in **1968**.

About National Statistics Day

- **Observed: 29 June** every year since **2007**.
- **Purpose:** To commemorate **Prof. P.C. Mahalanobis** promotes awareness of the role of statistics in **socio-economic planning** and **evidence-based policymaking**.

BENGAL FOX

Context

Researchers and conservationists have reported a sharp decline in **Bengal fox** sightings across several districts of Tamil Nadu.

About Bengal Fox

- Also known as the **Indian fox** or **Indian desert fox**, it is a small carnivorous mammal.
- **Habitat:** Prefers open grasslands, thorn scrub, semi-arid and arid regions, foothills, and other non-forested landscapes.
- **Distribution:** Native to the Indian subcontinent, occurring across India, Nepal, and Pakistan.
- **Behaviour:**
  - Exhibits **monogamous** behaviour, with pairs forming long-term bonds.
  - Has increasingly shifted from daytime activity to **crepuscular and nocturnal** habits.
  - Considered an **edge species**, occupying transitional zones between forests and agricultural lands.
- **Gestation period: 50–60 days**.
- **Conservation Status**
  - **IUCN:** Least Concern
  - **Wildlife (Protection) Act, 1972:** Schedule II

Mains Exam Topics

FEDERAL FISCAL MISMATCH: RISING DEBT BURDEN OF STATES

Context

The fiscal health of Indian States has come under focus after **Kerala** and **Tamil Nadu** released White Papers highlighting rising public debt. The reports have reignited the debate on whether increasing State debt reflects fiscal mismanagement or a **structural mismatch between States' development responsibilities and their limited revenue-raising powers**.

How Does Growing Fiscal Imbalance Undermine Cooperative Federalism?

- **Centralisation of Taxation Powers:** The introduction of **GST** shifted major indirect taxation powers from States to a common framework, reducing their independent revenue-raising capacity.
  - **E.g.,** States surrendered taxes such as **octroi**, **entry tax**, and several local levies after the introduction of GST.
- **Declining Effective Tax Devolution:** The growing reliance on **cesses and surcharges**, which are excluded from the divisible pool, has reduced the effective share of Union taxes transferred to States.
  - **E.g.,** Although the **16th Finance Commission** retained **41% vertical tax devolution**, the increasing use of non-shareable cesses has lowered the actual revenues received by States.
- **High Dependence on Central Transfers:** Limited own-source revenues make many States heavily dependent on grants and transfers from the Union Government.
  - **E.g.,** Central transfers account for over **44%** of aggregate State revenues and around **72%** in **Bihar**.
- **Erosion of Fiscal Autonomy:** The growing number of **Centrally Sponsored Schemes (CSS)** has constrained States' flexibility in setting expenditure priorities.
  - **E.g.,** Expansion of CSS in sectors such as **health** and **education** has increased States' financial obligations without corresponding policy autonomy.
- **Institutional Imbalances in Fiscal Federalism:** Perceived asymmetries in fiscal institutions have raised concerns over the balance of power between the Centre and the States.

- **E.g.,** States have expressed concerns over the criteria used by the **Finance Commission** and decision-making within the **GST Council**, particularly regarding tax effort and population control.

What are the Challenges Faced by Indian States?

- **Demographic-Driven Fiscal Pressures:** States face varying expenditure needs depending on their stage of demographic transition, placing sustained pressure on their fiscal resources.
  - **E.g.,** Younger States such as **Bihar** require greater investment in education, skilling, and job creation, whereas ageing States like **Kerala** and **Tamil Nadu** face rising expenditure on pensions, healthcare, and elderly care.
- **Fiscal Pressure on Social Sector Spending:** States face limited flexibility to raise fiscal space without affecting essential welfare services.
  - **E.g.,** Cuts in expenditure on **health** and **education** could weaken long-standing gains in human development indicators.
- **Underutilisation of Own Revenue Sources:** States have not fully utilised available taxation and non-tax revenue instruments, limiting their fiscal capacity despite rising private wealth.
  - **E.g.,** Weak property tax administration and limited land monetisation have constrained revenues, leaving **urban local bodies** with inadequate resources to finance infrastructure and public services.
- **High Debt Servicing Burden:** Rising interest obligations consume a growing share of State finances, reducing fiscal space for developmental expenditure and pushing debt levels beyond prudent limits.
  - **E.g.,** As highlighted in recent **RBI State Finances Reports**, many States increasingly rely on fresh borrowings through **State Development Loans (SDLs)** to service existing debt, creating a persistent debt cycle.
- **High Cost of Borrowing:** Reliance on market-based borrowing increases financing costs for infrastructure and development projects.
  - **E.g.,** Unlike **Chinese** local governments, which often access lower-cost domestic financing, Indian states borrow at relatively higher interest rates through SDLs.
- **State-Level Fiscal Mismanagement:** Populist spending, untargeted subsidies, and rising administrative expenditure have weakened the fiscal health of several States.

- **E.g.,** The recurring financial distress of **State power distribution companies (DISCOMs)** has compelled governments to undertake repeated bailout measures, such as the **UDAY Scheme**, increasing public debt.

Way Forward

- **Reform Fiscal Devolution for Balanced Federalism:** Revise the **Finance Commission**'s devolution formula to balance fiscal equity across States while rewarding sound fiscal management and demographic performance.
  - **E.g.,** Continue redistributive support for fiscally weaker States such as **Bihar**, while providing performance-based grants to States like **Kerala** and **Tamil Nadu** for achievements in tax effort, population stabilisation, and fiscal discipline.
- **Expand Access to Long-Term Development Finance:** Create mechanisms to channel domestic savings into productive investments by State governments.
  - **E.g.,** Facilitate greater investment in **State Development Loans (SDLs)** and other State-backed infrastructure bonds.
- **Reduce Borrowing Costs for States:** Lower the interest burden on State borrowings through coordinated fiscal support and improved credit mechanisms.
  - **E.g., A Union-backed credit enhancement framework** could reduce the interest premium on **SDLs**, increasing fiscal space for development.
- **Prioritise Capital Expenditure:** Gradually shift public spending towards infrastructure and productive asset creation to strengthen long-term growth.
  - **E.g.,** Increase investment in transport networks, industrial corridors, research institutions, and technology parks.
- **Strengthen Fiscal Discipline at the State Level:** Institutionalise fiscal safeguards to prioritise productive capital expenditure over unsustainable revenue spending and populist measures.
  - **E.g.,** Establish **independent State Fiscal Councils** to assess the long-term fiscal sustainability and debt implications of major welfare schemes before their implementation.