







Daily CURRENT AFFAIRS

June 2nd, 2025

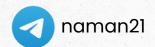




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The case for a special fiscal package for Andhra Pradesh

(This topic is relevant for UPSC GS Paper II (Federalism, Governance, Centre-State Relations) and GS Paper III (Fiscal Policy, Economic Development, Infrastructure Planning).

Why in the news?

Since Andhra Pradesh is again under the leadership of Chandrababu Naidu following the state elections in 2024, the spotlight has returned to a decade-old wound - the 2014 economic decline in the state's economy. The most important economic hub-Jew was cut to make Telangana and remained without Hyderabad.

Despite the insurance from the government's highest levels, the state has found very rarely, including the then Prime Minister Manmohan Singh, a promise given in the Parliament for the Andhra Pradesh Special Category. Mixed by continuous fiscal imbalance, populist politics and insufficient central support, has made control and development quickly.



Backgrounds: Dissing and financial muscle loss

 Andhra Pradesh's bifurcation in 2014 created not only a political and administrative revival but also a deep fiscal division.

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- Telangana inherited Hyderabad, yet and is still a booming and commercial metropolis - while the remaining Andhra Pradesh had no comparable urban centre to run the economy.
- Hyderabad, in FY 2013 -14, contributed over 50% of undivided Andhra Pradesh's tax revenue. With its loss, Andhra Pradesh faced a structural loss that could not be compensated merely through shortterm grants or routine fiscal devolution.
- Recognising this, Dr. Manmohan
 Singh made an assurance in
 Parliament that the State would be
 granted Special Category Status for
 five years, a move expected to bring
 in enhanced central assistance.
- However, this assurance was not written into the Andhra Pradesh Reorganisation Act, 2014. When the NDA government came to power, it declined to honour the commitment, citing the 14th Finance Commission's recommendation that all states be treated uniformly in matters of resource distribution, thus making SCS obsolete.
- The result was a State left with high expectations, low resources, and increasing debt, spiralling into a cycle of fiscal dependence and public discontent.

Current fiscal challenges: Structural deficits and political alternatives

Structure disabled: In 2024, Andhra Pradesh faces an uncertain fiscal state. Low-income capacity, high debt service obligations and continuous income deficit have created a stability crisis.



- Although they have an agricultural economy with ambitions to grow in areas such as tourism, education and logistics, there is a lack of capital with a strong industrial base to attract investments in the state and generate stable revenue streams.
- The development of capital around Amravati is incomplete, and a completely functional administrative node presents the challenges of governance. In addition, the state's dependence on central transfer is the highest in the country, its weak fiscal autonomy.
- Populism and politics
- Chandrababu Naidu's return to power comes on the back of a very competitive electoral scenario, characterised by a series of welfare promises, including cash transfer, free power and housing quarantee.
- While being politically appropriate, these promises have added great tax pressure, especially in a context where capital expenses have already been pressured to accommodate welfare expenses.
- Despite the argument from the center that fiscal error management cannot be offset by national taxpayers, the origin of the fiscal crisis of Andhra-A is valid in the origin of the fiscal crisis.
- Andhra Pradesh was completely attributed to its fiscal crisis, and disregards the extraordinary structural shock that ended in 2014.

The Changing Nature and Diminished Value of Special Category Status

 The idea of Special Category Status was originally designed to help States with unique geographical or historical disadvantages, such as hilly terrain, insurgency, or backwardness, gain better access to central funds.

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States with SCS enjoyed benefits like:

- 90:10 funding ratio in centrally sponsored schemes,
- · Concessionary external aid,
- Unconditional grants for capital formation.
- However, post the 14th Finance Commission (2015), the Planning Commission was dissolved, and the distinction between Plan and Non-Plan expenditure was removed. More importantly, SCS lost its financial edge.
- Presently, SCS only provides marginally better terms for external loans from multilateral institutions hardly an incentive or a solution to a deep fiscal imbalance.
- For Andhra Pradesh, therefore, even if SCS were reinstated in name, it would deliver little in terms of actual monetary assistance.
- The political energy expended in fighting for a now-symbolic status may be better spent in advocating a more effective alternative through constitutionally mandated institutions like the Finance Commission.

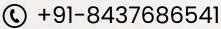
Eastern from other states, bilateral: Uneven collapse

India's experience with state bilateral since 2000 provides useful insight into the tax results of such divisions. As stated:

- Uttarakhand (from Uttar Pradesh),
- Chhattisgarh (from Madhya Pradesh), and
- Jharkhand (from Bihar)

Telangana vs Andhra Pradesh

• After 2014, Telangana has consistently performed Andhra Pradesh in revenues per capita, GSDP growth and fiscal consolidation.





- Hyderabad's economic ecosystem has enabled Telangana to invest in infrastructure, welfare and industrial development.
- On the other hand, the lack of hubs similar to Andhra Pradesh has stopped the income capacity and the development path.

Tax inequality as a limit

- Empirical data suggests that when bilateral agreement leads to more than a 10% decline in tax revenues of a state, it should be eligible for compensation assistance. Both Bihar and Andhra Pradesh meet these criteria.
- A size-pass-all policy ignores this asymmetrical influence and reduces the principle of fiscal justice that lies in cooperative federalism.

Finance Commission as a vehicle for corrective justice Why Finance Commission?

- The Finance Commission, which
 was appointed every five years by
 Article 280 of the Constitution, has
 been tasked with recommending
 the correct distribution of taxes
 between the centre and the states.
 It is a constitutional body to assess
 institutional reliability, political
 neutrality and "special needs" for
 states.
- A special support package must be recommended through the Finance Commission:
- Unlike an ad hoc political supplement, it provides constitutional validity for help.
- Provide a formula-based and transparent mechanism to calculate assistance.

- Other states avoid putting risky examples of populist negotiations,
- Corresponds to the principles of equity, efficiency and responsibility in the distribution of resources.

Lessons from previously targeted packages

- India has used targeted regional development packages such as the bundle (U.P. & M.P.) and Kalahandi-Balangir-Koraput (Odisha).
- However, these packages were largely discretionary and were subject to political views, which lacked openness or long-term vision.
- On the other hand, the recommendations of the Finance Commission bind the centre and may include conditions for use, monitoring and improvement, which can strengthen fiscal discipline.

Furthermore, against a balanced fiscal federalism

- An objective influence assessment:
 The next Finance Commission (16th, due to be formed soon) should be allocated to assess the structural fiscal effect of the bilaterals on Andhra Pradesh, such as using data-handled indicators such as self-tax revenue, loan-GSDP conditions and capital construction deficits. A clear, evidence-based scale must be developed to determine the qualification for targeted assistance.
- Design a time-bound special aid structure: A dedicated scholarship-ED-ED program, which is valid for 5-10 years, can be designed to allow its fiscal integration by investing in important areas such as urban development, industrial corridors and human capital.

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• Federalism: The centre should adopt a collaborative currency that believes that fiscal equity is a national interest, not a regional demand. Ignoring structural emergency states, such as Andhra Pradesh. weakens the federal compact and increases regional inequality, threatening gradual national coordination.

Conclusion

The fiscal predicament of Andhra Pradesh is not a product of poor governance alone- it is deeply rooted in a structural shock engineered through a central political decision in 2014. The loss of Hyderabad and the resultant collapse of the State's revenue base should have been offset by meaningful central support. However, in the absence of statutory guarantees and amid shifting interpretations of Special Category Status, Andhra Pradesh has been left to navigate a perilous fiscal path alone.

Q. Critically analyse how the fiscal challenges of Andhra Pradesh post-2014 are rooted in structural and political factors rather than mere administrative inefficiency. Suggest measures that could have mitigated these challenges.

Q. About the fiscal crisis of Andhra Pradesh post-2014 bifurcation, consider the following statements:

- 1. The loss of Hyderabad to Telangana significantly eroded Andhra Pradesh's revenue-generating capacity.
- 2. The Special Category Status (SCS) promised to Andhra Pradesh was backed by a constitutional amendment ensuring statutory guarantees.

3. Central assistance to Andhra Pradesh post-bifurcation has remained consistent with the recommendations of the 14th Finance Commission.

4. The fiscal predicament of Andhra Pradesh can be attributed solely to inefficient governance mechanisms.

Which of the above statements is/are correct?

A. 1 only

B. 1 and 2 only

C. 1 and 3 only

D. 1, 2, and 4 only

Answer: A. 1 only

Explanation:

- Statement 1 is correct: Loss of Hyderabad led to a significant decline in revenue.
- Statement 2 is incorrect: SCS was a political promise, not a constitutional quarantee.
- Statement 3 is incorrect: The assistance was not consistent or adequate as per expectations.
- Statement 4 is incorrect: Governance issues exist, but structural and political factors were primary.





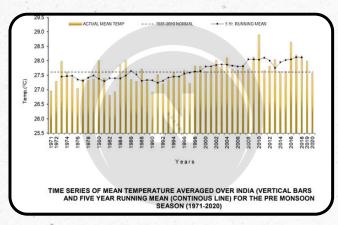
Indian summers are getting hotter, but have we lost the ability to adapt?

(This topic is relevant for General Studies III: Geography, Environment, and Disaster Management)

Why in the News?

- India is witnessing an unprecedented rise in heatwave days. Between 2010 and 2024, these days increased by more than 200%, straining lives and livelihoods.
- The Global Burden of Disease study estimated over 155,000 heat-related deaths in India in 2021, many unrecorded in official counts.
- The 2022 heatwave severely impacted agriculture (e.g., wheat yields down by ~4.5%), triggered a power crisis, and exposed structural gaps in India's climate adaptation.
- Reports by ANI, Princeton University's Urban Nexus Lab, and researchers like Ajay Singh Nagpure highlight both the scientific urgency and socioeconomic toll of heatwaves, sparking nationwide debate on heat resilience.





Background: India's Relationship with Heat

Historically, Indians adapted to hot climates through:

- Architecture: Use of mud, lime, thatch, and stone to design homes that remained cool without electricity.
- Urban Design: Stepwells (baolis), water-cooled courtyards, perforated screens (jaalis), and shaded alleys formed passive cooling systems.
- Daily Routines: Rural life followed the sun - working early morning and late evening, resting during peak heat.
- Cultural Practices: Observances like Navtapa (May 25 – June 2), aligning with solar patterns, encouraged dietary changes and water conservation.

These weren't merely cultural relics — they were scientifically sound and sustainable practices adapted to regional climates.

The Post-Liberalisation Shift

Post-1991 development favoured:

- Concrete and glass: Poor insulators, increasing indoor temperatures.
- Urban sprawl: Reduced green cover and water bodies.





- Rigid employment structures: Especially in informal sectors, where workers cannot adjust hours to avoid the heat.
- Policy and market gaps: Lack of incentives for climate-resilient materials or architectural design.

Thus, India's organic ability to "live with heat" weakened as lifestyles, work patterns, and urban structures became incompatible with climatic realities.

Challenges **Escalating Human Toll Underreported Heat Deaths**

Official records (2000–2020) show ~20,615 heatstroke deaths.

Excess mortality studies estimate tens of thousands more. Most deaths occur: At home or in informal settings Without medical attention or certified documentation

Many are classified under generic causes (e.g., cardiac arrest, respiratory failure), masking the true burden.

Vulnerable Populations

- Outdoor workers (agriculture, construction)
- The elderly and children
- Migrant labourers
- Poor urban and rural households without cooling access

Economic Impact

- Labour productivity loss: McKinsey Global Institute warns India could lose up to 4.5% of GDP by 2030 due to heat-related productivity declines.
- Agriculture: 2022 wheat yield losses (4.5% nationally, up to 15% in some areas) due to heat stress.
- Energy grid pressure: Peak demand hit 207 GW during the 2022 wave, triggering blackouts and fuel shortages.

 Healthcare burden: Rising cases of dehydration, kidney failure, and heatstroke, overwhelming hospitals.

Inadequate Policy Response

Urban Heat Action Plans (HAPs)

- · Ahmedabad's model (2014) credited with reducing 1,190 deaths annually has inspired others.
- However, most HAPs:
 - They are advisory, not enforceable
 - Lack of budget allocations
 - Do not integrate with master planning
 - Missed localised needs of the poor
 - Rural Gaps
 - No counterpart to urban HAPs
 - Heat is not addressed in core schemes like:
 - MGNREGA (no flexible work hours or shade)
 - Gram Panchayat Development Plans (missing heat maps or budget)
 - National Health Mission (no targeted heat risk management)

Way Forward: A Framework for Resilience

- Strengthen Heat Governance
- National Policy Mandate:
- Make HAPs mandatory under the Disaster Management Act, 2005
- Integrate heat resilience into the Smart Cities Mission, PMAY, and AMRUT.
- · Assign Climate Officers in cities and districts to:
- Conduct local vulnerability mapping
- Coordinate inter-departmental heat response

Institutional Roles Defined:

- **IMD:** Predictive heat alerts
- NDMA & SDMAs: Policy and coordination
- ULBs & Panchayats: Ground implementation

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Rural Heat Action Plans

- Develop customised rural HAPs leveraging:
- MGNREGA for shaded workspaces and staggered shifts
- Jal Shakti Abhiyan to revive traditional water sources
- Community outreach via ASHAs, AWWs, Panchayat volunteers

Promote restoration of:

- Stepwells, ponds, and tree groves
- Traditional housing norms with breathable materials
- Heat-Resilient Infrastructure
- Urban Areas

Mandate:

- Reflective rooftops and passive cooling designs
- · High albedo surfaces and green roofs
- Rainwater harvesting is linked to urban microclimate management

Real-estate policy:

- · Incentivise climate-sensitive materials
- · Penalise excessive use of heatabsorbing concrete/glass

Building Code Reform:

- Integrate passive cooling norms in the National Building Code
- Support pilot retrofitting projects in hotspots

Rural Areas

- Promote vernacular architecture via PMAY-Rural
- Disburse District Mineral Funds to support:
- Water tanks
- Shade structures
- Tree plantation
- Improve Risk Communication

Multilingual, multimodal advisories:

- Local radio, loudspeakers, wall posters, street plays
- Clear interpretation of "feels like" heat

Use trusted messengers:

- ASHA workers, school teachers, Gram Sevaks
- Develop public infrastructure:
- Cooling shelters in public parks, bus stops, and schools
- Education and Behavioural Nudges
- Integrate heat safety in school curricula

Promote:

- · Traditional drinks like sattu and buttermilk
- Community kitchens during peak heat
- Launch summer heat awareness weeks in schools and Panchayats
- Financing Resilience

Leverage:

- 15th Finance Commission's Climate Grants
- District Mineral Foundation Funds
- CSR budgets from local industries
- Create a dedicated Heat Adaptation Fund under the NDMA for local innovations.

Conclusion

India is not merely facing warmer summers; it is confronting an era of climate extremes, where adapting to heat is no longer optional. Ironically, the knowledge needed to cope with it passive cooling designs, climate-resilient routines, water conservation systems already exists within the country's rich heritage. The challenge lies not in discovery but in deployment. True resilience will not emerge from emergency advisories or isolated initiatives but from systemic change.





in governance, infrastructure, communication, and community engagement. India must rediscover and reinforce its adaptive muscle blending traditional wisdom with modern science - to confront the heatwaves of the future with strength, clarity, and compassion.

Question: "India is not merely facing warmer summers; it is confronting an era of climate extremes." In light of this statement, critically examine why India's traditional heat adaptation mechanisms have declined and assess the systemic governance, policy, and socio-economic reforms required to build heat resilience. (250 words)

Q. About India's heatwave adaptation strategies, consider the following statements:

- 1. Traditional Indian architecture employed passive cooling techniques such as perforated screens, stepwells, and watercooled courtyards to regulate indoor temperatures.
- 2. The Ahmedabad Heat Action Plan (HAP), although credited with saving lives, is legally binding and has been uniformly implemented across all Indian cities.
- 3. Rural areas are currently covered under national-level Heat Action Plans, which are integrated with schemes like MGNREGA and Jal Shakti Abhiyan.
- 4. The National Disaster Management Act, 2005, mandates state governments to formulate and enforce climate-specific Heat Action Plans.

Which of the statements given above is/are correct?

A. 1 only

B. 1 and 4 only

C. 2 and 3 only

D. 1, 2 and 4 only

Correct Answer: A. 1 only

Explanation:

- Statement 1 is correct: Traditional techniques such as jaalis, baolis, and shaded courtyards were passive cooling systems.
- Statement 2 is incorrect: The Ahmedabad HAP is advisory, not legally binding.
- Statement 3 is incorrect: Rural areas lack formal HAPs and integration with core schemes.
- Statement 4 is incorrect: The DM Act does not yet mandate HAPs; it is suggested as a reform.

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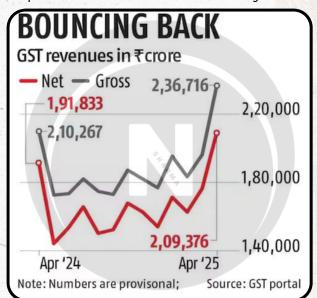


GST collections remain above ₹2 trillion in May

Why in the News

For the second consecutive month, India's Gross Goods and Services Tax (GST) collections have remained above the ₹2 trillion mark, with May 2025 collections recorded at ₹2.01 lakh crore, marking a 16.4% year-on-year growth. This follows a record high of ₹2.37 lakh crore in April 2025.

The surge in GST revenues is being closely watched as a key macroeconomic indicator reflecting the health of economic activity, trade flows, tax compliance, and consumption trends. However, the growth has not been uniform across States and seems to be largely driven by imports rather than domestic consumption, raising concerns about the sustainability and depth of the economic recovery.



Background: The GST Regime in India Introduction to GST

 The Goods and Services Tax (GST), implemented on 1st July 2017, subsumed a host of indirect taxes.

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Previously levied by the Centre and States into a unified indirect tax system. This included central excise duty, service tax, VAT, octroi, and entry tax, among others.

GST was introduced as a destination-based tax on consumption and is levied at multiple rates, structured under five main tax slabs – 0%, 5%, 12%, 18%, and 28%, with some goods attracting additional cess.

GST in India is split into three main components:

- **Central GST (CGST):** collected by the Centre on intra-state sales.
- **State GST (SGST):** collected by States on intra-state sales.
- Integrated GST (IGST): collected by the Centre on inter-state and import transactions, which is later apportioned between the Centre and the States.

Additionally, a Compensation Cess is levied on luxury and sin goods to compensate States for revenue losses during the transition phase.

GST Council

The GST Council, chaired by the Union Finance Minister and comprising State Finance Ministers, is the apex body for decisions on tax rates, exemptions, threshold limits, compliance mechanisms, and rate rationalisation. GST Collection Trends Post-2020 Post-COVID recovery saw gradual upticks in GST collections, aided by:

- Improved compliance through einvoicing and e-way bill systems,
- · Formalisation of the economy,
- Resumption of economic activities and mobility,
- Increase in imports, and
- Rise in inflation (which increases the tax base in nominal terms).



Monthly collections have steadily grown from the sub-₹1 lakh crore range in mid-2020 to regularly exceeding ₹1.5 lakh crore in FY23-24, and breaching the ₹2 trillion threshold in 2025.

Current Status: May 2025 GST Data Insights

Overall Collection Trends

- Gross GST collection in May 2025: ₹2.01 lakh crore (↑16.4% YoY)
- May 2024 collection: ₹1.72 lakh crore
- April 2025 collection (highest ever):
 ₹2.37 lakh crore

Break-up of May 2025 GST Components:

- **CGST:** ₹35,434 crore
- **SGST:** ₹43,902 crore
- **IGST:** ₹1,09,315 crore (includes ₹51,266 crore from imports)
- Cess: ₹12,879 crore
- Refunds issued: ₹27,210 crore (↓4% YoY)

Net GST Revenue (post refunds):

- ₹1.74 lakh crore (↑20.4% YoY)
- Growth Drivers

Imports:

- GST on imports surged 25.2% YoY in May.
- IGST collections show that the revenue spike is import-led rather than reflecting an equivalent growth in domestic demand.

Domestic Transactions: Domestic GST revenue rose 13.7%, slower than import-led growth.

State-wise Variations:

- **High growth:** Maharashtra, Tamil Nadu, Karnataka, West Bengal (↑17–25%)
- Moderate growth: Madhya Pradesh, Punjab, Rajasthan (*10%)
- Low growth: Gujarat, Andhra Pradesh, Telangana (↑up to 6%)

Expert Opinions

 M.S. Mani (Deloitte): Growth not uniform; requires sector-wise, statewise analysis



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- Pratik Jain (PwC): Sustained growth may enable rate rationalisation discussions.
- Vivek Jalan (Tax Connect Advisory): Growth is import-driven, not domestic-demand-led.
- Saurabh Agarwal (EY): Geopolitical trends may influence future collections.

Challenges and Concerns Non-Uniform State-wise Growth

- The disparity across States suggests that GST buoyancy is not evenly distributed. Industrial and servicesector-heavy States like Maharashtra and Karnataka show strong growth, while agrarian or less industrialised States lag.
- This creates fiscal asymmetry, especially for revenue-deficient States, and may lead to friction in future GST Council deliberations on compensation mechanisms.

Import-led Revenue Growth The dominance of import-driven GST revenues raises concerns:

- It reflects global demand, not internal consumption.
- Domestic production may not be rising proportionally.
- A trade imbalance may be emerging, with higher imports and relatively stagnant exports (as refunds on exports have not grown correspondingly).

This undermines the Make in India initiative and weakens the case for broadbased domestic economic recovery.
Rate Rationalisation Delays

 Despite extensive studies and recommendations (e.g., by the GoM on rate rationalisation), actual movement on simplifying the tax slab structure has been slow. Reasons include:

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- Political economy constraints States are wary of potential revenue losses.
- Uncertainty in the aftermath of the COVID-induced slowdown and election
- Concerns over the inflationary impact of changes to 5% or 12% slabs.

Inadequate Export Growth

- · While imports are rising, export-related GST refunds have not increased proportionally, suggesting:
- Slower growth or even stagnation in India's merchandise exports.
- Procedural bottlenecks in timely refund issuance.
- Adverse impact of geopolitical tensions and shipping costs.

This could affect foreign exchange reserves, employment in export sectors, and balance of payments stability.

Compliance and Evasion Issues

- Though e-invoicing and data analytics have improved compliance, issues persist:
- Fake invoicing and input tax credit fraud continue in some sectors.
- SMEs and informal sector players still struggle with GST processes.
- Reverse charge mechanisms, sectorspecific exemptions, and rate complexities often lead to litigation.

Way Forward Strengthen Domestic Demand

Policy interventions must aim to broaden the tax base through real consumption growth:

- Boost rural demand via MGNREGA, PM-KISAN, and food security schemes.
- Enhance urban consumption by supporting MSMEs and job creation in services/manufacturing.
- Encourage consumer credit and reduce inflationary pressures.

Move Towards Rate Rationalisation

- A simpler and more predictable GST rate structure is essential for:
- Improving compliance,
- Reducing classification disputes, and
- Enhancing consumer and investor confidence.

The long-pending proposal to merge 12% and 18% slabs, reduce the 28% slab coverage, and minimise exemptions must be taken up post-2025 elections.

Build State Capacity for Revenue Mobilisation

- Promote State-specific compliance campaigns.
- Analyse and replicate best practices from States with high GST buoyancy.
- Ensure timely disbursement of GST compensation arrears, if any.

This will help states become more selfreliant and reduce dependence on central transfers.

Encourage Domestic Manufacturing

With imports driving GST growth, the policy focus must shift to:

- Enhancing domestic production ecosystems via PLI schemes.
- Improving logistics infrastructure and ease of doing business.
- Recalibrating tariffs or GST rates on select import-heavy items to support Atmanirbhar Bharat.

Streamline Export Refunds

- Adopt faster, automated refund mechanisms.
- Address procedural bottlenecks under the GST route.
- Consider risk-based processing to expedite refunds for compliant exporters.



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A competitive and efficient refund regime is vital for India's global trade positioning.

Enhance Data Analytics and Enforcement

- 1. Strengthen AI-based anomaly detection to curb evasion.
- 2. Expand e-invoicing to all businesses above ₹5 crore turnover.
- 3. Improve coordination between GSTN, CBIC, and State authorities.

This will aid in real-time tracking of evasion and input credit misuse.

Conclusion

India's continued GST collection above the ₹2 trillion mark is a positive fiscal and economic signal. However, the overdependence on imports, uneven state-wise growth, and pending structural reforms in rate rationalisation underscore that deeper issues remain. The GST regime, now nearly eight years old, needs its second-generation reforms focused on simplicity, equity, and economic alignment. With a stable government post-2024 elections and rising digitisation, the next few years offer a critical window to realise the full potential of "One Nation, One Tax".

Question: Why has India's GST collection remained above ₹2 trillion for two consecutive months in 2025, and what are the key challenges and policy implications of the current growth pattern, especially to the import-driven revenue surge and uneven State-wise growth?

(250 words)

statements regarding India's GST collections in May 2025:

Question: Consider the following

- 1.GST collections crossed ₹2 trillion for the second consecutive month in May 2025.
- 2. The growth in GST collections is primarily driven by domestic consumption rather than imports.
- 3. GST comprises Central GST, State GST, Integrated GST, and Compensation Cess components.
- 4. The GST Council, chaired by the Union Finance Minister, is responsible for tax rate decisions and exemptions.

Which of the statements given above are correct?

- A) 1, 2, and 3 only
- B) 1, 3, and 4 only
- C) 2 and 4 only
- D) All of the above

Answer: B) 1, 3, and 4 only

(Explanation: Statement 2 is incorrect because the growth is largely importdriven, not domestic consumption-





Zangezur Corridor

The aftermath of Operation Sindoor- a recent counter-terrorism operation in Jammu & Kashmir has drawn attention to broader geopolitical tensions, including the proposed Zangezur Corridor in Armenia. This corridor, backed by Azerbaijan and Turkey, has raised India's strategic concerns because of its implications for regional security, trade routes, and India's partnerships, especially with Armenia and Iran.

Background What is the Zangezur Corridor?

A proposed land corridor through Armenia's Syunik Province connecting Azerbaijan to its Nakhchivan exclave, cutting across Armenian territory.

- Supporters: Azerbaijan and Turkey are pushing for this corridor to facilitate a direct route without Armenian customs or border control.
- Geopolitical Importance: The corridor is approximately 43-44 km long, near the Iran-Armenia border, making it strategically significant for regional connectivity.
- Controversy: Azerbaijan views it as a rightful post-war claim after the 2020 Nagorno-Karabakh conflict victory.



- Armenia demands full sovereignty over transport in its territory, rejecting any bypass that undermines its control.
- Turkey sees it as part of its broader Middle Corridor project linking Europe and Central Asia by land.

Opposition:

- · Armenia and Iran oppose the corridor, fearing:
- · Isolation of Armenia, weakening its security,
- Loss of Iran's access to the region,
- Threats to Armenia's territorial integrity.

Features

- The corridor would give Azerbaijan a direct land link to Nakhchivan, cutting through Armenia.
- It challenges Armenia's sovereignty and regional balance.
- · Turkey's backing ties into its goal of expanding regional influence and offering alternative routes bypassing Russia and traditional routes.
- Iran fears loss of regional influence and access near its border.
- India, as Armenia's key defence partner and a supporter of regional stability, has strategic interests linked to this corridor.

Why is India Concerned?

- Strategic Ties: India supports Armenia militarily and politically, viewing regional stability as crucial for countering the adverse influence of Turkey and Pakistan.
- Trade Route Ambitions: India is developing the Chabahar Port in Iran to connect to Afghanistan and Central Asia. The Iran-Iran-Armenia-Georgia corridor is vital for India's trade access to Europe, bypassing Pakistan and the Suez Canal.
- Potential Impact of Zangezur Corridor:
- If Azerbaijan and Turkey bypass Armenian control, it could.



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- Disrupt India's overland trade routes through Iran and Armenia to Europe,
- Reduce Iran's regional access, weakening a key Indian ally,
- Curtail India's strategic reach into Eurasia.

Larger Geopolitics:

 Turkey's and Azerbaijan's growing influence is a strategic challenge to India's India-Middle East-Europe Corridor (IMEC) project. India opposes any unilateral moves undermining Armenia's sovereignty or the regional balance.

Way Forward

- Firmly support Armenia's sovereignty and territorial integrity, opposing unilateral actions on the corridor.
- Work diplomatically to protect and strengthen the Iran-Armenia-Georgia route to secure India's trade ambitions.
- Engage multilaterally to maintain regional stability and counterbalance Turkish-Azerbaijani influence.
- Monitor the evolving geopolitical dynamics post-Operation Sindoor to ensure India's strategic and economic interests are safeguarded.

Q1. The proposed Zangezur Corridor, recently in the news, aims to connect:

A. Armenia to Georgia via Turkey

B. Azerbaijan to Nakhchivan through Armenia

C. Iran to Turkey through Armenia

D. Turkey to Central Asia via Iran

Answer: B

Explanation: The Zangezur Corridor is a proposed land route through Armenia's Syunik Province connecting Azerbaijan to its Nakhchivan exclave.

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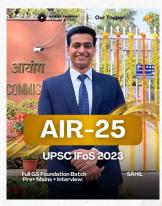
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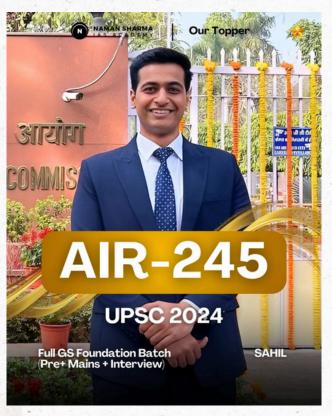
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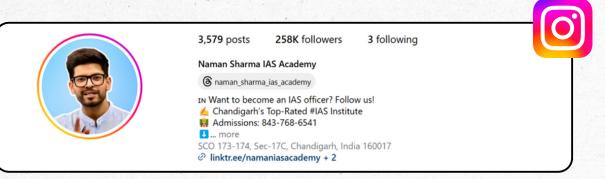
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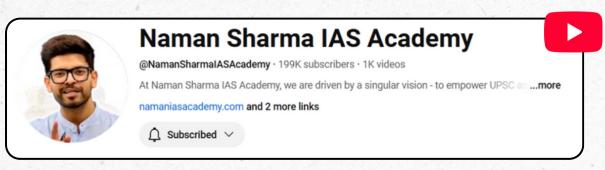


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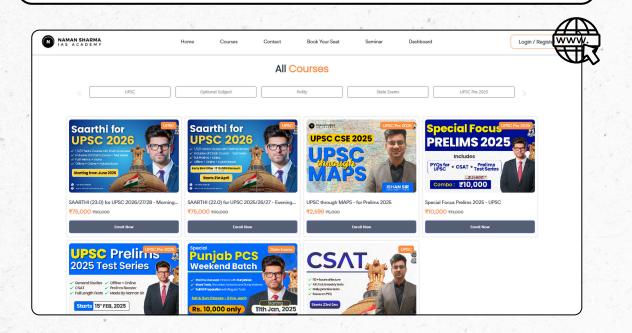






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