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 June 02nd 2026



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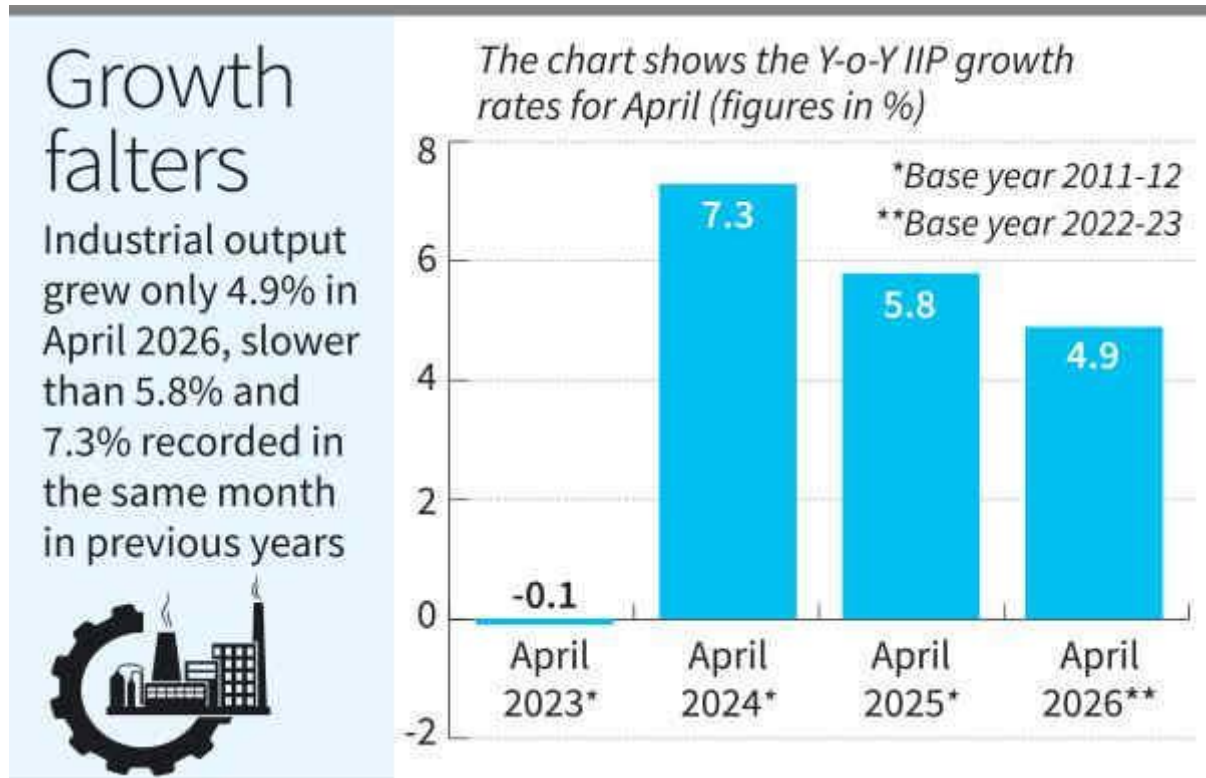
Index

- 1. Industrial output slows in new data series**
- 2. Centre clears five new judges for SC; strength rises to 37**
- 3. India and Australia discuss maritime security, agree to advance defence industrial relations**
- 4. IMEC is caught between commerce and geopolitics**
- 5. Orbital rivalry — the challenge of China's space power**
- 6. Remittances anchor the rupee, India's external balances**

1. Industrial output slows in new data series

Why in the News?

The government released India's Index of Industrial Production data for April 2026. This change is big because the base year has been updated from 2011-12 to 2022-23. This was done after changing how they calculate GDP. The new data shows that industrial growth has slowed down compared to the previous year.



Background

- **What is IIP?** The Index of Industrial Production is a key macroeconomic indicator that measures the growth rate of various industrial sectors over a fixed reference period.
- **Need for Revision:** Base years are periodically revised to better reflect the current structure of the economy, incorporate new sectors, and update the basket of goods and their weights.
- **Preceding Step:** The base year shift to 2022-23 began earlier in 2026 with the GDP estimates. The IIP is the latest major indicator to adopt this new base.
- **Old vs New:** The previous series used 2011-12 as the base year, covered 839 items (407 item groups), and had a narrower sectoral coverage.

Features

- **Expanded Sectoral Coverage:** The index now includes four core sectors instead of three:
 - Mining and Quarrying
 - Manufacturing
 - Electricity and Gas Supply
 - Water Supply, Sewerage, and Waste Management (newly added)
- **Wider Basket of Goods:** The number of products tracked has increased to 1,042, mapped to 463 item groups.

- **Improved Granularity:** Data classifications within sectors are more detailed (e.g., mining index now split into fuel, metallic, and non-metallic minerals; electricity classified into renewable and non-renewable sources).
- **Updated Weights:** Sectoral and industry weights within the manufacturing sector have been revised to align with the updated Gross Value Added (GVA) series for 2022-23.
- **Data Comparability:** A formula has been provided to link the old and new data series for consistent long-term analysis.

Challenge

The primary challenge lies in understanding the drivers of the slowdown in the context of a changed statistical methodology.

Headline Number: IIP grew by only **4.9% in April 2026**, compared to the 5.8% growth in April 2025, according to the old series.

Slower Sectoral Index: The output in three out of four sectoral indices slowed down, and in one, there was an outright contraction:

- Output of mining and quarrying dropped sharply by over 5.1%
- Output in the manufacturing sector grew by 6.2% against last year's 6.3%
- Electricity and gas supplies grew by 4.9%

Industry Sector Contraction: Six industrial sectors experienced a contraction, namely coke and refined petroleum products (growth by -0.4%), wearing apparel (growth of -7%), and wood products (growth of -12.5%)

Consumption of Specific Products: Growth of categories that were consumer-oriented declined, indicating a lack of demand. The production of consumer durable goods grew by only 4.3% and of non-durables by 2.8%, compared to the growth rates of last year. Output of primary goods grew by only 0.8%.

Analysis Problem: Decoupling the "real" economic slowdown from the statistical effect of the rebasing process.

Way Forward

- **Deep Dive into Data:** Analysts and policymakers must study the granular data of the new series to understand the structural shifts it has captured and identify the specific sectors driving the slowdown.
- **Monitor Leading Indicators:** The strong growth in capital goods (16%) and infrastructure/construction goods (7.1%) suggests investment demand is robust. This could spur future economic activity and support a recovery in consumption and overall output.
- **Address Consumption Weakness:** Targeted measures may be needed to boost consumer demand, especially for non-durables and durables, which are showing signs of stress.
- **Diagnose Sectoral Contractions:** The reasons for the severe contraction in mining (-5.1%) and specific manufacturing industries like apparel need thorough examination to determine if they are cyclical, structural, or regulatory in nature.

Conclusion

The publication of the IIP numbers based on the 2022-23 base year marks an important and much-needed step towards updating India's measures of its economic performance, giving us a better idea of what is happening in the country's industry. Yet the first IIP number published based on the new base year shows a definite economic slowdown to 4.9%, triggered by a negative

performance in the mining sector and sharp falls in manufacturing and consumer goods production. The only positive aspect is seen in the growth in capital and infrastructure goods production.

2. Centre clears five new judges for SC; strength rises to 37

Why in the News?

The Union Government cleared the appointment of **five new judges** to the Supreme Court on June 1, 2026. This takes the court's working **strength to 37**, just one short of the recently revised sanctioned strength of 38. The appointments include four Chief Justices of High Courts and one lawyer directly elevated from the Bar.

Background

- **Sanctioned Strength Increase:** Just weeks prior, on May 5, 2026, the government promulgated the Supreme Court (Number of Judges) Amendment Ordinance, 2026, raising the sanctioned judicial **strength from 34 to 38**. This was the primary legislative enabler for the new appointments.
- **Collegium Recommendation:** The appointments are based on the Supreme Court Collegium's resolution dated May 27, 2026, which was swiftly acted upon by the government.
- **Constitutional Provision:** The President approved the appointments under **Article 124(2)** of the Constitution, which governs the appointment of Supreme Court judges through consultation with the Collegium.
- **Pendency Crisis:** The expansion is a direct response to the colossal backlog of cases. As of early 2026, over 80,000 cases are pending before the Supreme Court, a number that has continued to grow despite the court's best efforts.



Article 124(2) of the Constitution of India governs the appointment and tenure of Supreme Court judges. It mandates that the President of India appoint Supreme Court Judges (by warrant under their hand and seal) after consulting with relevant SC and High Court judges.

Feature

The new judges bring diverse experience from different High Courts and the Bar:

- **Justice Sheel Nagu:** Former Chief Justice of the Punjab and Haryana High Court.
- **Justice Shree Chandrashekhar:** Former Chief Justice of the Bombay High Court.
- **Justice Sanjeev Sachdeva:** Former Chief Justice of the Madhya Pradesh High Court.
- **Justice Arun Palli:** Former Chief Justice of the High Court of Jammu and Kashmir and Ladakh.
- **Ms. V. Mohana:** A senior advocate elevated directly from the Supreme Court Bar. She is notably known for her legal advocacy in landmark cases challenging structural career inequalities faced by women officers in the armed forces. Her appointment brings the number of sitting women judges to two, alongside Justice B.V. Nagarathna.

Challenges

- The problem of seats and pending cases is a big issue. India has been dealing with this problem for a time. When a judge leaves, it takes a while to fill the seat.
- The Court has to wait for the Collegium to suggest a name.
- Then the Government has to approve it. This delay creates gaps. Even if the Court has all the judges it needs, it still has to deal with a lot of pending cases. There are **no women judges**.
- The Court recently appointed Ms. Mohana. There are still very few women judges. Out of **37 judges, only two are women**. This means that about 5.4 percent of the judges are women, which is not good enough.
- The Judiciary and the Executive do not always agree on who should be a judge. The last appointment was made quickly. In the past, the two groups have had disagreements about this.
- They have not seen eye to eye on things like the Memorandum of Procedure, which's a set of rules for making appointments.
- The Judiciary and the Executive have had tensions between them on these issues. The Judiciary and the Executive have to work together to appoint judges, but they do not always agree, which causes problems.

Way Forward

Complete Strength and Timely Succession: The first step that needs to be taken is filling the last vacancy to attain complete strength of 38 members. There must be some sort of process through which timely succession can be ensured.

Infrastructure Building: Infrastructure must be built accordingly in order to convert more numbers into greater disposal rates. The concept of constituting benches hearing cases all around the year needs to be kept in mind in order to address the issue of pending cases.

Social Inclusion: It is recommended that the Collegium should make a dedicated effort to include more women in the apex court, along with persons from marginalised groups.

MoP Finalisation: The government and the collegium should make an effort to come up with finalized version of the Memorandum of Procedure.

Conclusion

The clearing of these five appointments is a significant and welcome step towards augmenting the Supreme Court's capacity to deal with its escalating caseload. The near-completion of the court's enhanced strength signals an operational shift in judicial manpower. However, the ultimate measure of success lies not merely in filling seats, but in translating this enhanced strength into a tangible reduction in pendency, delivering timely justice, and making the apex court more representative of India's diversity.

3. India and Australia discuss maritime security, agree to advance defence industrial relations

Why in the News?

India and Australia held the second India-Australia Defence Ministers' Dialogue in **New Delhi on June 1, 2026**. The meeting, co-chaired by Defence Minister Rajnath Singh and Australian Deputy Prime Minister Richard Marles, focused on deepening strategic ties with a primary emphasis on maritime security and advancing defence industrial cooperation in the Indo-Pacific region.

Background

- **First Ministerial Dialogue:** This meeting follows the inaugural 2+2 Defence Ministers' Dialogue held in October 2025, building on the momentum generated there.
- **Comprehensive Strategic Partnership:** The dialogue advances the vision set by Prime Minister Narendra Modi and Prime Minister Anthony Albanese to elevate bilateral relations under the Comprehensive Strategic Partnership established in 2020.
- **Geopolitical Context:** The intensifying cooperation is set against the backdrop of shared concerns over freedom of navigation, overflight, and a rules-based maritime order in the Indo-Pacific, particularly amid China's increasing military assertiveness.
- **Upcoming Summit:** The discussions will feed directly into the agenda for the upcoming bilateral summit between the two Prime Ministers, where defence will be a major component.

Features

The dialogue produced concrete steps to move the defence partnership from primarily exercise-based to deeper industrial and technological interoperability:

Maritime Security as the "Strong Pillar"

- Both sides agreed that cooperation at sea, including in the undersea domain, is a fundamental pillar of the partnership.
- They decided to accelerate the finalisation of a Joint Maritime Security Collaboration Road Map.
- Cooperation will be enhanced through joint operations by maritime patrol aircraft and initiatives focused on undersea and maritime domain awareness.

Defence Industrial Collaboration

- A significant step was the agreement to begin work on a Memorandum of Understanding (MoU) on the Provision of Defence Articles and Defence Services. This will create a legal framework to facilitate the transfer of defence technology and hardware between the two nations.
- The dialogue focused on co-development and co-production, moving beyond a buyer-seller relationship to genuine industrial integration.

Enhanced Interoperability

- Richard Marles highlighted substantial progress in practical military cooperation, citing joint air-to-air refuelling arrangements as a key example of the growing logistical trust and operational compatibility between the forces.
- This was described as the "high point" in the history of India-Australia defence cooperation.

Emerging Technologies

- Both countries agreed to explore collaboration in advanced and innovative technologies, specifically aimed at enhancing underwater security capabilities.

Challenge

- **Information Security and Trust:** A key challenge in deep defence-industrial relationships involves ensuring mutual security of information. The sharing of advanced technologies necessitates a strong and legally enforceable agreement, such as the one outlined above, and significant strategic trust.
- **Geopolitics:** Increasing deterrence while avoiding a hostile reaction to an aggressive China is a tricky business. This challenge is about finding ways to increase deterrence by working together without provoking conflict.
- **Indian Defence Industry:** The Indian defence industry is yet to develop fully. For the successful absorption and development of advanced technology from Australia, there needs to be an overcoming of the logistical and administrative obstacles.

Way Forward

- **Finalising Strategic Frameworks:** The immediate task is to conclude the Joint Maritime Security Collaboration Road Map and the MoU on Defence Articles and Services. These documents will provide the binding architecture for future cooperation.
- **Completion of Strategic Frameworks:** In the first instance, completion of the Joint Maritime Security Collaboration Road Map and the MoU on Defence Articles and Services needs to happen. The two frameworks would serve as the basis for future collaboration.
- **Increased Complexity of Exercises:** There needs to be increased complexity in joint exercises, which may involve other members of the Quad alliance, focusing on anti-submarine and surface warfare.
- **Implementing the Quad Strategy:** The positive trend in bilateralism needs to be carried forward within the Quad alliance through programs such as the IPMDA program.
- **Industrial-to-Industrial Ties:** For the success of the MoU, there needs to be an increase in industrial linkages between defense industries of both India and Australia.

Conclusion

The second India-Australia Defense Ministers' Dialogue signals a clear move beyond strategic convergence towards integration of the operational and industrial varieties. By focusing on

maritime security and industrial co-developments at the heart of the India-Australia bilateral, both countries are developing an association that serves as a net provider of security in the Indo-Pacific region. The real measure of success, however, is in the rapid ratification of the necessary legal agreements and their practical implementation through capability development.

4. IMEC is caught between commerce and geopolitics

Why in the News?

The ongoing war in Iran, coupled with the blockage of the Strait of Hormuz, has brought the India Middle East Europe Economic Corridor (IMEC) back into focus again. Whereas the conflict clearly highlights the necessity of finding alternate economic corridors which can be used to avoid conflict areas and choke points, at the same time, it has highlighted how geopolitically fragmented the region of West Asia is, making the route via Israel less viable for the proposed economic corridor.



What is IMEC?

- The India-Middle East-Europe Economic Corridor (IMEC) is a transcontinental connectivity initiative announced through a Memorandum of Understanding (MoU) during the G20 New Delhi Summit (2023).
- Seven countries and the European Union signed the MoU: India, the USA, Saudi Arabia, UAE, France, Germany, Italy, and the EU.
- The framework was envisioned as a direct strategic counter to China's Belt and Road Initiative (BRI).

Features

The Commerce Case Strengthened

- The blockade has validated IMEC's core logic: the global economy must develop corridors that avoid the "two Cs"-conflict zones and choke points like Hormuz and Suez.
- The U.S. military experience, losing over 40 aircraft and expending over half its advanced missile inventory to secure a fragile ceasefire, shatters the myth that military superiority can quickly guarantee the safety of traditional sea lanes.

The Geopolitical Vulnerability Exposed

- **Israel Leg as a Liability:** The original route's dependence on the port of Haifa makes the entire corridor a direct stakeholder in the Iran-Israel conflict, rendering it perpetually vulnerable to regional instability.
- **UAE Under Fire:** Key Emirati ports like Jebel Ali and Fujairah, the proposed eastern entry points, have been targeted by Iran due to the UAE's proximity to Israel. This negates the assumed geographic safety of the southern Gulf.
- **Saudi-UAE Divergence:** A critical fault line has emerged between Saudi Arabia and the UAE. Abu Dhabi's decision to leave OPEC in April 2026 and its deepening strategic coordination with Israel (including deployment of the Iron Beam system) are widening differences with Riyadh. Since IMEC requires seamless coordination between these two core partners, a bilateral adversarial posture is a major risk.

Challenge

- **Negotiating the Divided Gulf:** In addition to constructing physical infrastructure, the first problem is one of navigating an environment with "divergent" foreign policy and security stances that have emerged as the two Gulf states confront "deeper faultlines." It is critical to the success of IMEC that there is cooperation between Saudi Arabia and the UAE, something that is not easy at present.
- **Route Efficiency vs. Political Feasibility:** While the most commercially efficient route (via Israel) may be the least politically possible, any other route will necessarily need to duplicate the original efficiency and connectivity that was intended for the project.
- **Commercial Activity vs. Geopolitical Conflict:** IMEC's basic problem will be finding a way to build a business enterprise despite being a response to a geopolitical crisis and despite being constructed via geopolitical entities.

Way Forward

- **Multi-Spur Route Design**
 - **Eastwards through Oman:** Rather than depending only on the UAE, IMEC should build and develop critical ports such as Salalah, Duqm, and Muscat in Oman, which are located on the Arabian Sea beyond the volatile Strait of Hormuz.
 - **Westwards through Egypt:** As long as Haifa remains insecure, a westward spur line must be set up from Egypt, ending in any of the country's Mediterranean ports. In Egypt, the existing logistics infrastructure and economic zones, as well as the industrial sectors, will prove advantageous for IMEC.
- **Proactive Multinational Diplomacy**
 - **Role of India as a Facilitator:** India, which has developed considerable strategic confidence with both Saudi Arabia and the UAE, has to tread this diplomatic tightrope to reconcile the differences between the two partners in their continued commitment to the project.
 - **European Nations' Engagement:** Nations of Europe, particularly those such as Italy and France, which have lately shown a great willingness to partner with

IMEC (as evidenced by PM Modi's May 2026 visit to Italy), have to get actively involved in the mediation process.

Conclusion

For IMEC, the Iranian crisis is an important milestone that shifts the role of IMEC from being a visionary concept of connectivity to becoming a matter of necessity. The current conflict has demonstrated that total reliance on maritime choke points cannot be sustainable and is a huge risk factor for the global economy. At the same time, the current conflict may prove detrimental to IMEC because its success relies heavily on the ability of IMEC to become geopolitically nimble and reduce risks by relying on alternative nodes in Oman and Egypt, while its main participants are simultaneously handling the emerging split between Saudi Arabia and the UAE.

5. Orbital rivalry — the challenge of China's space power

Why in the News?

China's rapidly expanding counter-space capabilities and its demonstrated ability to conduct offensive operations in orbit have raised a critical strategic challenge. The blurring line between routine space operations and **potential orbital warfare, underscored by tests of anti-satellite missiles, co-orbital systems**, and in-space manoeuvring, demands that India urgently reassess its space resilience and deterrence posture.

Background

- **China's Demonstrated Capabilities:** China's demonstrated intent to weaponise space is not theoretical.
- The timeline includes a 2007 direct-ascent anti-satellite (ASAT) test against one of its own satellites; a **2015 test of an exoatmospheric vehicle**; a 2022 operation in which a robotic spacecraft pushed a defunct satellite into a graveyard orbit; and a 2024 demonstration of an orbital "dog-fight," proving manoeuvrability for proximity operations.
- **Dual-Use Ambiguity:** Beijing officially advocates "peaceful use of space," but the military-civil fusion strategy makes it difficult to differentiate civilian technology from PLA counter-space assets, particularly the co-orbital **SJ and TJS satellite** series.
- **The Space Race Context:** China has about 1,900 satellites compared to the U.S.'s 8,000+, but plans to launch more than **36,000 low-Earth orbit (LEO)** satellites by **2030**, in direct competition with networks like Starlink. Long-term goals include a moon landing by 2036 and asteroid mining.
- **India's Vulnerability:** India has about 60 satellites, many of them dual-use, as against more than 400 dedicated Chinese military satellites. This stark numerical asymmetry leaves India with a profound lack of redundancy.

Challenge

The "Lesser Redundancy" Pitfall

- The destruction of just five or six satellites by a kinetic strike on the CARTOSAT or RISAT series of satellites would result in the denial of tactical-level imagery for hours or even days.

The Sub-Kinetic Assaults

- It should be understood that China has the capacity to wage "peacetime harassment" without engaging in any warfare.
 - **For example**, China could use ground-based lasers to temporarily disable Indian satellites in their flight path over the **Line of Actual Control (LAC)**.
- Alternatively, China may jam the Indian Regional Navigation Satellite System (NavIC) and deny it coverage in the region.

Kessler Syndrome and the Limits of Deterrence

- China cannot carry out a devastating, irrevocable attack on India without damaging many of its own satellites and triggering a chain reaction of Kessler Syndrome, turning entire orbits unusable even for China.

India's Capability Shortcomings

- Although "**Mission Shakti**" conducted by **India in 2019** is India's initial effort toward developing a kinetic deterrent capability, it does not qualify as operationally reliable, and, more importantly, India still lacks the capability of operating co-orbital satellites for detecting, disrupting, and deterring **China's SJ and TJS satellites**.

Features

- **Kinetic Kill Systems:** Direct-ascent missiles like the DN-3 and SC-19 are designed to physically destroy satellites.
- **Non-Kinetic Systems:** Ground-based lasers to dazzle or permanently blind satellite optics, disrupting ISR and navigation.
- **Co-Orbital Systems:** Satellites like the SJ and TJS series, which can manoeuvre close to a target satellite to inspect, jam, dislodge, or potentially use a robotic arm to capture it. These are the primary tools for a "soft kill" in the first 24-48 hours of a conflict.

Way Forward

Scale Up Production and Launch Capacity

- India must move beyond the Indian Space Research Organisation (ISRO) and foster a robust private space industry to dramatically increase the rate of satellite production and launch. Greater capacity directly translates into greater redundancy.

Disaggregate and Diversify Architectures

- Instead of large, expensive, single-point-of-failure satellites (like the GSAT series), India must shift to smaller, disaggregated constellations in LEO. These are inherently more resilient, survivable, and difficult to cripple entirely with a single attack.

Harden Ground and Space Assets

- Strengthen the protection of ground-based control stations against cyber and physical attack. Simultaneously, harden satellites with anti-jamming technology and shutters to protect optics against laser dazzling.

Formalise Allied Data-Sharing Pacts

- India should negotiate binding arrangements with strategic partners to ensure that in the event of a satellite loss, critical services-communications, navigation, ISR-can be seamlessly restored within hours through commercial or allied partner networks.

Define Red Lines and Escalation Ladders

- India must clearly articulate, through established diplomatic and military channels, its red lines in space and the scope of its proportionate response. This is essential to ensure China fully understands the escalation ladder and the consequences of even a sub-threshold attack in orbit.

Conclusion

China's pursuit of orbital superiority is designed to blind and paralyse an adversary in the critical opening hours of a conflict. For India, the danger lies in an asymmetric vulnerability where even a limited, non-destructive attack could have a strategically crippling effect on its conventional military posture. The response cannot be a mirror-image matching of China's kinetic arsenal but a comprehensive strategy of architectural resilience-building redundancy, disaggregating assets, and forging deep strategic alliances. India's space security rests on raising the cost of any Chinese aggression so high, across multiple domains, that it serves as a stable deterrent.

6. Remittances anchor the rupee, India's external balances

Why in the News?

With the Indian rupee witnessing substantial depreciation to the extent that it has fallen by nearly **12% since May 2025**, when compared to the American dollar, the central theme has revolved around falling net levels of **foreign direct investment (FDI) and foreign portfolio investment (FPI)**. This paper seeks to prove that one aspect of the matter – the critical importance of remittances – has been dangerously neglected. Given that FDI and FPI have started going into reverse gear, remittances are more important than ever before.

Background

- **Structural Weakness of the Rupee**
 - The weakness of the rupee is believed to be structurally ingrained due to the perpetual presence of the Current Account Deficit (CAD) in India, resulting from the country's perpetual trade deficit (excess of imports over exports).
- **Role Played by Capital Movements**
 - There exists a common belief that strong positive flows of FDI and FPI registered under FA are essential for financing the CAD and offsetting the downward pressure on the rupee
- **Downtrend in Capital Movements**
 - The weakening of net positive flows of FDI and FPI is not an event that has just begun during the West Asia oil crisis; this trend started in Q2 of 2021-22 in the case of net FDI, which was negative in Q3 of 2025-26.
 - In the same way, net FPI has been registering a downtrend since Q4 of 2023-24 and has become negative.

- **India's Dominance in Remittances**

- India leads the world in attracting remittances, receiving \$138 billion in 2024. These inflows are registered under CA as Net Secondary Income (NSI).

Feature

- **Larger in Size and More Stable**

- Remittances account for an average of **3% of GDP compared to net FDI and FPI**.
- The critical point is that remittances do not experience stoppages and reversals like **"hot money"** flows.
- Instead, remittances come from the continuous income and savings choices of the diaspora rather than changes in risk sentiments and interest rate arbitrages.

- **Creates no Future Liabilities**

- Unlike foreign capital, which creates future claims or liabilities for India through profit remittances and dividend payments, remittances create no future contingent obligations whatsoever.

- **Anti-Cyclical Nature**

- Remittances tend to be anti-cyclical in nature and are likely to increase when there is difficulty back home due to the intervention of the diaspora community.

Challenge

- **"Remittance Timing" Problem:** First and foremost, the problem is of behaviour. As the rupee falls in value, the incentive for expatriate remitters to postpone the transfer of their remittances will be to wait for the currency to bottom out so that the local value of the remittance becomes maximum.
- This postponement will become a vicious circle, and what remittances aim to relieve will only be compounded.
- **Increasing Trade Deficit:** Coincidentally, the cost of energy imports as a result of the West Asian conflict is expected to cause an ever-widening trade deficit in India.
- Both the falling remittance inflows and the widening of the trade deficit may cause a significant gap in the CA, putting a heavy burden of financing on the FA, which sees negative FDI and FPI flows.
- **Policy Problem:** Fundamentally, the problem is the absence of proper policy thinking. Remittances have been overlooked as a result of an obsession with high-profile international flows of finance, such as foreign direct investment and foreign portfolio investment.
- They have been overlooked since the fact that they are merely an aggregate of small decisions made by expatriates is something that does not interest the "globalised elites".

Way Forward

- **Embedding Remittances in Macro Policy Framework:** The RBI and the government need to explicitly analyse and incorporate the movement of remittances as one of the key variables in currency and balance-of-payments forecasting, which will hold a level of importance comparable to foreign portfolio investments (FPI).

- **Encourage Promptness in Remittance:** There should be policies in place to deal with the risk of remitters waiting to do their transactions. One way could be through the introduction of interest-bearing Non-Resident Indian (NRI) deposits akin to the old FCNR(B) and RFC accounts, which provide a hedged option of returns and motivate the remitter to send in their funds without delay.
- **Lower Transaction Costs in Remittances:** India needs to work towards bringing down the transaction costs associated with remittances, as stipulated under Sustainable Development Goal 10.c, ensuring that more benefits are delivered to the beneficiary of the transaction and discouraging informal channels of flow.
- **Mitigating Core Vulnerability:** The only way to remove this vulnerability over time is by systematically bringing down the structure of the trade deficit, including the import bill for energy, by embracing green energy and manufacturing domestically.

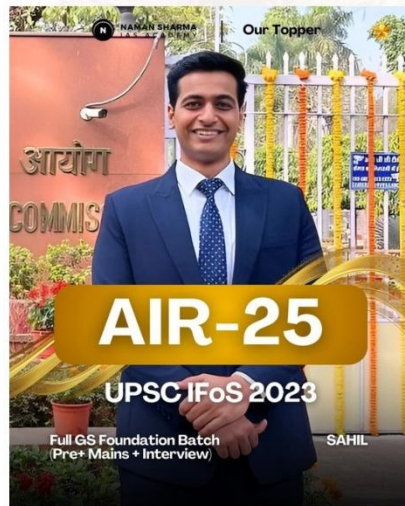
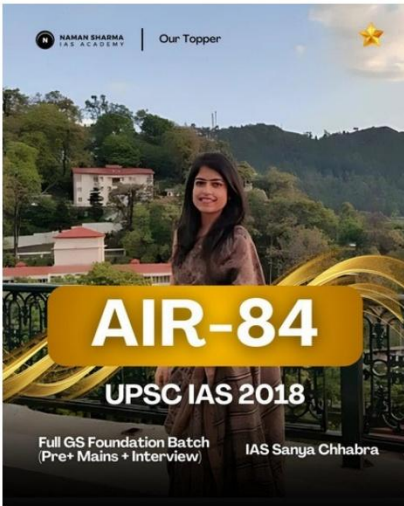
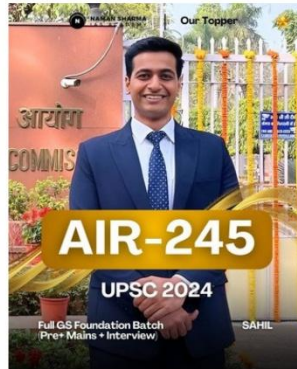
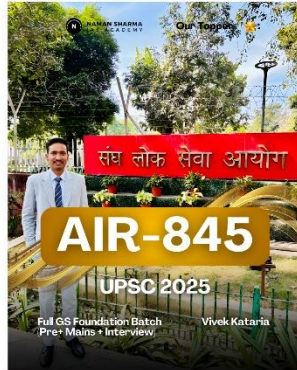
Conclusion

The external stability of India is being silently supported by its huge diaspora, while high-level discourse is obsessed with the inflows and outflows of institutional finance. When flows of FDI and FPI are becoming structurally negative, what keeps the rupee stable is not capital from around the world, but labour from around the world. There is a risk that, through failing to recognise this fact, there might come a point where a late payment caused by an underperforming rupee and a growing energy bill will result in a large gap in external financing.



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