Career Launcher IAS

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CL Educate Limited, A – 45, Mohan Co-operative Industrial Estate, New Delhi – 110044

Contact No. 011-41280800 / 1100

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Contents

1. Union Budget 2026-27

PART-A

Key Numbers

In ₹ crore	2024-25 (Actuals)	2025-26 (Budget Estimates)	2025-26 (Revised Estimates)	2026-27 (Budget Estimates)
Revenue Receipts	3,03,6619	34,20,409	33,42,323	35,33,150
Capital Receipts	16,16,249	16,44,936	16,22,519	18,14,165
Total Receipts	46,52,867	50,65,345	49,64,842	53,47,315
Total Expenditure	46,52,867	50,65,345	49,64,842	53,47,315
Effective Capital Expenditure	13,24,609	15,48,282	14,03,906	17,14,523
Revenue Deficit	5,64,296	5,23,846	5,26,764	5,92,344
Effective Revenue Deficit	2,91,640	96,654	21,8,613	99,642
Fiscal Deficit	15,74,431	15,68,936	15,58,492	16,95,768
Primary Deficit	4,58,856	2,92,598	28,4154	2,91,796

- Union Minister for Finance and Corporate Affairs, Smt. Nirmala Sitharaman tabled the Union Budget 2026-27 in the parliament.

The highlights of the budget are as follows:

The first Budget prepared in Kartavya Bhawan, is inspired by 3 kartavyas:

- First kartavya is to accelerate and sustain economic growth, by enhancing productivity and competitiveness, and building resilience to volatile global dynamics.

- Second kartavya is to fulfil aspirations of people and build their capacity, making them strong partners in India's path to prosperity
- Third kartavya, aligned with vision of Sabka Sath, Sabka Vikas, is to ensure that every family, community, region and sector has access to resources, amenities and opportunities for meaningful participation.

Budget Estimates

- The non-debt receipts and the total expenditure are estimated as Rs. 36.5 lakh crore and Rs. 53.5 lakh crore respectively. The Centre's net tax receipts are estimated at Rs. 28.7 lakh crore.
- The gross market borrowings are estimated at Rs. 17.2 lakh crore and the net market borrowings from dated securities are estimated at Rs. 11.7 lakh crore.
- The Revised Estimates of the non-debt receipts are Rs. 34 lakh crore of which the Centre's net tax receipts are Rs. 26.7 lakh crore.
- The Revised Estimate of the total expenditure is Rs. 49.6 lakh crore, of which the capital expenditure is about Rs. 11 lakh crore.
- The fiscal deficit in BE 2026-27 is estimated to be 4.3 percent of GDP.
- In RE 2025-26, the fiscal deficit has been estimated at par with BE of 2025-26 at 4.4 percent of GDP.
- The debt-to-GDP ratio is estimated to be 55.6 percent of GDP in BE 2026-27, compared to 56.1 percent of GDP in RE 2025-26.

First Kartavya is to accelerate and sustain economic growth and proposes 6 interventions

1. Scaling up manufacturing in 7 strategic and frontier sectors

- Biopharma SHAKTI (Strategy for Healthcare Advancement through Knowledge, Technology and Innovation) announced, with an outlay of Rs. 10,000 crores over the next 5 years to develop India as a global Biopharma manufacturing hub.
- A Biopharma-focused network to be created with 3 new National Institutes of Pharmaceutical Education and Research (NIPER) and upgrading 7 existing ones.
- A network of over 1000 accredited India Clinical Trials sites to be created
- India Semiconductor Mission (ISM) 2.0 to be launched to produce equipment and materials, design full-stack Indian IP, and fortify supply chains with focus on industry led research and training centres to develop technology and skilled workforce.
- The Electronics Components Manufacturing Scheme outlay increased to Rs. 40,000 crore.
- Dedicated Rare Earth Corridors to be established, to support the mineral-rich States of Odisha, Kerala, Andhra Pradesh and Tamil Nadu to promote mining, processing, research and manufacturing.
- Government to launch a Scheme to support States in establishing 3 dedicated Chemical Parks, through challenge route, on a cluster-based plug-and-play model.

Strengthening Capital Goods Capability

- Hi-Tech Tool Rooms to be established by CPSEs at 2 locations as digitally enabled automated service bureaus that locally design, test, and manufacture high-precision components at scale and at lower cost.
- A Scheme for Enhancement of Construction and Infrastructure Equipment (CIE) to be introduced, to strengthen domestic manufacturing of high-value and technologically-advanced CIE.
- A Scheme for Container Manufacturing announced, to create a globally competitive container manufacturing ecosystem, with a budgetary allocation of over Rs. 10,000 crore over a 5 year period.

Integrated Programme for the Textile Sector announced

- The National Fibre Scheme for self-reliance in natural fibres such as silk, wool and jute, man-made fibres, and new-age fibres.
- Textile Expansion and Employment Scheme to modernize traditional clusters with capital support for machinery, technology upgradation and common testing and certification centres.
- Mega Textile Parks to be setup in challenge mode with focus on bringing value addition to technical textiles.
- Mahatma Gandhi Gram Swaraj initiative announced, to strengthen khadi, handloom and handicrafts.
- Initiative to help in global market linkage, branding and will streamline and support training, skilling, quality of process and production.

2. Rejuvenating legacy industrial sectors

- A Scheme to revive 200 legacy industrial clusters announced, to improve their cost competitiveness and efficiency through infrastructure and technology upgradation.

3. Creating "Champion SMEs" and supporting micro enterprises

- A dedicated Rs. 10,000 crore SME Growth Fund, to be introduced, to create future Champions, incentivizing enterprises based on select criteria.
- Self-Reliant India Fund to be allocated with additional Rs. 2,000 crore, to continue support to micro enterprises and maintain their access to risk capital.
- Government to facilitate Professional Institutions such as ICAI, ICSI, ICMAI to design short-term, modular courses and practical tools to develop a cadre of 'Corporate Mitras', especially in Tier-II and Tier-III towns.

4. Delivering a powerful push to Infrastructure

- Public capital expenditure to be increased to Rs. 12.2 lakh crore in FY 2026-27.
- Government to set up an Infrastructure Risk Guarantee Fund to strengthen the confidence of private developers regarding risks during infrastructure development and construction phase.
- Government to accelerate recycling of significant real estate assets of CPSEs through the setting up of dedicated REITs.
- **To promote environmentally sustainable movement of cargo, following measures are proposed:**
  - New Dedicated Freight Corridors to be established connecting Dankuni in the East, to Surat in the West
  - 20 new National Waterways (NW) to be operationalised over next 5 years, starting with NW-5 in Odisha to connect mineral rich areas of Talcher and Angul and industrial centres like Kalinga Nagar to the Ports of Paradeep and Dhamra.
  - Training Institutes to be set up as Regional Centres of Excellence for development of the required manpower.
  - Further, a ship repair ecosystem catering to inland waterways to be set up at Varanasi and Patna
  - A Coastal Cargo Promotion Scheme to be launched for incentivising a modal shift from rail and road, to increase the share of inland waterways and coastal shipping from 6% to 12 % by 2047.
  - Incentives to be provided to indigenize manufacturing of seaplanes and enhance last-mile and remote connectivity, and promote tourism.
  - Seaplane VGF Scheme to be introduced to provide support for operations.

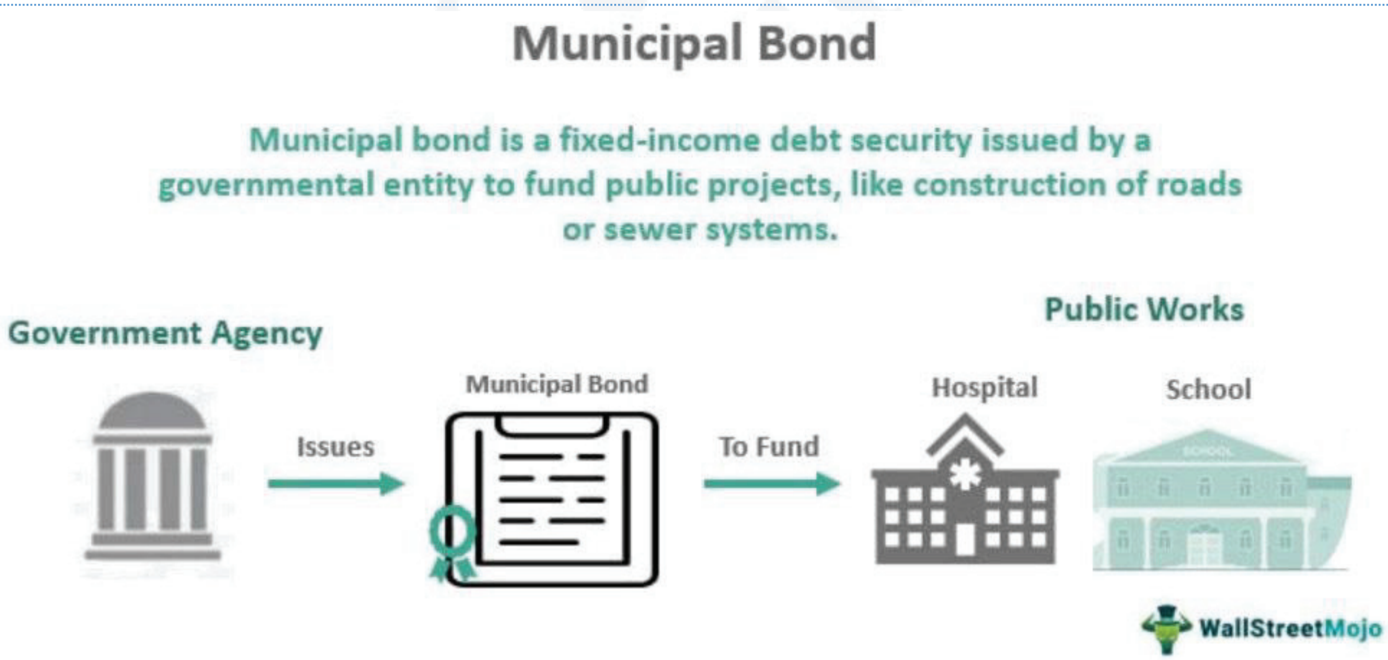
5. Ensuring long term energy security and stability

- An outlay of Rs. 20,000 crore over the next 5 years, announced for Carbon Capture Utilization and Storage (CCUS) technologies.

6. Developing City Economic Regions

- An allocation of Rs. 5000 crore over 5 years, per city economic regions (CER) announced, for implementing their plans through a challenge mode with a reform-cum-results based financing mechanism.
- Government to develop Seven High-Speed Rail corridors between cities as 'growth connectors' to promote environmentally sustainable passenger systems. These include:
  - Mumbai-Pune
  - Pune-Hyderabad,
  - Hyderabad-Bengaluru,
  - Hyderabad-Chennai
  - Chennai-Bengaluru,
  - Delhi-Varanasi,
  - Varanasi-Siliguri.
- Government to setup a "High Level Committee on Banking for Viksit Bharat", to comprehensively review the sector and align it with India's next phase of growth, while safeguarding financial stability, inclusion and consumer protection.
- Government to restructure the Power Finance Corporation and Rural Electrification Corporation to achieve scale and improve efficiency in the Public Sector NBFCs.
- A comprehensive review of the Foreign Exchange Management (Non-debt Instruments) Rules is proposed, to create a more contemporary, user-friendly framework for foreign investments, consistent with India's evolving economic priorities.

Municipal Bonds



- An incentive of Rs. 100 crore for a single bond issuance of more than Rs. 1,000 crore announced, to encourage the issuance of municipal bonds of higher value by large cities.
- Second Kartavya is to fulfil aspirations and build capacity of people
- Government to set up a High-Powered 'Education to Employment and Enterprise' Standing Committee to recommend measures that focus on the Services Sector as a core driver of Viksit Bharat.

Creation of Professionals for Viksit Bharat

- Existing institutions for Allied Health Professionals (AHPs) to be upgraded and new AHP Institutions to be established in private and Government sectors
- 100,000 Allied Health Professionals to be added over the next 5 years
- Five Regional Medical Hubs to be established, to promote India as a hub for medical tourism services.

AYUSH

3 new All India Institutes of Ayurveda to be established

Animal Husbandry

- Government to scale up availability of veterinary professionals by more than 20,000
- A loan-linked capital subsidy support scheme to be launched for establishment of veterinary and para vet colleges, veterinary hospitals, diagnostic laboratories and breeding facilities in the private sector.

Education

- 5 University Townships to be created in the vicinity of major industrial and logistic corridors through challenge route.
- Through VGF/capital support, 1 girls' hostel to be established in every district

Tourism

- National Council for Hotel Management and Catering Technology to be upgraded to National Institute of Hospitality
- A pilot scheme for upskilling 10,000 guides in 20 tourist sites announced through a standardized, high-quality 12-week training course in hybrid mode In collaboration with an IIM.
- A National Destination Digital Knowledge Grid to be established to digitally document all places of significance—cultural, spiritual andheritage.

Heritage and Culture Tourism

- 15 archeological sites including Lothal, Dholavira, Rakhigarhi, Adichanallur, Sarnath, Hastinapur, and Leh Palace to be developed into vibrant, experiential cultural destinations

Sports

- Khelo India Mission to be launched to transform the Sports sector over the next decade.
- Third Kartavya is aligned with vision of Sabka Sath, Sabka Vikas and requires targeted efforts in the following four areas:

1. Increasing Farmer Incomes

- New Initiatives to be undertaken for
- Integrated development of 500 reservoirs and Amrit Sarovars
- **High Value Agriculture:** Govt. to support high value crops such as:
  - coconut, sandalwood, cocoa and cashew in coastal areas
  - Coconut Promotion Scheme to be launched to increase production and enhance productivity.
  - Bharat-VISTAAR (Virtually Integrated System to Access Agricultural Resources)
  - Government to launch Bharat-VISTAAR, a multilingual AI tool to integrate the AgriStack portals and the ICAR package on agricultural practices with AI systems.

2. Empowering Divyangjan

- Divyangjan Kaushal Yojana for Divyangjans to offer task-oriented and process-driven roles in IT, AVGC sectors, Hospitality and Food and Beverages sectors.

3. Commitment to Mental Health and Trauma Care

- Government to set up NIMHANS-2 in north India.
- Government to upgrade National Mental Health Institutes in Ranchi and Tezpur as Regional Apex Institutions.

4. Focus on the Purvodaya States and the North-Eastern Region

- Government to develop an integrated East Coast Industrial Corridor with a well-connected node at Durgapur, creation of 5 tourism destinations in the 5 Purvodaya States, and the provision of 4,000 e-buses.
- A scheme to be launched for the development of Buddhist Circuits in Arunachal Pradesh, Sikkim, Assam, Manipur, Mizoram and Tripura.

16^{th} Finance Commission

- Government provided Rs. 1.4 lakh crore to the States for the FY 2026-27 as Finance Commission Grants as recommended by the 16^{th} Finance Commission.

PART-B

Direct Taxes

New Income Tax Act

- New Income tax Act, 2025 to come into effect from April 2026
- The simplified Income Tax Rules and Forms will be notified shortly. The forms redesigned for easy compliance of ordinary citizens.

Ease of Living

- Interest awarded by the Motor Accident Claims Tribunal to a natural person will be exempt from Income Tax, and any TDS on this account will be done away with.

TCS Rationalization

- Reduce TCS rate on sale of overseas tour program package to 2 % (from current 2-20%).
- Reduce the TCS rate to 2% (from current 5%) for LRS remittances for education and medical.
- Simplified TDS provisions for manpower supply will benefit labour intensive business.
- Scheme for small taxpayers wherein a rule based automated process for obtaining Lower or nil deduction certificate instead of filing application with the assessor.
- Single window filing with depositories for Form 15G or 15 H for TDS on dividends, interests etc
- Extend time available for revising returns from 31^{st} December to upto 31^{st} March with payment of nominal fees
- The timeline for filing of tax returns to be staggered.
- TAN for property transactions involving NRIs will be replaced with resident buyers PAN based challan.
- A one time 6 month foreign asset disclosure scheme for small taxpayers to disclose their overseas income or asset.

Rationalizing Penalty and Prosecution

- IT assessment & penalty proceedings are proposed to be integrated by way of common order for both.
- Taxpayers allowed to update their returns even after reassessment proceedings have been initiated to reduce litigations, at an additional 10 percent tax rate over and above the rate applicable for the relevant year.
- Penalty for misreporting of income also eligible for immunity with payment of additional income tax.
- Prosecution framework under the Income Tax Act to be rationalized.
- Non-production of books of account and documents, and requirement of TDS payment, where payment is made in kind, to be decriminalised.
- Non-disclosure of non-immovable foreign assets with aggregate value less than 20 lakh rupees to be provided with immunity from prosecution with retrospective effect from 1.10.2024.

Cooperatives

- Extend deduction already allowed to a primary cooperative society engaged in supplying milk, oilseeds, fruits or vegetables raised or grown by its members to those supplying cattle feed and cotton seed also.
- Allow the inter-cooperative society dividend income as deduction under the new tax regime to the extent it is further distributed to its members.
- Exemption for a period of 3 years allowed to dividend income received by a notified national cooperative federation, on their investments made in companies up to 31.1.2026, for dividends further distributed to its member co-operatives.

Supporting IT sector as India's growth engine

- Software development services, IT enabled services, knowledge process outsourcing services and contract R&D services relating to software development to be clubbed under a single category of Information Technology Services with a common safe harbour margin of 15.5 percent.
- The threshold for availing safe harbour for IT services to be enhanced from 300 crore rupees to 2,000 crore rupees.
- Safe harbour for IT services shall be approved by an automated rule-driven process, can be continued for a period of 5 years at a stretch.
- Unilateral Advanced Pricing Agreement (APA) process for IT services to be fast-tracked with the endeavour to conclude it within a period of 2 years, which can be extended by 6 months on taxpayer's request.
- The facility of modified returns available to the entity entering APA to be extended to its associated entities.

Attracting global business and investment

- Any foreign company that provides cloud services to customers globally by using data centre services from India to be provided Tax holiday till 2047
- A safe harbour of 15 percent on cost to be provided if the company providing data centre services from India is a related entity.
- A safe harbour to non-residents for component warehousing in a bonded warehouse at a profit margin of 2 percent of the invoice value. The resultant tax of about 0.7 percent will be much lower than in competing jurisdictions.
- Exemption from income tax for 5 years to be provided to any non-resident who provides capital goods, equipment or tooling, to any toll manufacturer in a bonded zone.

- Exemption to global (non-India sourced) income of a non-resident expert, for a stay period of 5 years under notified schemes
- Exemption from Minimum Alternate Tax (MAT) to all non-residents who pay tax on presumptive basis.

Tax administration

- A Joint Committee of Ministry of Corporate Affairs and Central Board of Direct Taxes to be constituted for incorporating the requirements of Income Computation and Disclosure Standards (ICDS) in the Indian Accounting Standards (IndAS) itself. Separate accounting requirement based on ICDS will be done away with from the tax year 2027-28.
- Definition of accountant for the purposes of Safe Harbour Rules to be rationalized.

Other Tax proposals

- In the interest of minority shareholders, buyback for all types of shareholders to be taxed as Capital Gains. Promoters to pay an additional buyback tax, making effective tax 22 percent for corporate promoters and 30 percent for non-corporate promoters.
- TCS rate for sellers of specific goods namely alcoholic liquor, scrap and minerals will be rationalized to 2 percent and that on tendu leaves will be reduced from 5 percent to 2 percent.
- STT on Futures to be raised to 0.05 percent from present 0.02 percent. STT on options premium and exercise of options to be raised to 0.15 percent from the present rate of 0.1 percent and 0.125 percent respectively.
- To encourage companies to shift to the new regime, set-off of brought forward MAT credit to be allowed to companies only in the new regime. Set-off using available MAT credit to be allowed to an extent of 1/4th of the tax liability in the new regime.
- MAT is proposed to be made final tax. There will be no further credit accumulation from 1st April 2026. The rate of final tax to be reduced to 14 percent from the current MAT rate of 15 percent. The brought forward MAT credit of taxpayers accumulated till 31st March 2026, will continue to be available to them for set-off as above.

Indirect taxes

Tariff Simplification

- **Marine, leather, and textile products:**
  - The limit for duty-free imports of specified inputs used for processing seafood products for export, to increase from the current 1 per cent to 3 per cent of the FOB value.
  - The duty-free imports of specified inputs, which is currently available for exports of leather or synthetic footwear to be allowed.
- **Energy transition and security:**
  - The basic customs duty exemption given to capital goods used for manufacturing Lithium-Ion Cells for batteries to be extended.
  - The basic customs duty on import of sodium antimonate for use in manufacture of solar glass to be exempted.
- **Nuclear Power:**
  - The existing basic customs duty exemption on imports of goods required for Nuclear Power Projects to be extended till the year 2035.
- **Critical Minerals:**
  - The basic customs duty to the import of capital goods required for processing of critical minerals to be exempted.

- **Biogas blended CNG:**
  - The entire value of biogas while calculating the Central Excise duty payable on biogas blended CNG to be excluded.
- **Civil and Defence Aviation:**
  - The basic customs duty on components and parts required for the manufacture of civilian, training and other aircrafts to be exempted.
  - The basic custom duty on raw materials imported for manufacture of parts of aircraft to be used in maintenance, repair, or overhaul requirements by Units in the Defence sector to be exempted.
- **Electronics:**
  - The basic customs duty on specified parts used in the manufacture of microwave ovens to be exempted.
- **Special Economic Zone:**
  - A special one-time measure, to facilitate sales by eligible manufacturing units in SEZs to the Domestic Tariff Area (DTA) at concessional rates of duty is proposed.
  - The quantity of such sales will be limited to a prescribed proportion of their exports.
- **Ease of Living:**
  - The tariff rate on all dutiable goods imported for personal use to be reduced from 20 per cent to 10 per cent.
  - The basic customs duty on 17 drugs/ medicines is to be exempted.
  - Duty free personal import of drugs/ medicines and food for 7 more rare diseases.

Customs Process simplification

- Custom processes to have minimal intervention for smoother and faster movement of goods.

Trust-based system

- Duty deferral period for Tier 2 and Tier 3 Authorised Economic Operators, known as AEOs, to be enhanced from 15 days to 30 days. Same is extended to the eligible manufacturer-importers
- Validity period of advance ruling, binding on Customs, to be extended from the present 3 years to 5 years.
- Government agencies will be encouraged to leverage AEO accreditation for preferential treatment in clearing their cargo.
- Filing of bill of entry by a trusted importer, and arrival of goods will automatically notify Customs for completing their clearance formalities (for import of goods not needing any compliance).
- The Customs warehousing framework to be transformed into a warehouse operator-centric system with self-declarations, electronic tracking and risk-based audit.

Ease of Doing Business

- Cargo clearance approvals from various Government agencies to be seamlessly processed through a single and interconnected digital window by the end of the financial year.
- Processes involved in clearance of food, drugs, plant, animal & wild life products, accounting for around 70 percent of interdicted cargo, to be operationalised on this system by April 2026 itself.
- For goods not having any compliance requirement, clearance to be done by Customs immediately after online registration is completed by the importer.
- Customs Integrated System (CIS) to be rolled out in 2 years as a single, integrated and scalable platform for all the customs processes.

- Utilization of non-intrusive scanning with advanced imaging and AI technology for risk assessment to be expanded in a phased manner with the objective to scan every container across all the major ports.

New export opportunities

- Fish catch by an Indian fishing vessel in Exclusive Economic Zone (EEZ) or on the High Seas to be made free of duty, Landing of such fish on foreign port will be treated as export of goods.
- Complete removal of the current value cap of Rs. 10 lakh per consignment on courier exports-supports aspirations of India's small businesses, artisans and start-ups to access global markets through e-commerce

QUESTIONS

1. With reference to the Union Budget, consider the following statements:

1. The Union Finance Minister on behalf of the Prime Minister lays the Annual Financial Statement before both Houses of Parliament.
2. At the Union level, no demand for a grant can be made except on the recommendation of the President of India.

Which of the statements given above is/are correct?

A. 1 only
B. 2 only
C. Both 1 and 2
D. Neither 1 nor 2

2. Which of the following statements about the classification of Government expenditure in India is/are correct?

1. The classification of plan and non-plan expenditure was removed in the 2017-18 Union Budget.
2. The new classification now divides Government expenditure into Capital and Revenue spending.
3. The C Rangarajan Committee recommended the switch to the Capital and Revenue expenditure classification.

Select the correct answer using the codes given below:

A. 1 and 2 only
B. 2 and 3 only
C. 1, 2, and 3
D. 1 only

3. What is the key difference between Capital and Revenue expenditure?

A. Capital expenditure involves the creation of assets or liabilities, while Revenue expenditure does not.
B. Revenue expenditure contributes to the creation of assets or liabilities, whereas Capital expenditure does not.
C. Both Capital and Revenue expenditure are used for long-term investments.
D. Capital expenditure includes the expenditure on employee salaries.

4. Which of the following is an example of Revenue Expenditure according to the new classification system adopted by the Government of India?

A. Loans to Public Enterprises
B. Acquisition of valuables
C. Wages to Government employees
D. Loans to States & Union Territories

5. Which of the following constitutes the largest expenditure and largest source of revenue in the Union Budget 2026?

A. Defence and Income Tax

B. Interest Payment and GST and other taxes

C. States Share of Taxes and Borrowings and Liabilities

D. Other Expenditures and Corporation Tax

6. Consider the following statements regarding the **Union Budget 2026-27**:

1. The India Semiconductor Mission (ISM) 2.0 aims to advance technological sovereignty by focusing on manufacturing semiconductor equipment and materials.
2. The Biopharma SHAKTI mission has been allocated Rs. 10,000 crore over the next five years to position India as a global hub for biologics and biosimilars.
3. The Union Budget proposes the development of **seven high-speed rail corridors** as "Growth Connectors" to enhance regional economic activities.
4. The Budget provides for the establishment of **Regional Medical Hubs** to boost India's status as a wellness and medical tourism destination.

Which of the statements given above are correct?

A. 1 and 2 only

B. 2, 3, and 4 only

C. 1, 3, and 4 only

D. 1, 2, 3, and 4

7. Which of the following statements regarding the **Union Budget 2026-27** are correct?

1. The **SME Growth Fund** aims to incentivize high-potential firms and create "Champion MSMEs" to compete globally, with a Rs. 10,000 crore allocation.
2. The Budget proposes a **Carbon Capture, Utilization, and Storage** (CCUS) scheme to decarbonize sectors like **steel** and **cement**, contributing to sustainability.
3. The **Bharat-VISTAAR** platform, introduced in the Budget, integrates ICAR data with AgriStack to provide personalized advisory for farmers.
4. The **India Semiconductor Mission (ISM)** will receive a Rs. 20,000 crore outlay to strengthen semiconductor manufacturing and R&D facilities.

Select the correct option:

A. 1, 2, and 3 only

B. 2, 3, and 4 only

C. 1, 3, and 4 only

D. 1, 2, 3, and 4

8. With reference to the **Union Budget 2026-27**, consider the following statements:

1. The **Infrastructure Risk Guarantee Fund** is proposed to provide credit guarantees for infrastructure development during the construction phase.
2. The Budget proposes a **tax holiday** for foreign companies providing cloud services through Indian data centers, which will last until 2047.

3. **Khelo India Mission** focuses on talent development in sports, with initiatives like talent identification, coach capacity building, and the expansion of sports infrastructure.
4. **Bhashini**, an AI-powered platform, was launched to address language barriers and provide multilingual AI solutions for public-facing platforms.

Which of the above statements is/are correct?

A. 1 and 2 only
B. 2, 3, and 4 only
C. 1, 2, and 3 only
D. 1, 2, 3, and 4

9. Consider the following statements regarding **tax reforms** in the **Union Budget 2026-27**:

1. The **Minimum Alternate Tax** (MAT) is proposed to be fully exempted for all non-residents paying taxes on a presumptive basis.
2. The Budget introduces a **uniform 2% Tax Collected at Source** (TCS) on overseas tour packages and remittances for education/medical purposes under LRS.
3. The Budget also proposes **marginally increased Securities Transaction Tax (STT)** to curb excessive speculation in equity markets.
4. **Buyback tax** will now be taxed as **capital gains** in the hands of the company, shifting the burden from the shareholder.

Which of the statements is/are correct?

A. 1 and 2 only
B. 1, 2, and 3 only
C. 2, 3, and 4 only
D. 1, 2, 3, and 4

10. Consider the following statements regarding the presentation and history of the Union Budget of India:

1. The Union Budget is presented in Parliament by means of the Finance Bill and the Appropriation Bill.
2. The Union Budget must be passed by the Rajya Sabha before it can come into effect.
3. The 16th Finance Commission report for tax revenue devolution between the Centre and States for 2026–2031 was laid in Parliament along with the Union Budget 2026–27.
4. Morarji Desai holds the record for presenting the highest number of Union Budgets in India.

Which of the statements given above are correct?

A. 1, 3 and 4 only
B. 1 and 4 only
C. 2 and 3 only
D. 1, 2, 3 and 4

11. Consider the following statements regarding the Union Budget of India:

1. Nirmala Sitharaman presented her ninth consecutive Union Budget on 1 February 2026, marking the first time in independent India's history that a Budget was presented on a Sunday.
2. The first Union Budget of independent India was presented by R. K. Shanmukham Chetty on 26 November 1947.
3. In the first Union Budget, defence expenditure constituted less than one-fourth of the total expenditure.

4. The Union Budget is referred to as the Annual Financial Statement under Article 112 of the Constitution of India.

Which of the statements given above are correct?

A. 1 and 2 only
C. 1 and 3 only
B. 2 and 4 only
D. 1, 2 and 4

12. Consider the following statements regarding the Union Budget 2026–27:

1. The Revised Estimate of total expenditure for 2025–26 is Rs. 49.6 lakh crore.
2. The capital expenditure in the Revised Estimates for 2025–26 is about Rs. 11 lakh crore.
3. The gross market borrowings for 2026–27 are estimated at Rs. 11.7 lakh crore.
4. The Centre's net tax receipts for 2026–27 are estimated at Rs. 28.7 lakh crore.

Which of the statements given above are correct?

A. 1, 2 and 4 only
C. 2 and 3 only
B. 1 and 3 only
D. 1, 2, 3 and 4

13. A country's fiscal deficit stands at Rs. 50,000 crores. It is receiving Rs. 10,000 crores through non-debt creating capital receipts. The country's interest liabilities are Rs. 1,500 crores. What is the gross primary deficit?

A. Rs. 48,500 crores
C. Rs. 58,500 crores
B. Rs. 51,500 crores
D. None of the above

14. Suppose the revenue expenditure is Rs. 80,000 crores and the revenue receipts of the Government are Rs. 60,000 crores. The Government budget also shows borrowings of ₹10,000 crores and interest payments of Rs. 6,000 crores. Which of the following statements are correct?

1. Revenue deficit is Rs. 20,000 crores.
2. Fiscal deficit is Rs. 10,000 crores.
3. Primary deficit is Rs. 4,000 crores.

Select the correct answer using the code given below.

A. 1 and 2 only
C. 1 and 3 only
B. 2 and 3 only
D. 1, 2 and 3

15. Consider the following statements:

1. Capital receipts create a liability or cause a reduction in the assets of the Government.
2. Borrowings and disinvestment are capital receipts.
3. Interest received on loans creates a liability of the Government.

A. 1 and 2 only
C. 1 and 3 only
B. 2 and 3 only
D. 1, 2 and 3

2. Economic Survey 2025-26

- India enters FY26 with strong economic momentum supported by stable macroeconomic fundamentals, sustained policy support, and broad-based sectoral performance.
- Despite a challenging global environment, the economy has remained resilient, with robust growth, historically low inflation, improving labour market indicators, and strengthening external and financial buffers.
- Coordinated fiscal, monetary, and structural policies have reinforced macroeconomic stability while supporting investment, consumption, and inclusion.
- The emerging macroeconomic environment reflects an economy that is consolidating its gains while strengthening the foundations for sustained and inclusive growth.

Growth Outlook: GDP and Demand Conditions

- India's growth outlook remains robust, underpinned by strong macroeconomic fundamentals and broad-based demand momentum.

- As per the First Advance Estimates, real GDP and Gross Value Added (GVA) are projected to grow by 7.4% and 7.3% respectively in FY26.
- A strong agricultural performance has bolstered rural incomes and consumption, while improvements in urban demand- supported by tax rationalisation measures indicate a broadening of the consumption base. India's potential growth is estimated at around 7%, with real GDP growth for FY27 projected in the range of 6.8-7.2%, reflecting sustained medium-term growth capacity amid a challenging global environment.

Inflation Trends and Outlook

- India recorded the lowest inflation rate since the beginning of the CPI series, with April-December 2025 average headline inflation coming in at 1.7%, attributing to general disinflationary trend in food and fuel prices.
- Among major Emerging Markets & Developing Economies (EMDEs), India has recorded one of the sharpest declines in headline inflation in 2025 over 2024, amounting to about 1.8 percentage points.
- In December 2025, the RBI lowered its inflation forecast for FY26 from 2.6% to 2.0%, supported by a good kharif harvest and healthy rabi sowing. The IMF projects inflation at 2.8% in FY26 and 4.0% in FY27. The RBI's forecast for headline Inflation for Q1 and Q2 of FY27 currently stands at 3.9 and 4%.
- Looking ahead, the inflation outlook remains benign, supported by favourable supply side conditions and the gradual pass-through of GST rate rationalisation.

Agriculture: Stabilising Rural Demand

- Agriculture and allied activities continue to play a stabilising role in India's growth cycle by supporting rural demand and income security.
- The sector is estimated to grow by 3.1% in FY26, supported by a favourable monsoon during H1 FY26.
- Agricultural GVA expanded by 3.6% in H1 FY26, higher than the 2.7% growth recorded in H1 FY25, reflecting improved crop performance.
- Allied activities particularly livestock and fisheries have exhibited stable growth of around 5–6%, providing resilience and diversification reflecting a relatively stable expansion in allied sectors.

Industry and Manufacturing: Momentum Builds

- Industrial activity is expected to gain momentum in FY26, with the industrial sector projected to grow by 6.2%, up from 5.9% in FY25.
- The sector recorded growth of 7.0% in the first half of FY26, exceeding the growth of 6.1% in H1 of FY25 and the pre-COVID trend of 5.2%.
- Manufacturing has emerged as a key growth engine, with GVA growth accelerating to 7.72% in Q1 and 9.13% in Q2 of FY26, signalling a structural recovery.
- Government-led initiatives, particularly the Production Linked Incentive (PLI) schemes across 14 sectors, have played a catalytic role attracting over Rs. 2.0 lakh crore of actual investment, generating incremental production/sales exceeding Rs. 18.7 lakh crore, and creating over 12.6 lakh jobs as of September 2025.
- India's innovation ecosystem has also strengthened, with the country's Global Innovation Index rank improving to 38th in 2025, up from 66th in 2019, reinforcing the role of manufacturing-led innovation in long-term growth.

Services: The Dominant Growth Engine

- Services sector is estimated to have grown by 9.1% in FY26, up from 7.2% in FY25, indicating a further acceleration in services-led expansion. Services' share in GDP rose to 53.6% in H1 FY26, while its share in GVA reached a historic high of 56.4% as per the FY26 First Advance Estimates, reflecting the rising importance of modern, tradable, and digitally delivered services.

- India is now the world's seventh-largest exporter of services, with its share in global services trade more than doubling from 2% in 2005 to 4.3% in 2024.
- And the sector remains the largest recipient of foreign direct investment. Implicit estimate for H2 suggests a continuation of the services sector's momentum, supported by resilient domestic demand and steady export activity.

Employment and Labour Market Trends

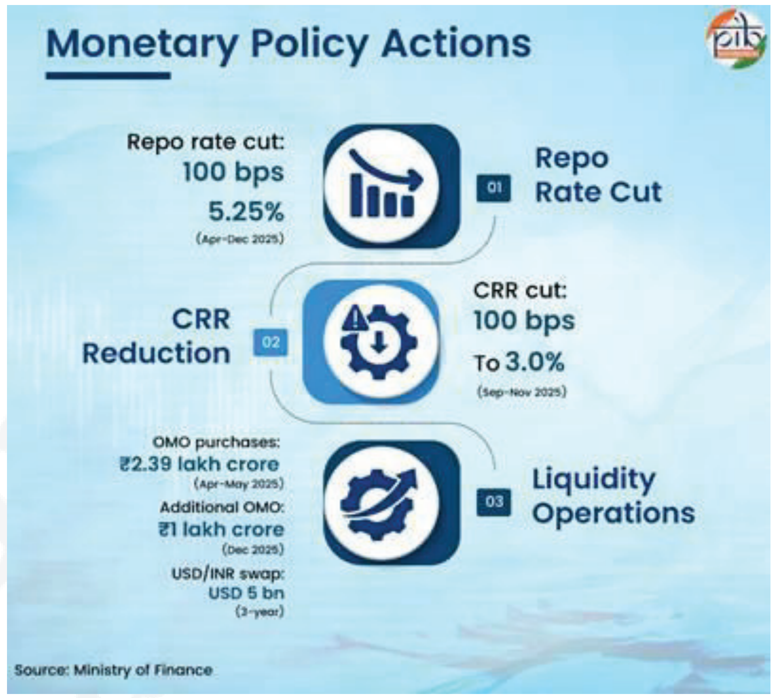
- India's labour market continues to demonstrate resilience alongside economic expansion. In Q2 (July to September 2025) FY26, total employment stood at 56.2 crore persons (aged 15 years and above), reflecting the creation of approximately 8.7 lakh new jobs compared to Q1 (April to June 2025) FY26.
- According to the Periodic Labour Force Survey (PLFS), key labour indicators point to strengthening employment conditions.
- The Labour Force Participation Rate (LFPR) for persons aged 15 years and above increased to 56.1% in December 2025.
- Female LFPR rose to 35.3%, indicating rising participation and improving inclusion.
- The Worker Population Ratio (WPR) increased to 53.4%, reflecting steady employment absorption.
- The unemployment rate declined to 4.8% in December 2025, continuing its downward trajectory.
- The Annual Survey of Industries (ASI) FY24 highlights the strength of organised manufacturing, with employment rising by 6% year-on-year, translating into an addition of over 10 lakh jobs compared to FY23.
- As of January 2026, the e-Shram portal has registered over 31 crore unorganised workers, with women accounting for more than 54% of total registrants significantly strengthening the outreach of gender-focused welfare initiatives. The National Career Service (NCS) platform has emerged as a key labour market intermediary, with over 5.9 crore registered job seekers and 53 lakh job providers, and mobilisation of approximately 8 crore vacancies across sectors. It recorded over a 200% increase in job vacancies in FY24 compared to FY23.

Trade Performance: Export Diversification and Services Strength

- On the trade front, India's total exports reached record levels of USD 825.3 billion in FY25 and USD 418.5 billion in H1 FY26, driven by strong growth in services exports and sustained momentum in non-petroleum, non-gems, and jewellery exports.
- India's integration into global trade continues to deepen, marked by diversification and strong services-led growth. India's share in global merchandise exports increased from 1% in 2005 to 1.8% in 2024.
- According to UNCTAD's Trade and Development Report 2025, India ranks third among countries in the Global South in terms of the diversity index of trade partnerships, following China and the UAE.
- India's index score of 3.2 exceeds that of all countries in the Global North, underscoring its resilience in the face of tariff uncertainties and other emerging challenges.
- Services exports emerged as a key growth engine, reaching an all-time high of USD 387.5 billion in FY25, registering a robust 13.6% year-on-year growth.
- This performance reinforced India's position as a global hub for technology, business, and professional services, with rising demand across IT, financial, and knowledge-intensive segments.
- External buffers remained strong. Foreign exchange reserves stood at USD 701.4 billion as of 16 January 2026, providing an import cover of around 11 months and covering over 94% of external debt, thereby strengthening India's capacity to withstand external shocks.
- India also remained the world's largest recipient of remittances, with inflows reaching USD 135.4 billion in FY25, offering critical support to the current account.
- Notably, the share of remittances from advanced economies increased, reflecting the growing contribution of skilled and professional Indian workers in global labour markets.

Industrial Output: IIP and Core Sector Performance

- Industrial activity gathered further momentum in December 2025, with broad-based improvement reflected across both the Index of Industrial Production (IIP) and the Index of Eight Core Industries (ICI).
- The combined Index of Eight Core Industries (ICI) measures both the individual and aggregate performance of production across eight key sectors viz. coal, crude oil, natural gas, refinery products, fertilizers, steel, cement, and electricity. It serves as a leading indicator of industrial performance and accounts for 40.27% of the total weight of the IIP.
- The IIP rose by 7.8% in December 2025, marking its highest level in over two years, following robust growth of 7.2% (RE) in November 2025. Sector-wise, Manufacturing remained the primary growth driver, expanding by 8.1%, while Mining and Electricity recorded growth of 6.8% and 6.3%, respectively.



- Within manufacturing, strong performance was observed in technology- and mobility-linked segments, with notable growth in:
  - Computer, electronic and optical products (34.9%)
  - Motor vehicles, trailers and semi-trailers (33.5%)
  - Other transport equipment (25.1%)
- On the core sector front, Cement production surged by 13.5% year-on-year, followed by Steel at 6.9%, reflecting sustained demand from construction and infrastructure-related activities.
- Other core sectors also posted positive growth, including Electricity (5.3%), Fertilizers (4.1%), and Coal (3.6%), reinforcing the recovery across energy and input-intensive industries.
- Overall, the synchronised improvement in IIP and ICI points to strengthening industrial fundamentals, supported by infrastructure spending, resilient domestic demand, and steady expansion across core and manufacturing sectors.

Strengthened Fiscal Credibility and Rating Upgrades

- Prudent fiscal management by the government has enhanced credibility and strengthened confidence in India's macroeconomic and fiscal framework, resulting in three sovereign credit rating upgrades in 2025 by Morningstar DBRS, S&P Global Ratings, and Rating and Investment Information (R&I), Inc.

Improvement in Centre's Revenue Receipts

- The Centre's revenue receipts improved from an average of about 8.5% of GDP in FY16–FY20 to 9.2% of GDP in FY25 (PA), mainly supported by buoyant non-corporate tax collections that increased from about 2.4% of GDP pre-pandemic to around 3.3% post-pandemic.

Expansion of the Direct Tax Base

- The share of direct taxes in total taxes rose from 51.9% pre-pandemic to 55.5% post-pandemic, reaching 58.8% in FY25 (PA).
- Meanwhile, the direct tax base expanded steadily, with income tax return filings rising from 6.9 crore in FY22 to 9.2 crore in FY25, indicating better compliance, wider use of technology in tax administration, and more individuals entering the tax net as incomes increased.

GST Performance and Transaction Activity

- Gross GST collections during April–December 2025 amounted to Rs. 17.4 lakh crore, reflecting year-on-year growth of 6.7% and broadly tracking nominal GDP growth conditions.
- High-frequency indicators point to strong transaction activity, with cumulative e-way bill volumes during the same period increasing by 21% YoY.

Rise in Effective Capital Expenditure

- The government's effective capital expenditure increased from an average of 2.7% of GDP in the pre-pandemic period to about 3.9% post-pandemic, and further to 4% of GDP in FY25.

Support to States' Capital Spending (SASCI)

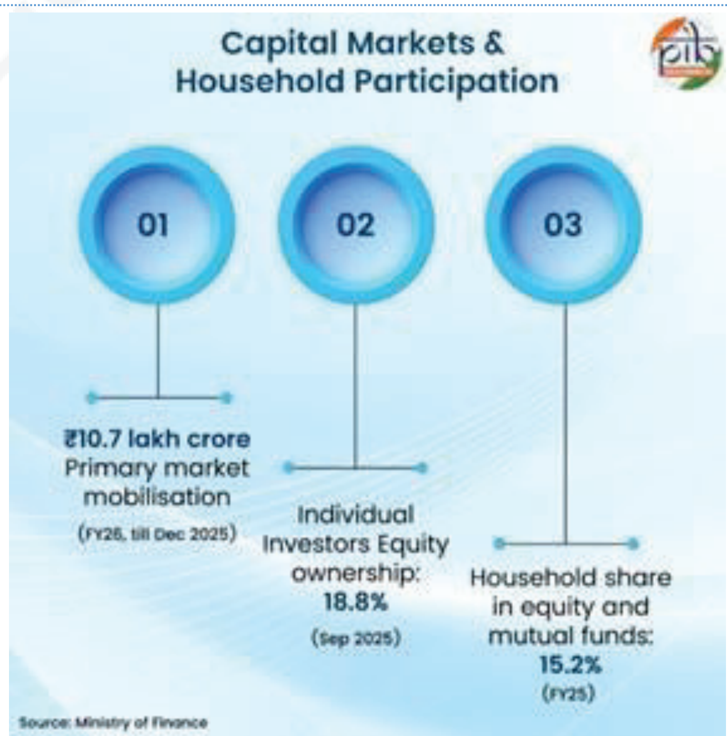
- Under the Special Assistance to States for Capital Expenditure (SASCI), the Centre has incentivised States to maintain capital spending at around 2.4% of GDP in FY25.

Trends in State Governments' Fiscal Deficit

- The combined fiscal deficit of State Governments remained broadly stable at around 2.8% of GDP in the post-pandemic period, similar to pre-pandemic levels, but rose in recent years to 3.2% in FY25, reflecting emerging pressures on State finances.

Reduction in General Government Debt Ratio

- India lowered its general government debt-to-GDP ratio by about 7.1 percentage points since 2020 while continuing to maintain high levels of public investment



Building a Balanced Financial Ecosystem

- India's monetary and financial sectors have strong performance during FY26 (April-December 2025), amidst elevated uncertainty in the global financial markets. In an increasingly fragmented global financial environment, India's regulatory framework, institutional resilience, and growing reliance on domestic financial channels have played a stabilising role. With support of strong monetary management and financial intermediation across channels, India has remained stable and safeguarded against economic shocks.

Monetary Policy Actions and Liquidity Management

- In response to the evolving macroeconomic and financial developments, the Reserve Bank of India's (RBI) Monetary Policy Committee cumulatively reduced the repo rate by 100 basis points between April to December 2025, currently at 5.25%.
- The reductions have been aimed to boost credit flow, investment, and overall economic activity.
- Complementing policy rate cuts, the RBI reduced the cash reserve ratio (CRR) by 100 basis points to 3.0% during September-November 2025.
- In addition, the RBI injected durable liquidity of Rs. 2.39 lakh crore through open market operations during April-May 2025, followed by further OMO purchases of Rs. 1 lakh crore and a 3-year USD/ INR buy-sell swap of USD 5 billion in December 2025.
- As a result, system liquidity remained in surplus, averaging Rs. 1.89 lakh crore in FY26 (up to 8 January 2026), compared to Rs. 1,605 crore in FY25.

Monetary Aggregates and Credit Transmission

- While reserve-money growth moderated to 2.9% by December 2025, compared to 4.9% as of December 2024, the CRR adjusted growth stood at 9.4% as compared to 6.2% a year ago. The trend reflects the expansionary stance of monetary policy
- During the same period, broad-money growth rose to 12.1% as compared with 9% a year ago, indicating that banks effectively leveraged the liquidity released by the CRR cut. The trend is driven primarily by rising aggregate deposits with banks, which are the largest component of broad money.
- The money multiplier increased to 6.21 in December 2025 from 5.70 a year earlier, signalling improved financial intermediation by the banking system, thereby ensuring adequate systemic liquidity.

Banking Sector Performance and Credit Dynamics

- The banking sector strengthened further in FY26 with Gross non-performing asset (GNPA) ratios declining to multi-decadal lows and net NPAs reaching record low levels. The capital-to-risk-weighted assets ratio (CRAR) of scheduled commercial banks (SCBs) remained strong at 17.2% as of September 2025.
- Profitability also improved; Profit after tax of SCBs rose by 16.9% in FY25 and by 3.8% year-on-year as of September 2025. Return on equity stood at 12.5% while return on assets stood at 1.3% in September 2025.
- Credit growth, after moderating earlier in FY26, picked up momentum. Outstanding credit by SCBs increased to 14.5% (YoY) in December 2025, compared to 11.2% in December 2024. December 2025 marked the highest YoY growth rates for both bank credit and non-food credit in FY26.
- Credit growth for MSMEs continued to show momentum and remained robust, with MSME credit expanding by 21.8% in November 2025. Within this sector, micro and small enterprises recorded an increase of 24.6% (YoY) in November 2025, up from 10.2% in November 2024.

Improving Financial Inclusion Metrics

- RBI's Financial Inclusion (FI) Index measures the country's progress in achieving financial inclusion.
- It captures data on 97 indicators related to banking, investments, insurance, postal, and pension sectors across three dimensions: access, usage, and quality.
- These dimensions are represented through three sub-indices, viz., FI-access, FI-usage, and FI-quality. India's Financial Inclusion Index rose from 64.2 in March 2024 to 67.0 in March 2025.

Capital Markets and Household Financialisation

- Capital markets played an increasingly prominent role in capital formation. During FY26 (up to December 2025), total resource mobilisation from primary markets stood at Rs. 10.7 lakh crore.
- Over the past five years, from FY22 to FY 26 (till December 2025), primary markets mobilised a total of Rs. 53 lakh crore through equity and debt issuances.
- Household financial savings continued to shift towards market-linked instruments.
- Individual investors' share in equity ownership increased to 18.8% by September 2025, with household equity wealth increasing by about Rs. 53 lakh crore between April 2020 and September 2025.
- The share of equity and mutual funds in annual household financial savings rose from around 2% in FY12 to over 15.2% in FY25.
- The macroeconomic trends in FY26 point to an economy characterised by stability alongside momentum.
- Growth remains broad-based across agriculture, industry, and services, while inflation has moderated and labour market indicators have strengthened.
- External sector performance, rising services exports, and comfortable foreign exchange reserves provide resilience against global shocks.
- Fiscal consolidation has advanced in parallel with sustained capital expenditure, and the financial system remains well-capitalised and supportive of credit expansion and financial inclusion.
- Together, these developments indicate strengthening economic fundamentals and an improved capacity to sustain growth while maintaining macroeconomic stability.

QUESTIONS

16. With reference to the Economic Survey 2025–26, consider the following statements:

1. India's real GDP growth rate for FY27 is expected to be in the range of 6.8–7.2%.
2. Headline inflation in India averaged 1.7% between April and December 2025.
3. The fiscal deficit is projected to decline to 5.0% of GDP in FY26.
4. India's Current Account Deficit (CAD) moderated to 0.8% of GDP in H1 FY26.

Which of the statements given above are correct?

A. 1, 2, and 4 only
B. 1, 2, and 3 only
C. 2, 3, and 4 only
D. 1, 2, 3, and 4

17. With reference to the Economic Survey 2025–26, consider the following statements:

1. Gross Non-Performing Assets (GNPAs) of Indian banks are at a multi-decade low of 2.2% as of September 2025.
2. The real manufacturing GVA growth reached 9.13% in Q2 FY26.
3. India's services sector's share in nominal GDP reached 53.6% in H1 FY26.
4. The agriculture sector is solely driven by crop growth, contributing 4.0% to GVA growth during FY20–FY24.

Which of the statements given above are correct?

A. 1, 2, and 3 only
B. 1, 2, 3, and 4
C. 2 and 3 only
D. 1 and 2 only

18. With reference to the Economic Survey 2025-26, consider the following statements:

1. The industrial sector in India is projected to grow by 6.2% in FY26.
2. The government's effective capital expenditure (Capex) increased from 2.7% of GDP in the pre-pandemic period to 4% of GDP in FY25.
3. India's export of services grew by 13.6% year-on-year in FY25, reaching an all-time high of USD 387.5 billion.
4. The non-corporate tax collections in India have increased from 2.4% of GDP pre-pandemic to 3.3% post-pandemic.

Which of the statements given above is/are correct?

A. 1, 2, and 3 only
B. 2, 3, and 4 only
C. 1, 3, and 4 only
D. 1, 2, 3, and 4

19. With reference to the Economic Survey 2025-26, consider the following statements:

1. The labour force participation rate (LFPR) for women in India increased to 35.3% in December 2025.
2. India's fiscal deficit for FY 2026-27 is targeted at 4.3% of GDP.
3. The manufacturing sector in India has recorded a growth of 7.72% in Q1 of FY26.
4. India's financial inclusion index rose from 64.2 in March 2024 to 67.0 in March 2025.

Which of the statements given above is/are correct?

A. 1, 3, and 4 only
B. 2, 3, and 4 only
C. 1, 2, 3, and 4
D. 1, 2, and 4 only

20. With reference to the Economic Survey of India, consider the following statements:

1. The Economic Survey of India is presented every year by the Ministry of Finance just before the Union Budget.
2. The first Economic Survey was presented as part of the Union Budget in 1950-51, and after 1964, it was separated from the Budget and presented individually.
3. The Economic Survey is a binding document that dictates government policies for the following year.
4. The Chief Economic Adviser (CEA) is responsible for preparing the Economic Survey and introduces new economic concepts and narratives.

Which of the statements given above are correct?

A. 1, 2, and 4 only
B. 1, 2, and 3 only
C. 2, 3, and 4 only
D. 1 and 4 only

3. Prime Minister welcomes new Ramsar sites at Patna Bird Sanctuary and Chhari-Dhand

The Prime Minister, Shri Narendra Modi has welcomed addition of the Patna Bird Sanctuary in Etah (Uttar Pradesh) and Chhari-Dhand in Kutch (Gujarat) as Ramsar sites.

- Congratulating the local population and all those passionate about wetland conservation, Shri Modi stated that these recognitions reaffirm our commitment to preserving biodiversity and protecting vital ecosystems.
- "Delighted that the Patna Bird Sanctuary in Etah (Uttar Pradesh) and Chhari-Dhand in Kutch (Gujarat) are Ramsar sites.
- Ramsar sites are wetlands protected under the Ramsar Convention (1971), an international treaty for the conservation and wise use of wetlands.

What counts as a Ramsar site?

Wetlands such as:

- Lakes and rivers
- Marshes and swamps
- Peatlands
- Mangroves
- Coral reefs
- Floodplains and coastal lagoons

Why they matter

Ramsar sites are protected because they:

- Support biodiversity (especially waterbirds)
- Help control floods and purify water
- Store carbon and fight climate change
- Support local livelihoods and fisheries

What is the Ramsar Convention?

- The Ramsar Convention on Wetlands is an international environmental treaty focused on the conservation and sustainable use of wetlands.
- It was signed in Ramsar, Iran on February 2, 1971 — this date is now celebrated annually as World Wetlands Day.

- Its full name is the Convention on Wetlands of International Importance especially as Waterfowl Habitat.
- Wetlands include marshes, swamps, lakes, rivers, estuaries, mangroves, coral reefs, peatlands and even human-made water bodies like reservoirs and rice paddies.
- **The treaty promotes three key commitments for its member countries:**
  - Wise use of all wetlands across the territory.
  - Designation of suitable wetlands as internationally important and ensuring their effective management.
  - International cooperation on shared wetlands and wetland species.

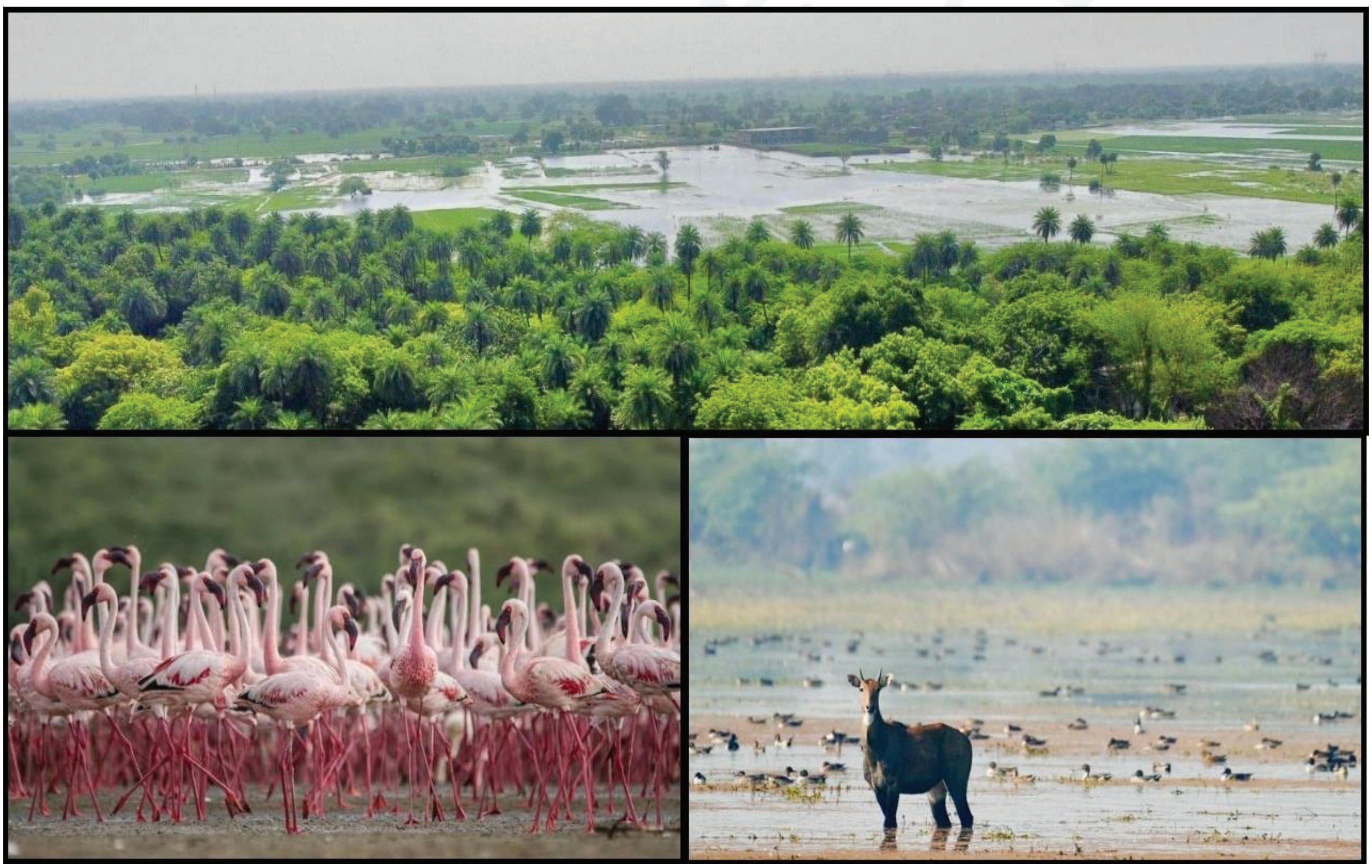
India and the Ramsar Convention

When did India join?

- India became a Contracting Party to the Ramsar Convention on February 1, 1982.
- This means India pledged to protect its important wetlands and follow the Convention's principles.

Ramsar Sites in India

- A Ramsar site is a wetland designated as a "Wetland of International Importance" under the Convention.
- As of 2026, India has 98 Ramsar sites recognized under the Convention, reflecting a significant increase in recent years.
- This network covers over 1.36 million hectares of wetlands across the country.



- Before 2014, India had just 26 Ramsar sites — showcasing how rapidly designations have grown in the last decade.
- These sites are spread across multiple states and union territories, and include a wide variety of ecosystems — from coastal lagoons and mangroves to high-altitude lakes and floodplain wetlands.

Why Does This Matter?

Conservation and Sustainable Use

- Recognition under Ramsar increases global awareness and encourages better management and protection of a wetland's ecological character.
- Wetlands are crucial for many reasons — they act as habitats for migratory birds and wildlife, recharge groundwater, purify water, control floods, and provide livelihoods for local communities.

International Cooperation

- India's participation means it cooperates with other countries on migratory waterfowl protection, shared water ecosystems and global wetland conservation strategies.
- This cooperation can include research, technical support and shared conservation frameworks.

Examples of Important Ramsar Sites in India

- Though India now has many, some notable ones include:
- Chilika Lake (Odisha) — one of India's oldest and largest Ramsar sites.
- Keoladeo National Park (Rajasthan) — famous for migratory birds.
- Sundarbans Wetland (West Bengal) — vital for mangrove and tiger ecosystems.
- Smaller yet ecologically significant sites like Nanda Lake in Goa.

QUESTIONS

21. Consider the following statements regarding the Ramsar Convention and India's Ramsar sites:

1. India became a signatory to the Ramsar Convention on February 2, 1982.
2. India's Ramsar network now includes 98 sites as on 11th February, 2026.
3. Tamil Nadu has the highest number of Ramsar sites in India.
4. The Sundarban Wetland in West Bengal is the largest Ramsar site in India.

Which of the statements given above is/are correct?

A. 1 and 3 only
B. 2, 3, and 4 only
C. 1, 2, 3, and 4
D. 2 and 4 only

22. Consider the following statements regarding the wetlands in India:

1. Patna Bird Sanctuary and Chhari-Dhand were added to India's Ramsar list in 2026.
2. India has the third-highest number of Ramsar sites globally as of 2026.
3. The first-ever Ramsar site in India was designated in 1971.
4. Khecheopalri Wetland in Sikkim was added to the Ramsar list in 2025.

Which of the statements given above is/are correct?

A. 1, 2, and 4 only
B. 1 and 2 only
C. 1, 2, and 3 only
D. 1, 2, 3, and 4

23. Consider the following statements about World Wetlands Day and its theme for 2026:

1. World Wetlands Day is celebrated on February 2 to commemorate the adoption of the Ramsar Convention in 1971.

2. The theme for World Wetlands Day 2026 is "Wetlands for Biodiversity and Climate Change".
3. Wetlands provide critical water resources and support diverse biodiversity.

Which of the statements given above is/are correct?

A. 1 and 2 only
B. 2 and 3 only
C. 1 and 3 only
D. 1, 2, and 3

24. Consider the following statements regarding wetland conservation in India:

1. India became a signatory to the Ramsar Convention on February 1, 1982.
2. The Ramsar Convention focuses on the conservation and sustainable use of wetlands globally.
3. India's Ramsar network expanded by 276% from 2014 to 2026.
4. The wetlands in India are important for the preservation of wildlife like the chinkara, wolves, and caracal.

Which of the statements given above is/are correct?

A. 1, 2, and 3 only
B. 2, 3, and 4 only
C. 1, 2, 3, and 4
D. 1 and 3 only

4. India-US trade deal

1. India–US Tariff Rollback

- The India–US trade deal has finally materialised, reducing US tariffs on Indian goods to 18% from 50%, effective after prolonged negotiations.
- The earlier 50% tariffs imposed on August 27 severely disrupted exports, especially in September and October.

2. Short-Term Export Impact and Recovery

- **September–October:** Indian exports declined due to the tariff shock.
- **November rebound:**
  - Overall exports jumped 19% year-on-year.
  - Exports to the US rose 22%, mainly from products not covered by reciprocal tariffs.

3. Strategic Export Diversification

- Indian exporters successfully redirected shipments to alternative markets.
- **Stalled trade negotiations were revived, leading to:**
  - Trade deals signed with the EU, UK, Oman, and New Zealand.
  - Trade talks restarted with Canada and Israel (including exploration of a preferential trade agreement with Israel).

4. Sector-wise Diversification Success Stories

Gems & Jewellery

- Exports to the US fell 76% in September.

- **Overall exports dipped only 1.5%, thanks to:**
  - **UAE:** +79%
  - **Hong Kong:** +11%
  - **Belgium:** +8%

Auto Components

- **US exports down 12%, but:**
  - Shipments to Germany, UAE, Thailand lifted total exports by 8%.

Marine Products

- Exports rose 23% in September and 11% in October.
- Growth driven by China (~60%), Japan (37%), Thailand (~70%), and the EU.

5. Sectors Worst Hit by US Tariffs

- **Low-margin, labour-intensive sectors faced disproportionate stress:**
  - Cotton garments
  - Sports goods
  - Carpets
  - Leather footwear
- **Key challenges:**
  - Intense competition from China and ASEAN countries.
  - Thin margins, working capital stress, and inability to set up overseas units.
  - Greater vulnerability for small and medium exporters.

6. Sector-Specific Struggles

Sports Goods

- 40% exports dependent on the US.
- Lack of alternative markets led to a 6% overall export decline in October.

Cotton Garments

- US exports down 25%.
- Gains in UAE, Spain, Italy, and Saudi Arabia insufficient; overall exports fell 6% in September.

Leather Footwear

- Sharp fall in US shipments caused a 10% overall export decline.

7. SBI Ecowrap Insights

April–September exports:

- Total merchandise exports up 2.9%.
- Cumulative exports to the US up 13%, though September alone saw a 12% YoY decline (suggesting front-loading).
- Export destination diversification increased significantly.
- **Key alternative markets:** UAE, China, Vietnam, Japan, Hong Kong, plus Bangladesh, Sri Lanka, and Nigeria.

8. Signs of Rerouting and Indirect Exports

- Evidence suggests Indian goods may be reaching the US via third countries.
- **US import share in gems and precious stones increased for:**
  - **Australia:** from 2% to 9%
  - **Hong Kong:** from 1% to 2%
- Indicates possible re-exporting and supply chain rerouting.

9. Container Shipment Trends

Sharp fall in shipments to the US:

- **India:** –18.4%
- **China:** –16.3%
- Compensating gains for ASEAN nations:
  - **Indonesia:** +10.1%
  - **Thailand:** +3.6%
  - **Vietnam:** +3.6%

India and USA trade relation Past and future:

Bilateral Trade Volume

- **FY 2023-24:** India-US trade was about $119.7 billion, with India exporting ~$77.5 billion and importing ~$42.2 billion.
- **FY 2024-25:** Trade reached a record ~$131.8 billion to ~$132 billion.
- India's trade surplus with the US widened to roughly $40-41 billion.

What India Exports & Imports

- Exports to the US include electrical machinery, precious stones and metals, pharmaceuticals, machinery and engineered goods, and petroleum products.
- Imports from the US include mineral fuels, machinery, electrical equipment, and high-end manufactured products.

FDI & Investment

- The US is one of India's top foreign investors, with cumulative FDI around $70 billion by 2025.

2. Institutional Framework & Initiatives

Strategic Economic Framework

- The US-India COMPACT (Catalyzing Opportunities for Military Partnership, Accelerated Commerce & Technology) was launched in 2025 to deepen commercial and strategic ties.
- Within this, the "Mission 500" initiative aims to grow bilateral trade to $500 billion by 2030.

Negotiations toward a Trade Agreement

- 2025 saw sustained negotiations on a Bilateral Trade Agreement (BTA) or phased trade liberalization.
- Talks covered tariffs, market access, services, agriculture, and data/digital trade issues.

3. Tariff Disputes and Trade Tensions

2025 Tariff Escalations

- In parts of 2025, the US imposed high tariffs (up to 50%) on certain Indian imports — partly linked to India's oil imports from Russia.
- Negotiations included tariff pauses and discussions on reducing trade barriers.

Compromises & Concessions

- India indicated willingness to increase purchases of US energy and goods to address the trade imbalance cited by the US.

4. New Trade Agreement (Early 2026 Developments)

- Though just beyond the 2025 boundary, a landmark trade deal was concluded in early 2026 that reflects negotiation outcomes spanning 2025:
- The United States agreed to reduce tariffs on Indian goods (reciprocal tariffs cut to ~18%).
- India will increase imports of American energy, technology, and other goods, and gradually lower barriers for US products.
- This deal is seen as a reset after prior tariff tensions and is expected to boost trade momentum.

5. Future Outlook Through 2030

Trade Target

- Both nations have set an ambitious goal of $500 billion in bilateral trade by 2030 — more than triple the 2024-25 level.

Key Growth Areas

- Technology, electronics, pharmaceuticals: high growth in Indian exports.
- Energy & defense: rising imports as India diversifies suppliers.
- Services & digital trade: potential expansions with regulatory cooperation.

QUESTIONS

25. Consider the following statements regarding India's top trading partners:

1. The United States is among India's top export partners.
2. Saudi Arabia is India's one of the top import partners.
3. China is one of India's top export partners.
4. The Netherlands is India's top import partner.

Which of the statements given above is/are correct?

A. 1 only
B. 1, 2, and 3 only
C. 2, 3, and 4 only
D. 1, 2, and 4 only

26. Consider the following statements regarding the India-US Trade Deal:

1. India has agreed to purchase $500 billion worth of energy products, aircraft, and other goods from the United States over the next 5 years.
2. The trade deal includes a commitment to reduce tariffs to 10% on US goods entering India.
3. India has agreed to reduce tariffs on US industrial and agricultural products, including tree nuts, cotton, and soybean oil, to “zero.”
4. The agreement includes a focus on strengthening economic security alignment to enhance supply chain resilience.

Which of the statements given above is/are correct?

A. 1, 3, and 4 only
B. 2, 3, and 4 only
C. 4 only
D. 1, 2, 3, and 4

27. Consider the following statements about the India-US trade deal:

1. India will eliminate or reduce tariffs on US industrial goods, including medical devices and ICT products.
2. India will receive a preferential tariff rate quota for automotive parts as part of the agreement.
3. The deal focuses on fostering digital trade rules and addressing barriers to digital trade between India and the US.

Which of the statements given above are correct?

A. 1 and 3 only
B. 2 and 3 only
C. 1 and 2 only
D. 1, 2 and 3

5. 2026 Delhi Declaration, India’s approach to the Middle East

Second India–Arab Foreign Ministers’ Meeting in New Delhi

- Ten years after the first meeting, the second India–Arab Foreign Ministers’ Meeting in New Delhi wasn’t just about cooperation — it was a careful diplomatic balancing act by India amid deepening Middle East fractures.

Why this meeting mattered

Held against the backdrop of:

- Rising US–Iran tensions
- A widening Saudi Arabia–UAE rift
- Donald Trump’s Board of Peace (BoP) initiative on Israel–Palestine
- India has direct stakes in all three, reflected in intense diplomatic activity just days before the meeting (UAE, Iran, and Palestine engagements).

Core positions in the Delhi Declaration

1. Sovereignty over fragmentation

- **Strong support for territorial integrity of:**
  - Sudan
  - Libya
  - Somalia
- Explicit rejection of external interference
- Aligns India with the Saudi-led Arab League consensus, subtly distancing from UAE-backed parallel actors:
  - RSF in Sudan
  - Khalifa Haftar's LNA in Libya
  - Somaliland recognition efforts

2. Yemen

- Explicit condemnation of Houthi attacks on Red Sea navigation
- Marks a departure from India's more cautious post-2023 language
- Reaffirmation of Yemen's unity
- Aligns with Saudi Arabia's stance against the UAE-backed Southern Transitional Council

3. Syria

- Limited to appreciation of counter-terrorism efforts
- Reflects India's bureaucratic, low-risk approach to post-Assad Syria under Ahmed al-Sharaa
- Diplomatic contact maintained, but without political endorsement

On Israel–Palestine

No mention of Trump's Board of Peace

- **Strong reaffirmation of:**
  - **Arab Peace Initiative (2002)** — land for peace, Palestinian state on pre-1967 borders
- **Outcomes of the 2025 Sharm el-Sheikh Summit**

  Signals:
  - Support for ending Gaza violence
  - Rejection of any dilution of Palestinian sovereignty
- **Iran**

  No reference to:
  - US troop build-up
  - Risk of a wider regional war
  - Indicates respect for bilateral diplomatic channels
- **India:**
  - Actively engaging Tehran (NSA-level talks)
  - Quietly hedging against US sanctions
- **Telling sign:** No budget allocation for Chabahar Port despite a 10-year agreement — shows sanction vulnerability
- **India's broader Middle East doctrine**
  - Transactional partnerships, not alliance politics
  - Strong ties across rival blocs — but no endorsement of regional disruption
- **Preference for:**

  Stability
  - Internationally recognised governments
  - Long-standing normative positions
  - Economic and institutional cooperation
- **Reaffirmed collaboration across five pillars:**
  - Economy
  - Education
  - Culture
  - Energy
  - Media
- Backed by US$240+ billion in India–Arab trade

Arab Peace Initiative (2002)

- The Arab Peace Initiative (2002) is a landmark proposal by the Arab League aimed at ending the Arab–Israeli conflict and normalizing relations with Israel.

What it is

- A peace plan first proposed by Saudi Crown Prince Abdullah and adopted unanimously by the Arab League at the Beirut Summit in March 2002.

Core deal (land for peace)

- The initiative offers full normalization of relations with Israel by all Arab states in exchange for:
- **Israeli withdrawal from all territories occupied in 1967, including:**
  - West Bank
  - Gaza Strip
  - East Jerusalem
  - Golan Heights (Syria)

Establishment of an independent Palestinian state

Capital in East Jerusalem

- A "just and agreed" solution to the Palestinian refugee issue

Based on UN General Assembly Resolution 194

- Intentionally vague wording to allow negotiation (especially sensitive for Israel)

In return:

- End of the Arab–Israeli conflict
- Mutual security guarantees
- Normal diplomatic, economic, and cultural relations between Israel and all Arab League states

Why it matters

- First time the entire Arab League collectively offered full recognition of Israel
- Shifted from rejection to conditional acceptance
- Still officially on the table today (reaffirmed in 2007, 2017)

Israel's response

- Israel never formally accepted the initiative

Main objections:

- 1967 borders seen as indefensible
- Refugee return viewed as a threat to Israel's Jewish character
- Some Israeli leaders have called it a "basis for discussion," but not a binding framework

Current relevance

- Even after the Abraham Accords (2020), the initiative remains a reference point for:
  - Arab consensus on Palestine
  - Two-state solution diplomacy
  - Shows the gap between regional normalization and Palestinian statehood

QUESTIONS

28. Consider the following statements regarding the **Delhi Declaration** adopted at the Second India-Arab Foreign Ministers' Meeting:

1. It explicitly condemns Houthi attacks on Red Sea navigation.
2. It expresses support for the Trump administration's "Board of Peace" plan on the Israel-Palestine conflict.
3. It reaffirms respect for sovereignty and territorial integrity of countries like Sudan, Somalia, and Libya.
4. It supports the Arab Peace Initiative and a two-state solution for Israel-Palestine.

Which of the statements given above are correct?

A. 1, 2 and 3 only
C. 2 and 4 only
B. 1, 3 and 4 only
D. 1, 3, 4 and 2

29. With reference to **India's engagement with the League of Arab States (LAS)**, consider the following statements:

1. India was granted observer status in the League of Arab States.
2. The Arab-India Cooperation Forum (AICF) was first convened in Manama, Bahrain in January 2016.
3. The League of Arab States has **22 member states**.
4. Engagement with the LAS was institutionalised through a Memorandum of Understanding in 2012.

Which of the statements given above are correct?

A. 1, 2 and 3 only
C. 2, 3 and 4 only
B. 1 and 4 only
D. 1, 2 and 4 only

30. Which of the following is **not** a member of the **Gulf Cooperation Council (GCC)**?

A. Iran
C. Oman
B. Saudi Arabia
D. Kuwait

31. Consider the following countries:

1. Egypt
2. Iraq
3. Iran
4. Lebanon
5. Israel
6. Syria

How many of the above countries are members of Arab League?

A. Two countries only

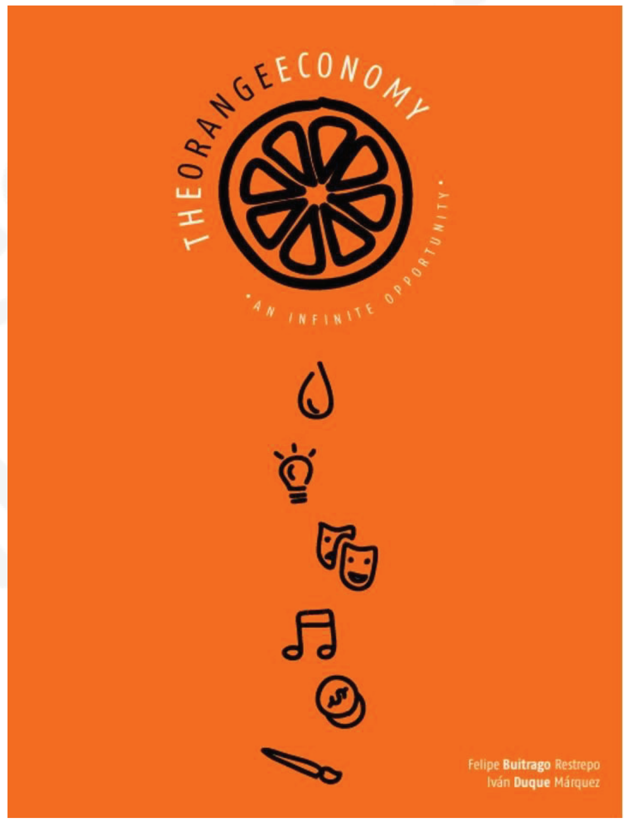
B. Three countries only

C. Four countries only

D. All Six countries

6. Orange Economy

- Finance Minister Nirmala Sitharaman, in her Budget speech, emphasized the importance of India's creative industries, announcing measures to strengthen the country's "Orange Economy," which encompasses cultural, artistic, and creative industries.
- Focus on AVGC (Animation, Visual Effects, Gaming, Comics):
  - The AVGC sector is projected to require 2 million professionals by 2030.
  - To meet this demand, Sitharaman proposed supporting the Indian Institute of Creative Technologies, Mumbai, in establishing AVGC content creator labs in 15,000 secondary schools and 500 colleges nationwide.
  - This initiative aims to nurture talent and provide a career pathway for students in emerging creative fields.



Design Industry Expansion

- The Indian design sector is growing rapidly, yet a shortage of skilled designers persists.
- To address this, the FM announced the establishment of a new National Institute of Design in eastern India through a challenge route, fostering innovation in design education and development.

Heritage and Cultural Tourism Development

- Sitharaman outlined plans to develop 15 archaeological and heritage sites into vibrant cultural destinations, including Lothal, Dholavira, Rakhigarhi, Adichanallur, Sarnath, Hastinapur, and Leh Palace.
- Plans include excavated landscapes, curated walkways, conservation labs, interpretation centres, and immersive storytelling techniques to enhance visitor experience.

Economic Impact of Creative Industries in India

- **According to the Economic Survey 2025-26, in 2024:**
  - **Gaming revenue**: Rs. 232 billion
  - **Animation and VFX:** Rs. 103 billion
  - **Live entertainment:** Over Rs. 100 billion, with significant spillover benefits for tourism and urban services.
- The creative sector is a key driver of employment, tourism, and local economic growth, as highlighted by industry experts.

What is the Orange Economy?

- Coined by former Colombian President Iván Duque Márquez and former Culture Minister Felipe Buitrago in their 2013 book, The Orange Economy: An Infinite Opportunity.
- Defined as activities that transform ideas into cultural goods and services, whose value is determined by intellectual property.

Includes:

Cultural Economy and Creative Industries (traditional cultural industries)

- Creativity-supporting activities like design, digital media, and content creation.
- The term "orange" symbolizes culture, creativity, and identity, holding significance across religions and societies.
- Buitrago emphasized that industries such as film, music, crafts, visual arts, theatre, design, fashion, and digital communication represent national identity and form a powerful economic sector.
- **Other Colours of the Economy:**
  - **Green Economy:** Energy-efficient and sustainable industries.
  - **White Economy**: Health and social care sectors.
  - **Blue Economy**: Marine and maritime-based economic activities.
  - **Silver Economy:** Services and industries catering to the aging population.
- **Global and Indian Context:**

  Globally, the creative economy generates over $2 trillion annually, employing nearly 50 million people.

In India:

- Creative industry valued at $30 billion, employing nearly 8% of the workforce.
- Creative exports grew 20% in 2023-24, earning over $11 billion.
- The sector is poised for remarkable growth in the coming years, according to Union Minister Hardeep Singh Puri.

Challenges in India's Creative Sector:

- Industry stakeholders face hurdles such as permissions and clearances for events and initiatives.
- Sanjoy Roy highlighted the need for single-window clearance systems, noting that states like Maharashtra and Delhi have struggled for years to implement them.
- Streamlined regulations are seen as crucial to unlocking the full potential of India's creative economy.

Significance of the Initiatives:

- These steps aim to formalize creative education, create professional opportunities, enhance tourism, and strengthen India's global cultural footprint.
- By integrating heritage, design, and emerging digital media, India is positioning its creative sector as a major economic and soft power driver.
- The government's focus on the Orange Economy aligns with global trends in valuing creativity as an economic engine.
- With education, infrastructure, and policy support, India can emerge as a world leader in creative industries, driving both domestic prosperity and international cultural influence.

QUESTIONS

32. Which of the following is a key proposal made by Finance Minister Nirmala Sitharaman in the 2026 Budget to promote the growth of India's Orange Economy?

A. Establishment of the National Institute of Design in Western India

B. Launching AVGC content creator labs in 15,000 secondary schools and 500 colleges

C. Support for the fashion industry through subsidies

D. Creation of a national fund for film production

33. What does the term "Orange Economy" primarily refer to?

A. Sustainable industries focused on environmental preservation

B. The health and social care sector

C. Industries that transform ideas into cultural goods and services

D. Maritime and marine-based economic activities

7. Blue Line

- UN Peacekeeping Patrols Suspended Along Lebanon-Israel Blue Line

Incident Overview

- UN peacekeeping activities were suspended for over nine hours following an incident north of the Blue Line.
- More than a dozen UN patrols were affected.

UN Concerns

- UN highlighted violations of Security Council Resolution 1701 due to flight movements across the Blue Line.
- Resolution 1701 ended the 2006 Israel-Hezbollah hostilities and outlines UNIFIL's mandate.
- UN Secretary-General spokesperson Stephane Dujarric emphasized that activities endangering peacekeepers or civilians are a serious concern.

Recent Background

- The latest cessation of hostilities agreement between Israel and Hezbollah was signed in November 2024.
- Tensions followed the Gaza war, with violence flaring across the Blue Line.

Environmental and Civilian Risks

- UNIFIL raised concerns about the unknown substance dropped, which could impact:
  - Civilians
  - Agricultural land
  - Return of residents and livelihoods near the Blue Line
- The mission noted that this is not the first instance of Israel dropping unknown chemical substances over Lebanon.
- UNIFIL called on the IDF to cease such activities and cooperate with peacekeepers to maintain stability.

Lebanon-Israel Blue Line

- The Blue Line is the UN-demarcated boundary between Lebanon and Israel.
- It was drawn in 2000 by the United Nations to confirm Israel's withdrawal from Lebanon after its 18-year occupation.
- The purpose of the Blue Line is not necessarily to establish a new international border, but to verify compliance with UN resolutions, mainly UN Security Council Resolution 425 (1978).
- The line roughly follows the 1949 Armistice Line between Israel and Lebanon.
- Disputes still exist, for example around the Shebaa Farms area, which Lebanon claims but Israel and the UN consider part of the Golan Heights.
- The line is monitored by UNIFIL (UN Interim Force in Lebanon).

Other "Colored Lines" in geopolitics

- The UN and other organizations sometimes use color-coded lines to indicate borders, ceasefires, or demilitarized zones. Examples:

Line Name	Color	Purpose / Context
Green Line	Green	The 1949 Armistice lines between Israel and its neighbors after the Arab-Israeli War (especially in Jerusalem).
Purple Line	Purple	Temporary demarcation lines in ceasefires, *e.g.*, used by UN in Congo (1960s).
Red Line	Red	Often used in ceasefire maps or military contexts to indicate "do not cross" boundaries.
Ceasefire Lines	Various	Used in UN peacekeeping reports; often color-coded for clarity.

Abraham Accord

- The Abraham Accords are a series of diplomatic agreements signed in 2020 between Israel and several Arab countries, aimed at normalizing relations and fostering peace, cooperation, and economic ties in the Middle East.

Background

- For decades, many Arab countries did not officially recognize Israel due to the Israeli-Palestinian conflict.
- The Abraham Accords marked a significant shift, as countries began establishing formal diplomatic relations with Israel.

Key Signatories

- Israel
- United Arab Emirates (UAE) – signed first with Israel in August 2020.

- Bahrain – joined in September 2020.
- Later, Sudan and Morocco also agreed to normalize relations under the framework.

Main Features

- **Diplomatic recognition:** Countries officially recognize Israel and exchange ambassadors.
- **Economic and trade cooperation:** Agreements on business, tourism, technology, energy, and security collaboration.
- **Peace and stability initiatives**: Aimed at reducing regional conflicts and promoting dialogue.

Significance

- Marked the first major normalization of Israel-Arab relations in over 25 years.
- Shifted the regional dynamics, focusing on cooperation against common threats like extremism, and enhancing trade and tourism.
- While it did not resolve the Israeli-Palestinian conflict, it created new diplomatic channels.

QUESTIONS

34. Consider the following statements regarding the Lebanon–Israel Blue Line:

1. The Blue Line was drawn by the United Nations in 2000 to confirm Israel's withdrawal from Lebanon.
2. The Blue Line was created to establish a permanent international border between Lebanon and Israel.
3. The Blue Line roughly follows the 1949 Armistice Line between Israel and Lebanon.

Which of the statements given above is/are correct?

A. 1 and 3 only
B. 1 only
C. 2 and 3 only
D. 1, 2 and 3

35. With reference to the Abraham Accords, consider the following statements:

1. The Abraham Accords were signed in 2020 to normalize relations between Israel and certain Arab countries.
2. The United Arab Emirates was the first Arab country to sign the Abraham Accords with Israel.
3. The accords primarily focus on military alliances against Iran.

Which of the statements given above is/are correct?

A. 1 and 2 only
B. 3 only
C. 1 and 3 only
D. 1, 2 and 3

36. Consider the following countries:

1. Syria
2. Iraq
3. Israel
4. Jordan

How many of the above countries share a border with Lebanon?

A. Only one country
B. Two countries
C. Three countries
D. All countries

37. Which one of the following countries of South-West Asia does not open out to the Mediterranean Sea?

A. Syria
B. Jordan
C. Lebanon
D. Israel

38. The term "two-state solution" is sometimes mentioned in the news in the context of the affairs of

A. China
B. Israel
C. Iraq
D. Yemen

ANSWER KEY AND EXPLANATION

1. B 2 only

- **Statement 1 is incorrect:**

  The Union Finance Minister lays the Annual Financial Statement (Union Budget) before both Houses of Parliament *on behalf of the President of India*, not the Prime Minister. The President of India is constitutionally the head of the Union, and it is their recommendation that authorizes the laying of the budget before Parliament.

- **Statement 2 is correct:**

  According to Article 112 of the Constitution of India, at the Union level, no demand for a grant can be made except on the recommendation of the President of India. This ensures that the government's financial demands are in alignment with the President's approval, reinforcing the role of the executive in financial matters.

2. C 1, 2, and 3

- **Statement 1 is correct:** The Government of India announced in 2016 that the distinction between plan and non-plan expenditure would be abolished, and this change was implemented in the 2017-18 Union Budget.
- **Statement 2 is correct:** The Government now classifies expenditures as either Capital or Revenue spending instead of the previous plan and non-plan categories.
- **Statement 3 is correct:** The shift in classification was recommended by the C Rangarajan Committee in 2011, which suggested removing the distinction between plan and non-plan expenditure.

3. A Capital expenditure involves the creation of assets or liabilities, while Revenue expenditure does not.

- **Capital expenditure** refers to spending that results in the creation of long-term assets or liabilities, such as loans to states or the acquisition of valuables.
- **Revenue expenditure** refers to spending that does not create assets or liabilities, like pensions, subsidies, and interest payments. It is generally considered recurring spending.

4. C Wages to Government employees

- **Wages to Government employees** are classified as Revenue Expenditure because they do not create long-term assets or liabilities.
- **Loans to Public Enterprises, Loans to States & Union Territories, and Acquisition of valuables** are examples of Capital Expenditure because they are used for creating or acquiring assets or liabilities.

5. C States Share of Taxes and Borrowings and Liabilities

- **States Share of Taxes** constitutes the largest expenditure at 22% of the total Union Budget 2026, reflecting the central government's commitment to devolution of taxes to state governments.
- This is followed by **Interest Payment** at 20%, **Defence** at 11%, and **Central Sector Scheme** at 17%.
- The distribution of taxes to states is crucial for funding state-level initiatives and programs, which is a key feature of fiscal federalism in India.

- The largest source of revenue in the Union Budget 2026 comes from **Borrowings and Liabilities**, contributing 24% of the total revenue.
- **Income Tax** comes second, contributing 21%, followed by **Corporation Tax** at 18% and **GST and other taxes** at 15%.
- Borrowings and liabilities are a significant part of the budget's resources, often used to meet the fiscal deficit, covering the shortfall between the government's expenditure and revenue.

5. D 1, 2, 3, and 4

- **Statement 1:** The **India Semiconductor Mission 2.0** is indeed aimed at advancing technological sovereignty, focusing on manufacturing semiconductor equipment, materials, and strengthening supply chains.
- **Statement 2:** The **Biopharma SHAKTI mission** is allocated Rs. 10,000 crore to position India as a global hub for biologics and biosimilars, as stated in the Union Budget 2026–27.
- **Statement 3:** The **seven high-speed rail corridors** initiative, announced in the Budget, aims to connect key cities and act as "Growth Connectors," fostering regional economic development.
- **Statement 4:** The proposal to establish **Regional Medical Hubs** to promote India's status as a wellness and medical tourism destination was also part of the Budget highlights, aiming to integrate healthcare with tourism and wellness.

7. A 1, 2, and 3 only

- **Statement 1:** The **SME Growth Fund**, with a Rs. 10,000 crore allocation, is designed to support the growth of high-potential MSMEs, enabling them to scale up and compete on the global stage.
- **Statement 2:** The **Carbon Capture, Utilization, and Storage** (CCUS) scheme was indeed announced to decarbonize hard-to-abate sectors like **steel** and **cement**, which are crucial for achieving India's sustainability goals.
- **Statement 3:** The **Bharat-VISTAAR** platform integrates ICAR data and AgriStack to offer AI-driven, personalized advice for farmers, improving agricultural productivity and resilience.
- **Statement 4:** The Budget allocated Rs. 10,000 crore, not Rs. 20,000 crore, for the **India Semiconductor Mission**, emphasizing semiconductor manufacturing and R&D but at a different funding level.

8. C 1, 2, and 3 only

- **Statement 1:** The **Infrastructure Risk Guarantee Fund** indeed aims to offer partial credit guarantees for infrastructure projects during the construction phase, ensuring smooth financing for large-scale projects.
- **Statement 2:** The Budget proposes a **tax holiday** for foreign companies providing cloud services through Indian data centers, lasting until 2047, which is a significant step in promoting data infrastructure and technology.
- **Statement 3:** The **Khelo India Mission** is designed to build a robust sports ecosystem by focusing on talent identification, coach development, and expanding sports infrastructure at the grassroots level.
- **Statement 4: Bhashini** is an AI-powered platform that bridges language barriers by providing translation and speech tools, making public-facing services accessible in multiple Indian languages. It is a correct statement but not related to Budget.

9. B 1, 2, and 3 only

- **Statement 1:** The **Minimum Alternate Tax** (MAT) is indeed exempted for non-residents who pay taxes on a presumptive basis, making the tax structure more favorable for non-resident taxpayers.
- **Statement 2:** The Budget proposes a **uniform 2% TCS** on overseas tour packages and remittances for education and medical purposes under the Liberalized Remittance Scheme (LRS), simplifying the taxation process.
- **Statement 3:** The **Securities Transaction Tax (STT)** was **marginally increased** to curb speculation, helping control market volatility and promoting long-term investment.
- **Statement 4:** The **buyback tax** is now taxed as **capital gains** in the hands of the shareholder, shifting the tax burden from the company to the recipient, not the other way around. Therefore, this statement is incorrect.

10. A 1, 3 and 4 only

- **Statement 1 is correct.** The Union Budget is presented through the Finance Bill and the Appropriation Bill, which must be passed for the Budget to come into effect.
- **Statement 2 is incorrect.** The Budget (being a Money Bill in substance) must be passed by the Lok Sabha. The Rajya Sabha can discuss and recommend amendments but cannot reject or amend it decisively.
- **Statement 3 is correct.** Along with the Union Budget 2026–27, the Finance Minister also laid the 16th Finance Commission report regarding tax devolution for 2026–2031.
- **Statement 4 is correct.** Morarji Desai presented 10 Union Budgets, the highest number in India's history.

11. D 1, 2 and 4 only

- **Statement 1 is correct.** Union Finance Minister Nirmala Sitharaman presented her ninth consecutive Union Budget on 1 February 2026, and it was the first time in independent India's history that a Budget was presented on a Sunday.
- **Statement 2 is correct.** The first Union Budget of independent India was presented by R. K. Shanmukham Chetty on 26 November 1947.
- **Statement 3 is incorrect.** In the first Union Budget, total expenditure was Rs. 197.29 crore, of which defence expenditure was Rs. 92.74 crore. This is nearly half of the total expenditure, not less than one-fourth.
- **Statement 4 is correct.** Article 112 of the Constitution of India refers to the Union Budget as the Annual Financial Statement.

12. A 1, 2 and 4 only

- **Statement 1 is correct.** The Revised Estimate of total expenditure for 2025–26 is Rs. 49.6 lakh crore.
- **Statement 2 is correct.** The capital expenditure in the Revised Estimates is about Rs. 11 lakh crore.
- **Statement 3 is incorrect.** The gross market borrowings for 2026–27 are estimated at Rs. 17.2 lakh crore, whereas Rs. 11.7 lakh crore refers to net market borrowings.
- **Statement 4 is correct.** The Centre's net tax receipts for 2026–27 are estimated at Rs. 28.7 lakh crore.

13. A Rs. 48,500 crores

First, understand the key concept:

Fiscal Deficit = Total borrowing requirement of the government.

It already includes adjustment for non-debt capital receipts.

Primary Deficit = Fiscal Deficit − Interest Payments

Non-debt capital receipts are already adjusted while calculating the fiscal deficit. Therefore, we do not subtract Rs. 10,000 crores again.

Given:

- Fiscal Deficit = Rs. 50,000 crores
- Interest Payments = Rs. 1,500 crores

Formula:

Primary Deficit = Fiscal Deficit − Interest Payments

Primary Deficit = 50,000 − 1,500

Primary Deficit = Rs. 48,500 crores

14. D 1, 2 and 3

- **Statement 1: Revenue Deficit**

  Revenue Deficit = Revenue Expenditure − Revenue Receipts

  = Rs. 80,000 − Rs. 60,000

  = Rs. 20,000 crores

  So, Statement 1 is correct.

- **Statement 2: Fiscal Deficit**

  Fiscal Deficit represents the total borrowing requirement of the government.

  The question directly mentions that borrowings are Rs. 10,000 crores.

  Since fiscal deficit equals total borrowings,

  Fiscal Deficit = Rs. 10,000 crores

  So, Statement 2 is correct.

- **Statement 3: Primary Deficit**

  Primary Deficit = Fiscal Deficit − Interest Payments

  = Rs. 10,000 − Rs. 6,000

  = Rs. 4,000 crores

  So, Statement 3 is correct.

15. A 1 and 2 only

- First understand the difference:
- **Capital Receipts**
  - Increase liabilities (borrowings)
  - Reduce assets (disinvestment)

- **Revenue Receipts**
    - Regular income (tax, interest received)
    - Do not create liability
    - Do not reduce assets
- **Statement 1**

  Correct.

  Capital receipts either:
    - Increase liability (borrowing), OR
    - Reduce assets (disinvestment).
- **Statement 2**

  Correct.

  Borrowings = capital receipt (creates liability).

  Disinvestment = capital receipt (reduces assets).
- **Statement 3**

  Incorrect.

  Interest received on loans is **income**, not liability.

  It is a revenue receipt, not a capital receipt.

16. A 1, 2, and 4 only

- **Statement 1:** The Economic Survey projects India's real GDP growth rate for FY27 to be in the range of 6.8–7.2%, making this statement correct.
- **Statement 2:** The headline inflation for India averaged 1.7% between April and December 2025, which is historically low, confirming the accuracy of this statement.
- **Statement 3:** The fiscal deficit for FY26 is projected to be 4.4% of GDP, not 5.0%. Therefore, Statement 3 is incorrect.
- **Statement 4:** India's Current Account Deficit (CAD) moderated to 0.8% of GDP in H1 FY26, as stated in the Economic Survey, making this statement correct. Thus, Statements 1, 2, and 4 are correct.

17. A 1, 2, and 3 only

- **Statement 1:** The Economic Survey mentions that the GNPAs of Indian banks are at a multi-decade low of 2.2% as of September 2025, making this statement correct.
- **Statement 2:** The real manufacturing GVA growth reached 9.13% in Q2 FY26, reflecting strong performance in the industrial sector, which makes this statement correct.
- **Statement 3:** India's services sector's share in nominal GDP rose to 53.6% in H1 FY26, showing its dominant role in the economy, which is accurate.
- **Statement 4:** The agriculture sector's growth is not solely driven by crop growth. Livestock and fisheries also contributed significantly, with growth rates of 6.1% and 7.2%, respectively. Therefore, Statement 4 is incorrect. Thus, Statements 1, 2, and 3 are correct.

18. D 1, 2, 3, and 4

- **Statement 1:** The industrial sector is expected to grow by 6.2% in FY26, based on the Economic Survey's projections.
- **Statement 2:** The government's effective capital expenditure has increased to 4% of GDP in FY25, from 2.7% in the pre-pandemic period.
- **Statement 3:** India's export of services reached an all-time high of USD 387.5 billion in FY25, showing a growth of 13.6% year-on-year.
- **Statement 4:** Non-corporate tax collections increased from 2.4% of GDP pre-pandemic to 3.3% post-pandemic, reflecting improved tax compliance. Therefore, all the statements are correct.

19. C 1, 2, 3, and 4

- **Statement 1:** The LFPR for women in India indeed increased to 35.3% in December 2025, reflecting better inclusion in the workforce.
- **Statement 2:** The fiscal deficit for FY 2026-27 is targeted at 4.3% of GDP, in line with the government's fiscal consolidation plan.
- **Statement 3:** The manufacturing sector recorded a growth of 7.72% in Q1 of FY26, signaling a strong recovery.
- **Statement 4:** India's financial inclusion index increased to 67.0 in March 2025, showing progress in financial accessibility. All the statements are correct.

20. A 1, 2, and 4 only

- **Statement 1:** The Economic Survey is indeed presented by the Ministry of Finance each year before the Union Budget, making this statement correct.
- **Statement 2:** The first Economic Survey was presented as part of the Union Budget in 1950-51, and after 1964, it was separated from the Budget and presented individually, which is correct.
- **Statement 3:** The Economic Survey is non-binding; it is an analytical document and does not dictate government policies, so this statement is incorrect.
- **Statement 4:** The Economic Survey is prepared under the guidance of the Chief Economic Adviser (CEA), who introduces new economic concepts, making this statement correct. Therefore, the correct answer is (A) 1, 2, and 4 only.

21. B 2, 3 and 4 only

- **Statement 1 is incorrect:** India signed the Ramsar Convention on February 1, 1982, not February 2.
- **Statement 2 is correct**: As of 2026, India has 98 Ramsar sites.
- **Statement 3 is correct**: Tamil Nadu has the highest number of Ramsar sites in India.
- **Statement 4 is correct**: The Sundarban Wetland is the largest Ramsar site in India, covering 4,230 km².

22. A 1, 2 and 4 only

- **Statement 1 is correct**: Patna Bird Sanctuary and Chhari-Dhand were added to the Ramsar list in 2026.
- **Statement 2 is correct**: India has the third-highest number of Ramsar sites in the world as of 2026.

- **Statement 3 is incorrect**: India's first Ramsar sites were designated in 1981, not 1971.
- **Statement 4 is correct**: Khecheopalri Wetland in Sikkim was added to the Ramsar list in 2025.

23. C 1 and 3 only

- **Statement 1 is correct**: World Wetlands Day celebrates the adoption of the Ramsar Convention on February 2, 1971.
- **Statement 2 is incorrect**: The theme for World Wetlands Day 2026 is "Wetlands and Traditional Knowledge: Celebrating Cultural Heritage", not the theme provided in the statement.
- **Statement 3 is correct**: Wetlands are crucial for water resources and biodiversity, providing a habitat for a variety of species.

24. C 1, 2, 3, and 4

- **Statement 1 is correct**: India signed the Ramsar Convention on February 1, 1982.
- **Statement 2 is correct**: The Ramsar Convention is focused on the conservation of wetlands worldwide.
- **Statement 3 is correct**: India's Ramsar network expanded by 276% from 2014 to 2026.
- **Statement 4 is correct**: India's wetlands are home to various species like the chinkara, wolves, and caracal, contributing to biodiversity preservation.

25. B 1, 2, and 3 only

- **Statement 1 is correct**: The United States is one of India's top export partners.
- **Statement 2 is correct**: Saudi Arabia is one of India's top import partners.
- **Statement 3 is correct**: China is one of India's top export partners.
- **Statement 4 is incorrect**: The Netherlands is not mentioned as India's top import partner. The top import partners are China, Russia, the United States, the UAE, and Saudi Arabia.

26. A 1, 3, and 4 only

- **Statement 1 is correct**: India has committed to purchasing $500 billion worth of US products, including energy, aircraft, and technology.
- **Statement 2 is incorrect**: There is no mention in the deal about reducing tariffs to 10%.
- **Statement 3 is correct**: India is expected to reduce tariffs and non-tariff barriers on US agricultural and industrial products to zero.
- **Statement 4 is correct**: The deal includes strengthening economic security alignment and enhancing supply chain resilience between the two countries.

27. D 1, 2 and 3

- **Statement 1 is correct**: India will reduce tariffs on US industrial goods, including medical devices and ICT products.
- **Statement 2 is correct**: India will receive a preferential tariff rate quota for automotive parts.
- **Statement 3 is correct**: The US will impose reciprocal tariffs on Indian goods, including textiles, apparel, and footwear, as per Executive Order 14257.
- **Statement 4 is correct**: The deal addresses barriers to digital trade and establishes rules for robust digital trade between India and the US.

28. B 1, 3 and 4 only

- Statement 1 is correct: The Delhi Declaration explicitly condemns **Houthi attacks on Red Sea navigation**, highlighting shared concern over maritime security.
- **Statement 2 is incorrect:** The Declaration *avoids reference to the Trump administration's "Board of Peace"*, showing neutrality on that plan.
- **Statement 3 is correct:** It stresses **sovereignty, unity, and territorial integrity** of Sudan, Somalia, and Libya, rejecting external interference.
- **Statement 4 is correct:** It supports the **Arab Peace Initiative (2002)** and endorses a **two-state solution and Palestinian sovereignty**, reflecting the joint stance on the Israel-Palestine issue.

29. A 1, 2 and 3 only

- **Statement 1 is correct:** India was conferred **observer status** by the League of Arab States along with Brazil, Eritrea, and Venezuela.
- **Statement 2 is correct:** The **Arab-India Cooperation Forum (AICF)** first met in **January 2016 at Manama, Bahrain**, institutionalizing diplomatic and economic engagement.
- **Statement 3 is correct:** The League of Arab States currently comprises **22 member states** from North Africa and West Asia.
- **Statement 4 is incorrect:** Engagement with LAS was institutionalised in **March 2002**, not 2012, through a Memorandum of Understanding on dialogue cooperation.

30. A Iran

- The Gulf Cooperation Council (GCC) is a regional political and economic alliance comprising **six Arab states in the Persian Gulf region — Saudi Arabia, Kuwait, Oman, Qatar, Bahrain, and the United Arab Emirates**. Countries such as Iran are **not members** of the GCC, as the organisation was established by Arab Gulf monarchies with shared cultural and economic ties and does *not* include Iran in its membership.

31. C Four countries only

- **Iran is not a member of the Arab League,** as it is a Persian country, not an Arab nation. Similarly, **Israel is not a member of the Arab League** due to its political and territorial conflicts with many Arab states. Thus, Egypt, Iraq, Lebanon, and Syria are members of the Arab League, making the correct answer (C) Four countries only. The Arab League has 22 members: Algeria, Bahrain, Comoros, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Somalia, Sudan, Syria, Tunisia, United Arab Emirates, and Yemen, representing most Arab nations in the Middle East and North Africa, founded in 1945 to strengthen ties and coordinate policies. Founding Members (1945): Egypt, Iraq, Jordan (then Transjordan), Lebanon, Saudi Arabia, Syria, and Yemen.

32. B Launching AVGC content creator labs in 15,000 secondary schools and 500 colleges

- Finance Minister Nirmala Sitharaman emphasized the importance of India's creative industries by proposing measures to strengthen the country's "Orange Economy." A major proposal was the establishment of AVGC (Animation, Visual Effects, Gaming, Comics) content creator labs in 15,000 secondary schools and 500 colleges across the nation. This initiative aims to nurture talent and provide career pathways for students in these emerging creative fields.

33. C Industries that transform ideas into cultural goods and services

- The term “Orange Economy,” coined by former Colombian President Iván Duque Márquez and former Culture Minister Felipe Buitrago, refers to activities that transform ideas into cultural goods and services whose value is determined by intellectual property. This includes creative industries like film, music, design, and digital media, which are central to the identity and economy of a nation. The “orange” symbolizes culture, creativity, and identity.

34. A 1 and 3 only

- **Statement 1 is correct.** The Blue Line was drawn in 2000 by the United Nations to confirm Israel’s withdrawal from Lebanon after its 18-year occupation.
- **Statement 2 is incorrect.** The Blue Line was not intended to establish a permanent international border. Its purpose was to verify compliance with UN Security Council Resolution 425 (1978) and confirm withdrawal, not to demarcate a final boundary.
- **Statement 3 is correct.** The Blue Line roughly follows the 1949 Armistice Line between Israel and Lebanon, though disputes still exist in certain areas such as the Shebaa Farms.

35. A 1 and 2 only

- **Statement 1 is correct.** The Abraham Accords, signed in 2020, are a series of diplomatic agreements aimed at normalizing relations between Israel and several Arab countries.
- **Statement 2 is correct.** The United Arab Emirates signed the agreement with Israel in August 2020, becoming the first Arab country under this framework to formalize diplomatic relations with Israel. Bahrain, Sudan, and Morocco later joined the process.
- **Statement 3 is incorrect.** While security cooperation is part of broader regional engagement, the primary objectives of the Abraham Accords include diplomatic recognition, economic cooperation, trade, tourism, technology exchange, and promoting regional peace and stability—not specifically a military alliance against Iran.

36. B Two countries

- Lebanon is located on the eastern coast of the Mediterranean Sea in West Asia. It shares land borders with: **Syria** to the north and east. **Israel** to the south. **Iraq** – No, Iraq does not share a border with Lebanon. Iraq lies further east and is separated from Lebanon by Syria. **Jordan** – No, Jordan does not share a direct border with Lebanon. Jordan lies south of Syria and east of Israel. Therefore, out of the four countries listed, **two countries (Syria and Israel)** share a border with Lebanon.

37. B Jordan

- The Mediterranean Sea borders several countries in South-West Asia.
  - **Syria** has a coastline along the eastern Mediterranean Sea.
  - **Lebanon** lies along the Mediterranean coast.
  - **Israel** also has a western coastline on the Mediterranean Sea.
- **Jordan**, however, does **not** have a Mediterranean coastline. It has a very small coastline on the **Red Sea (Gulf of Aqaba)** near the city of Aqaba.
- Therefore, **Jordan** is the only country among the options that does not open out to the Mediterranean Sea.

38. B Israel

- The **“two-state solution”** refers to a proposed framework to resolve the **Israel–Palestine conflict**.
- It envisions:
  - An independent **State of Israel**, and
- An independent **State of Palestine**, living side by side in peace and security.
- This proposal has been supported by the United Nations and many countries as a long-term solution to the conflict in West Asia. Since this concept directly relates to the **Israel–Palestine issue**, the correct answer is **Israel**.