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FINANCIAL STABILITY IN INDIA - RBI'S FIVE PRIORITIES AND EMERGING RISKS

- Financial stability refers to the ability of the financial system, including **banks, non-banking financial institutions (NBFIs), financial markets, payment systems and supporting infrastructure**, to continue functioning effectively despite economic or financial shocks.
- Recently, RBI Governor Sanjay Malhotra said that India's financial system currently shows **no imminent signs of stress**, but cautioned against complacency.

Five Priorities for Financial Stability

- **Strengthening Systemic Resilience**
 - The first priority is to build a financial system capable of absorbing and containing shocks. Shocks may be **endogenous**, originating within the financial system, or **exogenous**, arising from external events.
 - Regulators therefore need to ensure that financial institutions can continue providing essential services even during severe disruptions.
- **Identifying New Systemic Risks**
 - A future financial crisis may not necessarily originate from conventional banking weaknesses. Potential triggers include:
 - Geopolitical conflicts
 - Cyberattacks
 - Technological failures
 - Supply-chain disruptions
 - Financial-market shocks
 - Climate-related disruptions
 - These risks can interact through multiple channels. Understanding dependencies and contagion channels is therefore essential, with scenario analysis becoming an important component of risk management.

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- **Better and More Granular Data**

- Financial systems are becoming increasingly interconnected and complex, making effective risk monitoring dependent on high-quality data.
- The RBI Governor highlighted gaps in data relating to NBFIs, interconnected exposures, technology dependencies and cross-border financial positions.
- Better and more granular data can help regulators identify vulnerabilities earlier, conduct stress testing and understand how shocks can transmit across institutions and markets.

- **System-Wide Resilience**

- Resilience needs to extend across:
 - NBFIs
 - Financial markets
 - Payment systems
 - Technology infrastructure
 - Critical third-party service providers
 - Cross-border financial networks

- **Innovation Without Eroding Trust**

- Financial innovation can improve efficiency and expand access to financial services. Technologies such as Artificial Intelligence (AI), tokenisation and new forms of financial intermediation can transform financial markets.
- The objective is therefore not to prevent innovation but to ensure that technological development does not create new vulnerabilities faster than regulatory and institutional safeguards can adapt.

Emerging Global Risks

- The RBI Governor also highlighted a combination of geopolitical and geoeconomic fragmentation, strategic realignment, trade restrictions, repeated supply shocks, technological disruption and climate change.

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INTER-PARLIAMENTARY UNION



- It is the **international organization of Parliaments** which was established in 1889 in Paris to promote representative democracy and world peace.
- The IPU **promotes democratic governance**, institutions and values, working with parliaments and parliamentarians to articulate and respond to the needs and aspirations of the people.
- It works for peace, democracy, human rights, gender equality, youth empowerment, **climate action and sustainable development** through political dialogue, cooperation and parliamentary action.
- The IPU moved its headquarters to **Geneva in 1921**.
- **Funding:** It is financed **primarily by its members** out of public funds.
- **Governance Structure**
 - **IPU Assembly:** It is the **principal statutory body** that expresses the views of the IPU on political issues. It brings together parliamentarians to study international problems and make recommendations for action.
 - **Governing Council:** It is the **plenary policymaking body** of the IPU. It is **composed of three representatives from each member parliament**. The President of the IPU is ex-officio President of the Governing Council.
 - The **Council establishes the annual programme** and budget of the IPU.
 - **Executive Committees:**
 - It is made **up of President, elected members** from different geopolitical groups, the **President of the Bureau of Women Parliamentarians** and the **President of the Board of the Forum of Young Parliamentarians**.
 - **Standing Committees:** There are **three Standing Committees** set up by the IPU Governing Council to assist the Assembly in its work.

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RASHTRIYA VAYOSHRI YOJANA



- It is a **Central Sector Scheme**, fully funded by the Central Government **launched in 2017**.
- It provides **free assisted-living devices** to senior citizens **belonging to BPL categories**.
- Assisted living devices are provided to the senior citizens belonging to the BPL category and with monthly income not **more than Rs. 15000/-**.
- Under this scheme, **senior citizens aged 80 years** or older are eligible to receive free assisted-living **devices directly at their doorstep**.
- **Assistive Devices:** Eligible elders receive items like walking sticks, wheelchairs, hearing aids, spectacles, artificial dentures, and crutches based on their specific physical needs.
- **Funding:** The expenditure for implementation of the scheme is being met from the **"Senior Citizens' Welfare Fund"**.
- **Selection: Beneficiaries in each district** will be identified by the State Governments/UT Administrations through a Committee chaired by the **Deputy Commissioner/District Collector**.
- **Implementation:** The Scheme is being implemented by the **Artificial Limbs Manufacturing Corporation (ALIMCO)**, a PSU under the Ministry of Social Justice and Empowerment.
- **Nodal Ministry:** Ministry of Social Justice and Empowerment

3D CONCRETE PRINTING TECHNOLOGY



- It is an **innovative construction technique** that enables the creation of complex and customized structures.
- It is a **construction-scale additive manufacturing**—commonly called **3D Concrete Printing**—replaces traditional masonry and

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sequential manual labour with a computer-controlled

- **Working:**
 - A robotic printer directly translates a **digital Building Information Modelling (BIM)** design into a **physical structure** by extruding specially formulated cementitious materials through a nozzle in successive horizontal layers.
 - It heavily **relies on material science and automation** to ensure that the wet mix maintains precise extrudability, buildability, and rapid setting times without collapsing under its own weight.
- **Advantage:**
 - The primary advantages of 3D printing lie in its unprecedented **speed, reduced material waste, and elimination of traditional timber** or steel formwork.
 - Low-carbon inks and materials reuse are being developed **to mitigate the environmental impact associated** with increased cement usage.
- **Applications:** In India, the technology is tailored for affordable housing missions, disaster-relief shelters, remote-area deployments, defense fortifications, and rapidly erected public facilities.

WHAT IS RAPUNZEL SYNDROME?



- Rapunzel syndrome is a very **rare condition** in which a **large hair ball (trichobezoar)** gets **lodged in stomach** and **extends into small intestine**.
- The condition was first described in 1968. It's named after a fairy-tale character, Rapunzel, who was known for her long hair.
- This condition is much **more common among women** than men.
- **What Causes Rapunzel Syndrome?**
 - The condition is strongly **linked to trichotillomania** and **trichophagia**.

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- **Trichotillomania** is a **disorder** wherein a person repeatedly feels the **urge to pull out their own hair**, and **trichophagia** is a condition wherein the **pulled or loose hair is swallowed**.
- **Treatment:**
 - **Endoscopy** can sometimes be used to **remove smaller hairballs**, but very **large masses** or those causing obstruction generally **require surgery**.
 - Surgery involves removing the hair mass from the stomach and, when necessary, the intestine.

UDANTI SITANADI TIGER RESERVE



- **Location:** It is located in **Chhattisgarh**.
- It was established by joining the regions represented by **Sitanadi and Udanti wildlife sanctuaries**.
- Geographically, the reserve forms a significant part of the **Eastern Highlands of Central India**.

Rivers: The drainage system of the reserve consists of the **Mahanadi** as the main river, along with the **Udanti, Sitanadi, Indravan**, and **Pairi Rivers** as tributaries.

Vegetation: The forest type here is predominantly **tropical dry and moist deciduous**.

Flora: The forest is **dominated by Sal** (*Shorea robusta*), which forms dense patches across the landscape. It also consists of **Teak** (*Tectona grandis*), **Bamboo**, **Tendu**, **Mahua**, **Bija**, and **Harra** contribute to the green diversity of the region.

Fauna: It is home to **Wild Buffalo**, **tiger**, **Indian Wolf**, **Leopard**, **Sloth Bear**, and **Mouse Deer**

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WHEN TARIFFS BECOME WEAPONS: INDIA'S PUSH FOR ECONOMIC RESILIENCE

P K Mishra, Principal Secretary to the Prime Minister, said that tariffs, export controls and other trade restrictions are increasingly used **not just for commercial objectives** but for strategic purposes — and that these "instruments of economic policy are sometimes even **weaponised**."

He was speaking at a session titled 'A World Priced for Risk' at the 5th Kautilya Economic Conclave.

He framed India's goal in a memorable formulation: the future will belong to those **who can be steady without being closed**, careful without being fearful, and ambitious without being naïve.

Risk vs Uncertainty: The New Global Condition

- The Secretary drew a key distinction: the world today faces **not merely risk, but uncertainty** — and this decade has sharpened that distinction.
- Examples he cited:
 - A pandemic disrupting production and mobility worldwide.
 - Wars disrupting energy and food markets.
 - Shipping routes and geographical chokepoints becoming sources of economic vulnerability.
 - Export restrictions, sanctions and tariffs turning into instruments of economic policy — sometimes weaponised outright.
 - Critical minerals, technologies, and financial infrastructure acquiring new strategic significance.

Energy: From "What's the Price?" to "Will It Arrive?"

- He highlighted a fundamental shift in how energy-importing economies must think.
 - For decades, the principal question for energy importers was simply the price of energy.
 - Today, a second question has emerged: will the energy be available, or can it even reach us?

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Critical Minerals: A New Concentration Risk

- Mishra pointed to a parallel pattern in critical minerals essential to the clean energy transition.
 - Lithium, cobalt, rare earths and other minerals are essential for batteries, electronics, renewable energy, and advanced manufacturing.
 - Their extraction, processing, and refining are highly **geographically concentrated**.
 - For nearly all of them, a single country does most of the refining.
- His key warning: "the clean energy future, which was meant to free us from oil dependence, risks creating new ones."
- In other words, moving away from oil dependency may simply replace it with mineral-refining dependency on a different single country.

India's Response to Supply Chain Shocks

- Discussing disruptions around the Strait of Hormuz, Mishra noted India is a major energy importer, vulnerable to prolonged disruption of important maritime routes.
- India's response has combined several layers of protection:
 - Maintaining substantial stocks.
 - Increasing domestic production.
 - Ensuring alternative supply routes and suppliers are available.
- **Concrete Evidence of Diversification:** The number of countries from which India imports crude oil has increased from **27 to 43** — a significant expansion.

Diversifying Trade Relationships

- Mishra emphasised that an open economy will always depend on other economies — but the goal is avoiding excessive concentration, not eliminating dependence altogether.
- India's expanding trade agreement network now includes: UAE; Australia; AIFTA (ASEAN–India Free Trade Area); United Kingdom; Oman; New Zealand; European Union.

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GST 2.0 - PROPOSED SHIFT TOWARDS DECRIMINALISING TAX OFFENCES

- More than nine years after the rollout of the Goods and Services Tax (GST) in **July 2017**, the GST regime, now dubbed as GST 2.0, is considering a significant change - removal of arrest powers under GST laws.
- The proposal is expected to be discussed at the 57th GST Council meeting on October 7, 2026. The move follows consultations between the Centre and States over the past eight-nine months.
- Businesses have raised concerns that arrest provisions have sometimes resulted in **overreach, harassment and uncertainty**, affecting the ease of doing business.
- If approved, the proposal would require legislative amendments to the GST laws, potentially during the Winter Session of Parliament.

Need to Decriminalise GST Offences

- Industry representatives have raised concerns that arrest powers can be used as a **bargaining tool**, particularly in sectors such as banking and insurance, compelling businesses to settle tax disputes or penalties to avoid prolonged litigation.
 - The proposed reform seeks to -
 - Improve taxpayer confidence and investor sentiment.
 - Reduce perceptions of fear and harassment by tax authorities.
 - Strengthen the ease of doing business (EoDB).
 - Separate genuine tax administration from criminal enforcement.
 - However, intentional fraud and deceit would continue to attract prosecution. In such cases, arrests could be undertaken under the **Bharatiya Nyaya Sanhita (BNS)** rather than through GST-specific arrest provisions.
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