

# NEXT IAS

## DAILY CURRENT AFFAIRS (DCA)

Time: 45 Min

Date: 01-06-2026

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## THE ARAVALLIS AS A NATURAL SHIELD AGAINST DESERTIFICATION

### Context

- A recent dust storm in Rajasthan's regions highlighted the **crucial ecological role of the Aravalli Range** in shielding northern India from dust storms.

### Dust Storms in Northwestern India

- Dust storms frequently occur in northwestern India during the pre-monsoon months of April to June.
- **Intense heating of the land surface** creates dry and unstable atmospheric conditions that **favor the formation of dust storms**.
  - ♦ Strong **south-westerly and westerly winds** transport large quantities of dust from the Thar Desert and adjoining regions towards northern India.

### How Do the Aravallis Protect Northern India?

- The Aravalli Range, stretching over approximately **692 kilometres (430 miles)** in a northeastern direction, traverses the Indian states of **Gujarat, Rajasthan, and Haryana** before culminating in **Delhi**, is the oldest mountain range in India.
  - ♦ **Rajasthan** accounts for nearly **two-thirds** of the mountain range.
- The Aravallis support water-recharge systems and are the source of rivers such as the **Sabarmati and Luni**.
- The region is **rich in minerals** including sandstone, limestone, marble, granite, lead, zinc, copper, gold, and tungsten.
- **Significance:** The Aravalli Range acts as a **natural barrier** between the Thar Desert and the densely populated Indo-Gangetic Plains.
  - ♦ Dust-laden winds lose their speed when they **encounter the Aravalli hills**, causing sand and dust particles to settle on the western slopes.
  - ♦ The **presence of forests and vegetation** further reduces the movement of dust by trapping airborne particles.
  - ♦ The range helps **prevent the eastward expansion of desert conditions** and protects agricultural and urban regions from excessive dust deposition.

### What Is Causing the Degradation of the Aravallis?

- **Extensive mining** of granite, red silica, marble, and other minerals has damaged hills and natural landscapes across the range.
- **Removal of forests and natural vegetation** has reduced the capacity of the Aravallis to trap dust and stabilize soils.
- **Conversion of forest and grazing lands** into settlements and agricultural areas has weakened ecological resilience.

### Aravalli Green Wall Initiative

- In 2025, the Union Government launched the Aravalli 'Green Wall' project.
- The initiative aims to expand green cover in a **five-kilometre buffer** around the Aravalli range.
- It covers **29 districts** across Gujarat, Rajasthan, Haryana, and Delhi.
- The project seeks to restore **26 million hectares** of degraded land by 2030 and strengthen ecological resilience against desertification.

Source: IE

## REIMAGINING MICROFINANCE IN INDIA

### Context

- Recently economists have argued that while microfinance has expanded financial inclusion in India, sustaining future growth will require a shift towards **meso-finance** and stronger financial services for growing enterprises.

### What is Microfinance?

- Microfinance refers to the **provision of small-scale financial services**, particularly credit, to low-income households and micro-enterprises that lack access to formal banking institutions.
- The concept gained global prominence through the **Grameen Bank** established by **Muhammad Yunus in Bangladesh in 1976**, which popularized group-based lending to poor households without collateral.

### Success of the Traditional Microfinance Model

- India's microfinance sector is largely **based on the Joint Liability Group (JLG)** model. It has **expanded access to formal credit** for millions of low-income households, particularly **women** in rural areas.

- The **SHG-Bank Linkage Programme** implemented by **National Bank for Agriculture and Rural Development** has empowered over **17 crore** households through more than **144 lakh Self-Help Groups**.
- Nearly **46%** of microfinance loans are extended to households with monthly incomes below **₹20,000**, supporting income-generating activities and asset creation.

#### Government Initiatives related to microfinance

- **Credit Information Sharing Mandate:** RBI has mandated all microfinance lenders to report credit bureaus, such as **CRIF High Mark and CIBIL**, ensuring that borrowers' credit histories are accessible for proper assessment.
- **RBI's Revised Regulatory Framework for Microfinance Loans, 2022** provides a uniform regulatory framework for all regulated entities (banks, NBFCs, NBFC-MFIs, SFBs) to ensure borrower protection and promote responsible lending.
- **SHG-Bank Linkage Programme:** Links Self-Help Groups with formal banking institutions and promotes income-generating activities.
- **Pradhan Mantri MUDRA Yojana:** Provides collateral-free loans of up to **₹20 lakh** to micro and small enterprises.
- **NABARD Refinance Support:** Provides refinance assistance to **Microfinance Institutions (MFIs)** to enhance credit flow to underserved sections.

#### Limitations of the Microfinance Model

- The traditional microfinance model is primarily suited for **small-scale livelihood activities** and working capital needs.
- **High interest rates** make it unsuitable for enterprises requiring large investments and longer repayment periods.
- **Standardized loan products** most of the times fail to meet the diverse financial needs of borrowers.
- **Excessive reliance on credit** without adequate savings and insurance increases financial vulnerability.
- **Multiple borrowing** from different microfinance institutions has increased the risk of **debt traps**, with around 8–10% of the sector's assets under management linked to borrowers having more than four lenders.

#### What is Meso-Finance?

- Meso-finance refers to financial services that **bridge the gap between microfinance and traditional bank lending**.

- It provides financing that is **larger and more flexible than microfinance loans** but smaller and less formal than conventional commercial bank loans.
- It supports business expansion, **asset creation, employment generation**, and rural economic development.

#### Difference Between Microfinance and Meso-Finance

Aspect	Microfinance	Meso-Finance
Loan Size	Small loans	Medium-sized loans
Purpose	Working capital and livelihood activities	Business expansion and asset creation
Repayment Period	Short-term	Medium to long-term
Target Group	Low-income households and micro-enterprises	Growing micro and small enterprises
Examples	Buying a sewing machine or milch animal	Establishing a dairy farm, food-processing unit, or rural enterprise

#### Challenges in Transitioning to Meso-Finance

- **Higher Credit Risk:** Larger loan sizes increase the risk of defaults and financial losses for lending institutions.
- **Weak Credit Assessment Systems:** Financial institutions require more robust borrower evaluation and cash-flow assessment mechanisms.
- **Need for Business Support Services:** Growing enterprises need continuous monitoring, mentoring, and market linkages in addition to finance.
- **Regulatory Constraints:** Existing regulatory frameworks and financial institutions are primarily designed for either microfinance or conventional banking.

#### Successful Models of Meso-Finance

- **The Bank for Agriculture and Agricultural Cooperatives (Thailand)** provides medium-sized loans to farmer groups, cooperatives, and rural enterprises, helping them scale beyond subsistence activities.

- **BRAC in Bangladesh** introduced **Small Enterprise Loans**, which support businesses that have outgrown traditional microfinance but are too small to access commercial bank credit.
- **KfW Development Bank** has supported SME-financing programmes across **Africa and Asia** that provide medium-scale credit to growing enterprises, bridging the gap between microcredit and bank lending.
- **In India**, institutions such as **Mann Deshi Mahila Sahakari Bank** and several Small Finance Banks have increasingly offered larger enterprise loans to successful microfinance clients, moving towards a meso-finance approach.

#### Way Ahead

- **Capacity-building, financial literacy, and business development services** should accompany financing support.
- **Small Finance Banks, NBFCs, and microfinance institutions** should be encouraged to create tailored financial products for enterprise expansion.
- Financial institutions should complement credit with **savings, insurance, and pension products** to strengthen household resilience.
- **Credit assessment** should increasingly be **based on cash flows and business potential** rather than standardized lending models.

#### Concluding remarks

- While the Joint Liability Group model has significantly expanded financial inclusion in India, its future growth potential is becoming constrained.
- A transition towards meso-finance, stronger savings systems, and diversified financial services can help build a more resilient and inclusive financial ecosystem.

Source: **BS**

## INDIA-OMAN COMPREHENSIVE ECONOMIC PARTNERSHIP AGREEMENT (CEPA)

#### In News

- The India–Oman Comprehensive Economic Partnership Agreement (CEPA) came into force on 1 June 2026, creating one of India's most comprehensive trade agreements in the Gulf region.

#### What is a CEPA?

- A CEPA goes **beyond a traditional Free Trade Agreement (FTA)**. While traditional FTAs focus narrowly on goods, a CEPA links two economies with broad commitments, covering preferential trade in goods, liberalisation of services, investment protection, intellectual property rights, competition policy and government procurement.

#### Key Features of India–Oman CEPA

- **Massive Market Access for Indian Exports:** Duty-free access on 99.38% of India's exports, compared to only 15.33% under the MFN regime.
- Oman is India's **second-largest trading partner in the Gulf region** and serves as a strategic gateway to the wider GCC market through its advanced port infrastructure.
- Bilateral trade between India and Oman reached **\$11.18 billion in FY 2025-26, up from \$10.61 billion in FY 2024-25**.
- **Strong Services Liberalisation:** Oman has opened 127 service sub-sectors, the most comprehensive offer by any GCC country to India. 100% FDI for Indian companies in the major services sector in Oman.
- **Trade Facilitation Measures:** Oman will accept certificates issued by India's Export Inspection Council (EIC). This would reduce testing delays and lower transaction costs for exporters.

#### Significance

- **Strategic location of Oman:** Unlike most Gulf countries which depend on shipping through the Strait of Hormuz, much of Oman's coastline lies directly on the Arabian Sea and the Gulf of Oman. This means ports like Salalah and Duqm remain accessible even when Hormuz traffic is disrupted.
- **Gateway to GCC and East Africa:** Oman's logistics hubs at Sohar, Duqm and Salalah give Indian exporters enhanced access not only to Oman but also to wider GCC and East African markets.
  - ♦ Oman is India's second-largest trading partner in the Gulf region and serves as a strategic gateway to the wider GCC market through its advanced port infrastructure.
- **India's Gulf Strategy:** India becomes only the second country after the United States to secure a comprehensive bilateral trade pact with Oman.
- **MSME and Employment:** A calibrated liberalisation approach protects sensitive sectors while supporting MSMEs, labour-intensive industries, and region-wide export growth.

**Measures Taken by India to Boost Exports**

- **Remission of Duties and Taxes on Exported Products (RoDTEP):** Refunds embedded taxes and duties to exporters, improving competitiveness.
- **Export Promotion Mission:** Supports exporters through affordable trade finance, certification assistance and market access initiatives.
- **Districts as Export Hubs:** Promotes export-oriented manufacturing and employment generation at the district level.
- **Foreign Trade Policy (FTP), 2023:** Targets merchandise and services exports of USD 2 trillion by 2030.

Source: TH

## DIGITAL SOVEREIGNTY IN THE AGE OF CLOUD COMPUTING

### Context

- The possibility of disruption in Microsoft's cloud services to **Nayara Energy** due to U.S. sanctions compliance underscored the need for digital sovereignty in India.

### What is Digital Sovereignty?

- Digital sovereignty refers to a **nation's ability to control its digital infrastructure, data, technologies, and cyberspace** according to its own laws and strategic interests.
- It encompasses **control over data storage, cloud infrastructure, artificial intelligence systems, semiconductor supply chains, and critical digital services.**

### Why is Digital Sovereignty Becoming Important?

- **Dependence on Digital Infrastructure:** Governments, banks, hospitals, businesses, and critical infrastructure increasingly rely on cloud computing and digital platforms.
  - ♦ **Disruptions in these services** can affect economic activity, governance, and national security.
- **Geopolitical Fragmentation:** Technological competition among major powers is reshaping the global digital landscape.

- ♦ **Sanctions, export controls, and technology restrictions** are increasingly being used as instruments of geopolitical influence.
- **Strategic Importance of Data:** Data has emerged as a critical economic and strategic resource and control over data flows influences economic competitiveness, innovation, and national security.

### India's Digital Public Infrastructure (DPI) Model

- **Aadhaar** has established the world's largest biometric-based digital identity system, enabling secure and inclusive access to public and private services.
- **Unified Payments Interface (UPI)** has revolutionized digital payments by facilitating instant, low-cost, and interoperable financial transactions, thereby advancing financial inclusion.
- **DigiLocker and eSign** have enabled paperless governance by providing secure digital document storage and legally valid electronic authentication services.
- **Ayushman Bharat Digital Mission (ABDM)** is creating an integrated digital health ecosystem through interoperable health records and seamless healthcare delivery.
- **Open Network for Digital Commerce (ONDC)** seeks to democratize e-commerce by promoting an open, interoperable, and platform-neutral digital marketplace.

### The Infrastructure Gap in India's Digital Journey

- **Dependence on Foreign Cloud Providers:** A large share of India's digital economy operates on cloud services provided by **AWS, Microsoft Azure, and Google Cloud.**
  - ♦ Critical data and services are dependent on infrastructure governed by foreign jurisdictions.
- **Dependence on Foreign AI Models:** Most advanced AI systems and Large Language Models (LLMs) are developed by companies based in the United States and China.
  - ♦ India has limited control over their training data, algorithms, safety standards, and governance frameworks.
- **Dependence on Semiconductor Supply Chains:** Semiconductors form the backbone of digital technologies and India continues to rely heavily on imported chips and foreign manufacturing ecosystems.

### Risks Associated with Digital Dependence

- **Threat to Strategic Autonomy:** Critical services could become vulnerable during geopolitical crises as foreign governments can impose restrictions through sanctions or regulatory measures.
- **National Security Concerns:** Dependence on external infrastructure may expose critical systems to **cyber risks and supply-chain vulnerabilities**.
- **Economic Vulnerabilities:** Excessive dependence on foreign digital platforms may lead to **concentration of economic power** and may reduce domestic innovation and technological self-reliance.
- **Limited Policy Control:** Foreign-owned digital infrastructure is subject to the laws of its home country and national regulators may face challenges in exercising full oversight during emergencies.

### Challenges in Achieving Digital Sovereignty

- **High Infrastructure Costs:** Building domestic cloud, AI, and semiconductor capabilities requires substantial investment.
- **Technological Gaps:** Advanced technologies involve high entry barriers and limited indigenous expertise.
- **Risk of Protectionism:** Excessive restrictions may reduce competitiveness and access to advanced technologies.
- **Global Supply Chain Dependence:** Digital technologies rely on complex international supply chains that are difficult to fully localize.

### Way Ahead

- **Develop Sovereign Cloud Infrastructure:** India should expand indigenous cloud initiatives such as **MeghRaj** and domestic cloud providers should be encouraged to support critical sectors.

- **Strengthen Data Governance:** Sensitive and critical data should be stored and processed within India's jurisdiction
- **Promote Indigenous AI Ecosystem:** Investments should be increased in AI research, computing infrastructure, and language models tailored to Indian needs.
- **Deepen International Cooperation:** India should leverage DPI partnerships with countries in Africa, Southeast Asia, and Latin America.

Source: IE

## NEWS IN SHORT

### LOKMATA AHILYABAI HOLKAR

#### Context

- Prime Minister Narendra Modi paid tribute to **Lokmata Ahilyabai Holkar** on her birth anniversary.

#### About Ahilyabai Holkar (1725–1795)

- She was the celebrated queen of the **Holkar dynasty who ruled the Malwa kingdom in the 18th century**.
- **Revered as the “Philosopher Queen”** for her enlightened and people-centric governance.
- Born in Chondi village, Ahmednagar (Maharashtra) and married to Khanderao Holkar, son of Malhar Rao Holkar. After the deaths of her husband, father-in-law and son, she assumed the administration of Malwa in 1767.

#### Major Contributions

- She is remembered for her model of justice, welfare-oriented governance, and cultural preservation.
- Ahilyabai rebuilt important temples such as the **Kashi Vishwanath Temple** and **Somnath Temple** in the 18th century.
- She promoted **women's education, widow remarriage, and opposed practices like sati**.
- She also worked for the upliftment of tribal communities and lower castes.
- Under her rule, **Maheshwar and Indore became major trade centres**, and the famous Maheshwari saree tradition flourished.

Source: PIB

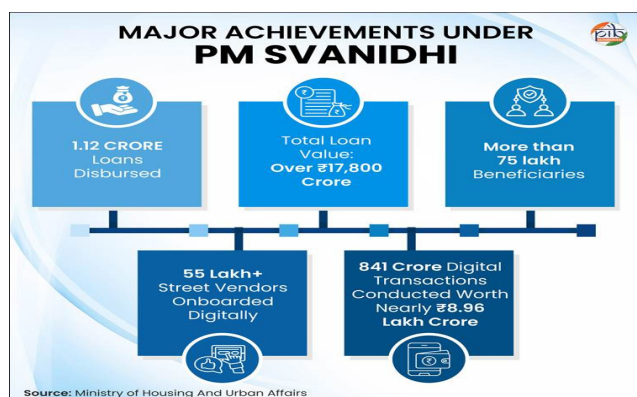
## PM SVANIDHI SCHEME COMPLETES SIX YEARS

### Context

- PM Street Vendor's AtmaNirbhar Nidhi (PM SVANidhi) Scheme, has completed six years of empowering street vendors through affordable collateral-free credit, digital inclusion and social security.

### About PM SVANidhi Scheme

- PM SVANidhi is a **Central Sector Scheme** launched on **1 June 2020** to provide affordable working capital **loans to street vendors** affected by the COVID-19 pandemic.
- Implementing Agencies:** Ministry of Housing and Urban Affairs (MoHUA) & Department of Financial Services.
- Eligible criteria:** Street vendors in possession of Certificate of Vending/Identity Card issued by Urban Local Bodies (ULBs).
- Key Features of the PM SVANidhi Scheme**
  - Working Capital Loan:** Collateral-free loans of **₹15,000, ₹25,000, and ₹50,000** are provided in three progressive tranches with interest subsidy and credit guarantee support.
  - UPI-linked RuPay Credit Cards:** Vendors successfully repaying the second tranche are eligible for **UPI-linked RuPay Credit Cards** with limits up to **₹30,000**.
  - Digital Adoption:** Street vendors are eligible for cashback incentives of up to **₹1,600** on retail and wholesale digital transactions.
  - SVANidhi se Samriddhi (SSS):** Socio-economic profiling of beneficiaries and their families is undertaken to link them with eight selected Central welfare schemes and create a holistic social security net.



Source: PIB

## SHANGRI-LA DIALOGUE

### In News

- India has officially signed a deal to supply **BrahMos supersonic cruise missiles** to Vietnam, as confirmed at the **Shangri-La Dialogue in Singapore**.
  - The BrahMos is a highly advanced, joint-venture missile system developed by India and Russia.

### About

- Also known as the **Asia Security Summit**, it is Asia's premier defence and security forum.
- Established in 2002, it is held annually at **Singapore's Shangri-La Hotel**.
- Organised by the **International Institute for Strategic Studies (IISS), London, with support from Singapore's Ministry of Defence**.
- The dialogue focuses on both traditional security issues (territorial disputes, military cooperation) and non-traditional challenges (terrorism, cybersecurity, climate change).
- It includes keynote speeches, plenary sessions, breakout discussions and bilateral meetings.
- India's Raisina Dialogue is considered to be modelled on the **Shangri-La Dialogue**.

Source: LM

## BANNI GRASSLANDS

### Context

- The proposed solar project by NTPC Renewable Energy Limited in **Gujarat's Banni grasslands** has raised concerns over its impact on local communities, biodiversity, and wetlands.

### About Banni Grassland

- The **Banni grasslands** in **Kachchh** are among Asia's largest natural grasslands and support pastoral communities such as the **Fakirani Jat**.
- The region contains over 70 species of nutritious grasses and supports grazing of **camels, buffaloes, sheep, and goats**.
- Nearby **Chhari Dhand Wetland Conservation Reserve** is a **Ramsar site** important for migratory birds and local biodiversity.

### Concerns Over the Solar Project

- The proposed project covers nearly 4,500 acres across 16 villages and lies close to eco-sensitive areas.

- Local communities fear loss of grazing land, cultural spaces, graveyards, and traditional livelihoods.
- Conservationists warn that **solar infrastructure, light pollution, and human activity** may disturb bird habitats and migratory routes.
- Solar panels may also disorient birds, increasing collision risks.
- Concerns have also been raised regarding weak implementation of safeguards related to pasturelands and the **Forest Rights Act, 2006**.

Source: TH

