

DAILY CURRENT AFFAIRS (DCA)

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DEMANDS TO REPEAL VB-G RAM G

Context

- Demanding the **repeal of the Viksit Bharat - Guarantee for Rozgar and Aajeevika Mission - Gramin (VB-G RAM G) Act**, activists and workers' organisations announced **protests from July 1**.

About VB-G RAM G

- It replaced the **Mahatma Gandhi National Rural Employment Guarantee Act, 2005 (MGNREGA)**.
 - ♦ This marks a shift from a **“demand-driven framework”** to a **“supply-driven scheme”**.
- **Enhanced Livelihood Guarantee:** The Act enhances the statutory wage employment guarantee to **125 from 100 days per rural household in every financial year**, for adults who volunteer to undertake **unskilled manual work**.
- **Centrally Sponsored Scheme:** It is a Centrally Sponsored Scheme with a sharing pattern of **90:10 for North-Eastern and Himalayan States/ UT and 60:40 for all other States**.
- **Securing peak agricultural seasons:** Under the Act states are empowered to notify in advance, a period aggregating to 60 days in a financial year covering peak sowing and harvesting during which works under the Act will not be undertaken, **facilitating sufficient farm labour at critical times**.
- **Normative Allocation to States based:** States are required to ensure transparent and need-based intra-state distribution of funds across districts and Gram Panchayats, taking into account the category of Panchayats and local developmental needs.
- **Unemployment allowance:** If eligible applicants are not provided work within the stipulated period, **State Governments will be obliged to pay unemployment allowance**.
- **VGPP based planning:** Planning will be undertaken through Viksit Gram Panchayat Plans, prepared by Gram Panchayats and integrated with national spatial planning systems.
- **Institutional Oversight:** The Central Gramin Rozgar Guarantee Council and the State Gramin Rozgar Guarantee Councils shall be constituted for review, monitoring and effective implementation of the provisions of the legislation in their respective areas.

Concerns Raised by Workers

- **Financial Concerns:** An analysis of the government's data showed the promised 125 days of employment under the proposed scheme was neither financially backed nor administratively feasible.
 - ♦ No major state would be able to generate even half of the promised 125 days of employment per active job card.
- **Silent on Wage Rates:** Rules are silent on wage rates and not guaranteeing statutory minimum wages.
- **Technological Failures:** The activists opposed the continued use of facial recognition and biometric authentication, alleging that technological failures had repeatedly resulted in loss of wages and workdays for workers.
- **Shift from demand-driven to supply-driven allocation:** Earlier approach in MGNREGA was Bottom-up, demand-based estimation by states.
 - ♦ The act introduces Top-down “normative” allocation, with parameters decided unilaterally by the Centre.
- **Excessive burden on States:** Unlike MGNREGA, where the Centre bears 100% wage cost and 75% of material cost, the VB-G RAM G Bill mandates a **60:40 Centre–State funding pattern**, many states may struggle to mobilise their 40% share.
 - ♦ It increases the risk of uneven implementation across states, reinforcing regional disparities.

Conclusion

- To cater to the changing aspirations, stronger convergence is required to establish an integrated, Whole-of-Government rural development framework covering several complementary Government schemes.
- As national development advances, rural development programs require periodical revision to remain aligned with emerging needs and further aspirations.

Source: TH

IRAN-UNITED STATES PEACE DEAL

Context

- According to some recent reports Iran and the United States have reached a preliminary framework for renewed diplomatic engagement after a prolonged period of tensions.

Background

- The pact includes a **14-point Memorandum of Understanding (MoU)** between the United States and Iran outlining a roadmap for de-escalation, restoration of commercial navigation through the **Strait of Hormuz**, and negotiations on sanctions relief etc.
- It also includes an **immediate halt to military action**, including in Lebanon, and a **60-day negotiation period**.



Evolution of Iran–U.S. Nuclear Diplomacy

- The 2015 Nuclear Agreement:** The **Joint Comprehensive Plan of Action (JCPOA)** was signed between Iran and the **P5+1 countries**.
 - Iran agreed to limit **uranium enrichment** and accept enhanced inspections in exchange for sanctions relief.
- U.S. Withdrawal and Renewed Tensions:** The United States withdrew from the JCPOA in **2018** and reimposed sanctions on Iran.
 - In response, Iran gradually reduced its compliance with several provisions of the agreement.

Potential Opportunities of Iran–U.S. Agreement

- The reduction in tensions will lower the risk of **military confrontation and proxy conflicts** across the region.
- Also the stable conditions will **ensure smoother energy flows** and reduce volatility in global oil markets.
- Improved security conditions will **encourage trade, investment, and reconstruction** efforts in conflict affected areas.

- For **India**, improved regional conditions are necessary to boost the development of **Chabahar Port** and the **International North-South Transport Corridor (INSTC)**.

What are the Challenges?

- Deep-rooted **mistrust among regional actors** continues to hinder lasting peace.
- The influence of **non-state armed groups** and **proxy networks** are going to complicate regional security.
- Key **disagreements over Iran's nuclear programme** and the future regional security framework remain unresolved.

Concluding remarks

- The diplomatic engagement between Iran and the United States highlights the continuing relevance of dialogue in addressing complex geopolitical disputes.
- Though significant differences persist, sustained diplomacy and confidence-building measures remain essential for promoting regional stability, and fostering a more peaceful and cooperative order in West Asia.

Source: TOI

INDIA ACHIEVES A RECORD HIGH IN ANNUAL DEFENCE PRODUCTION

Context

- India's annual defence production** has surged to an all-time high of **₹1.78 lakh crore in the Financial Year (FY) 2025-26**.

About

- It represents a **15.6% growth** over the previous fiscal year and a **110% increase since FY 2020-21**.
- Defence Public Sector Undertakings and other PSUs** accounted for approximately **76%** of total production, while the **private sector contributed 24%**.
- Approximately 65% of defence equipment** is now produced domestically, as compared to import dependence of 65–70% earlier.
- India has set targets** of **₹3 lakh crore** in defence production and **₹50,000 crore in exports by 2029**.



Factors Contributing to the Rising Defence Production

- **Rising Defence Budget:**



- **Research, Innovation, and Partnership:** Defence research and development allocation increased by over 112% in FY 2026-27 from FY 2014-15.
 - ♦ The government also opened 25% of the defence R&D budget to industry, start-ups, and academia in 2022-23.
- **Innovations for Defence Excellence (iDEX):** The initiative actively engages industries, including MSMEs, startups, individual innovators, research institutions, and academia, in developing indigenous defence technologies.
- **Development cum Production Partner (DcPP) Model:** Under this model, DRDO identifies capable manufacturing partners from the public and private sectors through a competitive process and transfers the required technologies for production.
- **Building Human Capability for Technological Self-Reliance:** DRDO established **five Young Scientists Laboratories (DYSLs)** in 2020, with a sixth laboratory scheduled for 2026, making the total number to be 36.
 - ♦ Newly recruited scientists now undergo a two-year M.Tech programme in defence technology at the Defence Institute of Advanced Technology before joining laboratories.
- **Defence Acquisition Reforms to Push for Self-Reliance:** Through DAP 2020 reforms, it prioritised indigenous procurement, domestic manufacturing, and higher indigenous content.
- **India's Defence Diplomacy:** India has expanded partnerships with major global powers while preserving strategic autonomy. Defense cooperation now extends beyond military exchanges to technology collaboration, industrial partnerships, and joint manufacturing.

Need for Defence Indigenisation Reforms

- **Strategic Autonomy & National Security:** Defence Production reduces dependence on foreign suppliers, especially during crises and geopolitical tensions.
- **Addressing Capability Gaps:** India faces complex security challenges across borders and in the Indian Ocean Region (IOR). Modernisation is required to replace ageing platforms in the Army, Navy, and Air Force.
- **Reducing Import Bill & Promoting Economic Efficiency:** India is among the world's largest arms importers, indigenous production lowers costs in the long run, reduces foreign exchange outflow, and strengthens the domestic defence economy.
- **Boosting Domestic Defence Industrial Base:** Indigenisation stimulates innovation and growth of DPSUs, MSMEs, and private industry.
- **Faster Procurement & Operational Readiness:** Domestic manufacturing shortens procurement cycles and ensures timely delivery.
- **Improved Customisation & Adaptability:** Indigenous platforms can be tailored to Indian terrain (Himalayan high-altitudes, deserts, maritime zones) which allows continuous upgrades to meet evolving threat environments.
- **Technology Sovereignty:** Developing indigenous technologies ensures freedom in design, production, and future upgrades. It also prevents vulnerability due to sanctions, supply chain disruptions, or technology denials.

Significance of India's Rising Defence Production

- **Structural Shift from Buyer to Builder:** Indian defence products are now exported to over 80 countries worldwide.



- **Expansion of Defence Industrial Capacity:** The indigenous defence ecosystem today comprises 16 Defence Public Sector Undertakings (DPSUs), around 500 licensed defence companies, and nearly 17,000 Micro, Small and Medium Enterprises (MSMEs).
- **Defence Industrial Corridors:** In 2026, the Uttar Pradesh Defence Industrial Corridor had attracted investment commitments worth ₹42,057 crore, the Tamil Nadu Defence Industrial Corridor attracted investments worth ₹32,699 crore.

Key Government Initiatives

- **Ease of Doing Business in Defence Manufacturing:** In 2015, the government revised this to 15 years initial validity, with a further extension possible up to 18 years. Under the Arms Act, licenses granted to companies are now valid for the lifetime of the company.
- **Revamped Defence Exim portal:** The portal enables end-to-end application processing, automated company verification, simplified registration, real-time tracking, and secure payment integration.
- **Indigenisation through Industries:** The Ministry of Defence launched the Srijan Defence Portal in 2020. On this portal, DPSUs and Service Headquarters (SHQs) offer defence items to the industries, including MSMEs and start-ups, for indigenisation.
- **Srijan DEEP:** Department of Defence Production has developed Srijan DEEP (Defence Establishments and Entrepreneurs Platform), a Digital Database of Defence Industries.
 - ♦ The portal serves as a comprehensive repository of defence Manufacturers, MSMEs, Services and Technology providers contributing to the defence ecosystem.
- **FDI in Defence Sector:** The FDI limit in the defence sector was enhanced in 2020 up to 74% through the Automatic Route, and up to 100% through the Government Route.
- **Strategic Partnership (SP) Model:** Introduced in 2017 to create long-term partnerships between Indian companies and global Original Equipment Manufacturers (OEMs).
 - ♦ These partnerships focus on technology transfer and setting up manufacturing infrastructure in India.

Way Ahead

- The combination of strategic policy interventions, increased domestic participation, and a focus

on indigenous innovation has significantly strengthened the country's defence capabilities.

- With ambitious targets set for 2029, India is poised to further expand its global footprint, reinforcing its position as a dependable partner in the international defence market while enhancing national security.

Source: TH

RESERVE BANK OF INDIA (RBI) AND ITS GROWING FISCAL ROLE

Context

- The Reserve Bank of India (RBI) approved a record surplus transfer of ₹2.87 lakh crore to the Union Government for FY26.

Economic Capital Framework

- The Economic Capital Framework (ECF) **guides how the RBI manages its capital reserves and determines the surplus it can transfer** to the Government of India.
- It was originally formulated based on recommendations from the **Bimal Jalan Committee** and adopted in RBI's 578th meeting in 2019.
- The **Bimal Jalan Committee** had recommended a **5-year periodic review** of the ECF.

How RBI Earns Profit and Decides Dividend?

- Though RBI's primary role is not to earn profit, but to maintain economic stability.
- Its main functions include ensuring price stability (controlling inflation), managing currency issuance, handling foreign exchange reserves, regulating the banking system & managing government debt.
- Despite these roles, profit can emerge as a byproduct of RBI's operations. RBI earns through:
 - ♦ Interest on government bonds it holds.
 - ♦ Lending to banks (like repo operations).
 - ♦ Foreign exchange operations (buying/selling dollars).
 - ♦ Seigniorage – Profit from printing currency (since printing cost < face value).
 - ♦ Market operations – It buys/sells assets to control liquidity and earns interest or capital gains.

• How RBI earned and spent money in FY26

	2024-25 (Rs cr)	2025-26 (Rs cr)
Interest from rupee securities	85,525	117,740
Interest from foreign securities	97,007	107,679
Interest on foreign deposits	36,195	27,407
Net interest on liquidity operations	-10,120	-19,163
Exchange gain from forex transactions	111,143	168,906
TOTAL INCOME	338,308	427,684
Printing of notes	6,373	4,875
Employee cost	9,147	10,136
Provisions	44,862	109,380
TOTAL EXPENDITURE	69,714	141,092
Dividend to government	268,590	286,588

Concerns Associated with RBI's Growing Fiscal Role

- **Fiscalisation of the Central Bank:** The RBI's primary mandate is to maintain price stability and financial stability.
 - ♦ As surplus transfers become larger and more frequent, this could blur the distinction between monetary policy objectives and fiscal requirements.
- **Risk to Fiscal Discipline:** Large surplus transfers provide the government with additional fiscal space. It reduces the urgency of pursuing structural measures such as rationalising subsidies, or improving public expenditure efficiency.
- **Sustainability Concerns:** A large portion of RBI earnings arises from foreign exchange operations, reserve management, and returns on financial assets.
 - ♦ These revenues are influenced by **global interest rates, exchange-rate movements,** and financial market conditions.
 - ♦ These earnings are volatile in nature, treating them as a stable source of revenue will create **fiscal risks in the future.**

Way Ahead

- RBI's monetary policy decisions should **not be affected by fiscal considerations.**
- **Greater disclosure** regarding reserve management and surplus calculations is necessary to strengthen public trust.
- Also governments should view **RBI transfers as supplementary revenue** rather than a permanent fiscal resource.
- RBI should retain **sufficient buffers to safeguard financial stability** during external shocks and crises.

Source: TH

NEWS IN SHORT

INDIA-JAPAN ADOPT RULES OF IMPLEMENTATION FOR JOINT CREDITING MECHANISM UNDER PARIS AGREEMENT

Context

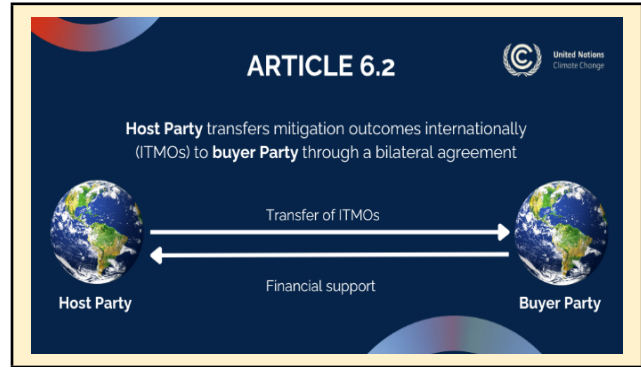
- India and Japan have adopted the Rules of Implementation for the Joint Crediting Mechanism (JCM) under Article 6.2 of the Paris Agreement.

About

- The mechanism provides a framework for **collaboration on mitigation projects** that **reduce or remove greenhouse gas emissions** while supporting sustainable development in India.
- It will also contribute to the achievement of the **Nationally Determined Contributions (NDCs)** of both India and Japan under the **Paris Agreement**.
- The Rules of Implementation lay down governance arrangements for the mechanism, including
 - The establishment of a **Joint Committee** comprising representatives of both governments,
 - Transparent project approval procedures,**
 - Third-party validation** and verification processes, sustainable development safeguards and
 - National registries** for tracking the issuance and transfer of carbon credits.

Article 6.2 of the Paris Agreement

- Article 6.2 enables countries to cooperate and **trade emission reduction units (carbon credits)** with each other to achieve their climate targets under the Paris Agreement.
- A host country sells units to a buyer country, in exchange for **investments, support for capacity building, and access to technologies** not available through domestic resources.
- The buyer country purchases these units, known as **Internationally Transferred Mitigation Outcomes (ITMOs)**, to address any gaps in meeting its own climate goals.



Source: AIR

RBI ALLOWS BANKS TO OFFER HIGHER INTEREST RATES TO NRIS/ PIOS TO MOBILISE FOREX

Context

- As per the directions of RBI **interest rates on NRE/NRO deposits will not be higher than those offered by the bank** on comparable domestic rupee term deposits.

About

- It has decided to **temporarily withdraw interest rate ceiling** on fresh **Foreign Currency Non-Resident- Bank [FCNR(B)] deposits** of 3-5 year tenors and restriction on **interest rates on Non-Resident External (NRE) deposits** of three year and above tenors **till September 30, 2026 to boost forex reserves**.
- Significance:** This move will help Non Resident Indians (NRIs) and People of Indian Origin (PIOs) to avail **higher interest rates from India banks to park their funds**.
 - It will help **India to mobilise dollars to swell its foreign exchange reserves** that may lend support to a depreciating rupee and help meet balance of payment obligations.

Foreign Currency Non-Resident Bank

- A **Foreign Currency Non-Resident Bank, or FCNR (B) account**, means the deposit is held in a foreign denomination. This secures it against currency fluctuations.
- Only NRIs/PIOs/OCIs** can open an FCNR (B) account and the NRI status should be as per Foreign Exchange Management Act (FEMA) rules.
- Deposits are maintained in **foreign currencies such as USD, GBP, EUR, JPY, AUD, CAD, etc.**
- It can only be a **term deposit** with maturities **ranging from 1 year to 5 years**.

- They are **intended to attract foreign currency deposits from NRIs**, helping India strengthen its foreign exchange reserves while providing NRIs protection against currency fluctuations.

Source: TH

HIGH ENERGY MEDICAL CYCLOTRON PROJECT (HEMCP) IN NAGPUR

Context

- The Maharashtra Cabinet approved the establishment of the **High Energy Medical Cyclotron Project (HEMCP)** in Nagpur with an allocation of ₹300 crore.

What is a Medical Cyclotron?

- A medical cyclotron is a **specialized particle accelerator** that produces radioactive substances called **radioisotopes** for use in healthcare.
 - ♦ It works by **accelerating charged particles, such as protons**, to very high speeds using electric and magnetic fields.
 - ♦ These high-speed particles are then directed at a target material, triggering nuclear reactions that generate radioisotopes.
- **The radioisotopes produced are used in:**
 - ♦ PET (Positron Emission Tomography) scans and PET-CT imaging;
 - ♦ Various nuclear medicine diagnostic procedures;
 - ♦ Targeted radionuclide therapies for treating diseases such as cancer.
- **Common medical radioisotopes** include Fluorine-18 (F-18), Gallium-68 (Ga-68), Lutetium-177 (Lu-177) etc.

Source: TH

BITUMEN

Context

- The recent conflict in West Asia has hit India's push to expand road **infrastructure as India imports 30-40% of Bitumen**.
 - ♦ **Over 99% of India's bitumen imports** come from **Iraq, UAE, Iran, Oman and Bahrain**.

Bitumen

- Bitumen is a **byproduct of crude oil**, known for its waterproofing and adhesive properties.
- It is predominantly **used in road construction and roofing**.

- **Canada** has one of the largest **natural deposits of bitumen** in its oil sands, contributing significantly to global supply.

- ♦ Other deposits of **bituminous sands** can be found in the **United States, Venezuela, and Russia**.

- **It is produced in refineries** to ensure purity, maintain consistent quality, and meet massive global construction demands at a lower cost.

Source: IE

THE UNIVERSE'S EXPANSION STILL ACCELERATING: RESEARCHERS

Context

- After revisiting data involving a type of exploding star, a team of researchers says it has confirmed the notion that **the universe is expanding at an accelerated rate**.
 - ♦ In the 1990s, these observations led to the **identification of an enigmatic cosmic force called dark energy**.

Dark Matter and Dark Energy

- The content of the Universe is widely thought to consist of **three types of substance: normal matter, dark matter and dark energy**.
 - ♦ Roughly **68% of the universe is dark energy**, **dark matter** makes up about **27%** and the rest everything observed adds up to **less than 5% of the universe**.
- **Dark Matter:** Unlike normal matter, dark matter **does not interact with the electromagnetic force**. This means it does not absorb, reflect or emit light, making it extremely hard to spot.
 - ♦ Dark matter works like an **attractive force**, a kind of cosmic cement that **holds the universe together**. This is because dark matter **does interact with gravity**.
 - ♦ Since dark matter doesn't emit, absorb or reflect light, astronomers can **only study its gravitational effect on visible matter**, such as stars and galaxies.
- **Dark Energy:** Dark energy is a **repulsive force**, a sort of anti-gravity that **drives the universe's ever-accelerating expansion**.
 - ♦ Dark energy is the far more dominant force than Dark matter.

Source: TH