

EDITORIAL HIGHLIGHTS

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Merchants face 0.4% fee on UPI payment above ₹2,000

The MDR charges will not be applicable to person-to-person transactions, small vendors; it will take effect from October 15; Centre says banks advised to ensure fee is not passed on to customers

The Hindu Bureau
NEW DELHI

Merchants will have to pay a charge of 0.4% on UPI transactions above ₹2,000 from October 15, the National Payments Corporation of India said in a circular on Tuesday. The levy will go to payment ecosystem partners such as banks and payment processors.

The charge, called Merchant Discount Rate (MDR), will not be applicable to person-to-person transactions and those made to small vendors – those receiving up to ₹1 lakh per month via UPI QR codes under the Person-to-Person Merchant (P2PM) classification. All person-to-merchant transactions of up to ₹2,000 done on UPI or through RuPay debit cards will also be exempt.

“For person-to-person (P2P) transactions, there will be no charges at all, irrespective of transaction value,” the Finance Ministry said in a release, ad-

Charging ahead

The National Payments Corporation of India has introduced a fee on UPI payments

- Mid-to-large merchants to pay **0.4%** MDR charge on UPI payments above **₹2,000**
- **Exemptions:** All person-to-person (P2P) UPI transactions, UPI transactions to small vendors, person-to-merchant transactions of less than **₹2,000** per transaction done on UPI or RuPay debit cards
- Government says P2P transactions are **70%** of the value of all UPI transactions
- **Flat ₹5 MDR charge in certain essential sectors**

ding, “P2P transactions constitute 37% of the total UPI transactions in volume terms and 70% in value terms.”

In some sectors, such as Railways, telecom, insurance, fuel and agriculture inputs, transactions over ₹2,000 will incur a flat MDR of ₹5. “This flat-rate model ensures cost stability in critical public services and thin-margin industries,” the Ministry said.

The Centre said banks have been advised to ensure that merchants do not

pass on the MDR charges to customers – a key concern raised during discussions on the matter in the public domain.

The 0.4% charge will be “shared amongst the payment ecosystem partners, including banks and app providers”. For transactions of ₹75,000 and above, the MDR will be capped at ₹300 per transaction.

Further, payments towards “mutual funds, securities, stock brokers, and dealers” will attract an

MDR of 0.02%, capped at ₹300, the Ministry said.

This reduced rate, it explained, was aimed at encouraging retail participation in formal financial markets.

‘Self-sustainable’

“The new MDR framework will make UPI self-sustainable, give incentives for further expansion in rural and semi-urban areas and maintain competitiveness, while ensuring that a large majority of payments remain free of charge,” the Finance Ministry said.

It added that its data analysis showed that only 4% of merchant transactions will be impacted by the MDR introduction, since most transactions fall below the ₹2,000 threshold or qualify under the zero-MDR P2PM framework.

Further, a dedicated fund for promoting the use of UPI by small merchants will be set up using 5% of the total MDR collections.

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GS 2: POLITY

THE HINDU PAGE: 2

Six States sign 'historic' pact to implement project worth ₹15,624 crore on Tons river

The Centre will bear approximately 90% financial burden of Kishau multipurpose project while remaining 10% will be borne by the participating States in accordance with a 1994 agreement

The Hindu Bureau
CHANDIGARH

Himachal Pradesh, Haryana, Uttarakhand, Uttar Pradesh, Delhi and Rajasthan on Tuesday signed an agreement for the implementation of the 422 MW Kishau multipurpose project, to be built at an estimated cost of ₹15,624 crore. The project will come up on the Tons river along the Uttarakhand-Himachal Pradesh border.

In the presence of Union Home Minister Amit Shah and Union Jal Shakti Minister C. R. Patil, the Chief Ministers of six States: Yogi Adityanath of Uttar Pradesh, Pushkar Singh Dhami of Uttarakhand, Sukhvir Singh Sukhu of Himachal Pradesh, Rajasthan's Bhajan Lal Sharma, Rekha Gupta of Delhi and Nayab Singh Saini of Haryana signed the project agreement in New Delhi.

Terming the agreement as "historic", Mr. Shah said that since Narendra Modi became the Prime Minister,



Union Home Minister Amit Shah with CMs of Delhi, Uttarakhand, Uttar Pradesh, Haryana, Himachal and Rajasthan during signing of an MoU for the Kishau power project, in New Delhi on Tuesday. ANI

this is the tenth water dispute that is now set to be resolved. The government of India will bear approximately 90% financial burden of the project, while the remaining 10% cent will be borne by the participating States in accordance with a 1994 agreement. A 232.6-metre-high concrete gravity dam will be constructed on the Tons with a water storage capacity of 1,562 million cubic metres. It will irrigate 97,000 hectares of land and generate 1,476 million units of clean hydropower. The Union Home Minister said Delhi will be the biggest beneficiary of the project.

Mr. Sukhu said Himachal government's efforts have resulted in breaking the eight-year-old deadlock regarding bearing the financial cost of the project. "The previous State government of Bharatiya Janata Party had agreed to give ₹800 crore as the State's share, which our government refused in the interest of the State, keeping in view the limited resources," he told mediapersons.

He said Himachal would suffer the greatest loss from the project, as it is the State's population that will be displaced, hence, asking it to shoulder an additional financial burden would there-

fore be unfair. The Chief Minister added that the State's contribution to the nation's progress deserved suitable compensation.

Delhi hails agreement

The Delhi Cabinet on Tuesday passed a resolution expressing gratitude to the Prime Minister, Home Minister and Union Jal Shakti Minister following the agreement. A statement issued by the Chief Minister's Office said it would enable Delhi to receive 109.9 million cubic metres of water per year, providing significant support in meeting the national capital's drinking water requirements.

GS 2: POLITY

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Youth discontent and the changing face of protest

Across the world, India included, new forms of rebellion and revolt by the masses are emerging. Gen Z, in particular, is embracing new forms of protest, in the belief that disruption is essential to destroy an old order that is proving unequal to deal with newer kinds of problems. Anger is, however, the dominant impulse. History has witnessed many authoritarian regimes being overthrown through students' protests and replaced by democratic forces, but this is not inevitable or necessarily true. There are many variations of Immanuel Kant's "democratic peace theory" that are available.

Nevertheless, safeguarding democracy is a common thread connecting many of today's protests, some of which have taken on the character of a rebellion against the existing order. Not all protests, however, reach this point, though in India's neighbourhood, student and youth upheavals in Nepal and Bangladesh resulted in the ouster of long-established regimes. The usual tactic – as seen in Nepal and Bangladesh – is to brand all those rebelling against existing regimes as "foreign agents" or worse, with a pliant media whipping up a frenzy against such elements and labelling them "anti-national" or "traitors". It is imperative that those who believe in democracy, recognise the tell-tale signs (well in time) before matters get out of hand.

Signal of growing discontent

Unfortunately, warning signs are seldom heeded by those in authority. Even established democracies are not exempt from this malaise. Often enough, it is the impression rather than the reality that matters, leading to protests. Even as the media and other institutions – which normally act as checks and balances – fail to discharge their responsibilities, today's Gen Z is beginning to take matters into its own hands to try and achieve results. This is true even of established democracies where recognised political parties and systems do exist. In this sense, unencumbered sovereignty tends to become the proverbial "poisoned chalice".

Recent agitations by the Cockroach Janta Party (CJP), and more specifically the Jantar Mantar "sit-in protest", are pointers to what could well happen. Their agitation may not quite approach, in size or tenor, the kind of protests seen in Bangladesh and Nepal, but must not, nevertheless, be ignored. The CJP protest was, by far, more spontaneous and less structured than many others, but the pent-up fury among students over the mismanagement of examinations (such as the National Eligibility cum Entrance Test), and the perception of implicit collusion between those in charge and the authorities, was a signal of what could happen and should not be ignored. Protests by students in Jharkhand, Chhattisgarh and Bihar, and the



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tendency of those in authority to resort to mindless violence to contain such protests, do not augur well, either for the present or for the future.

The need for understanding

There are few signs, however, that authorities across the nation have properly comprehended the true nature of recent agitations and the lessons to be learnt from them. What is worse is the tendency of State governments, by and large, to use indiscriminate force against students – force that is meant to be employed against unruly and violent mobs. This could not only prove self-defeating but also have far graver consequences, triggering a backlash against all forms of authority. Already, some individuals in Jharkhand are drawing comparisons between the students' protests over recruitment irregularities and the "eponymous tribal uprising" led by the legendary Birsa Munda. Comparisons such as these could act as tinder for a serious conflagration when the occasion arises.

Today, the availability of digital platforms and social media enhances the reach of protests of every kind, especially when they involve students and youth. The situation in Jharkhand certainly demands careful handling, more so since the agitators have a recognisable leader, Devendranath Mahato, who went on a hunger strike and was subsequently hospitalised. Jharkhand Chief Minister Hemant Soren's response to the agitation – scrapping the examinations – almost seems like throwing the baby out with the bathwater, reflecting both the anguish and the inability of those in authority to understand the nature of the new kinds of protests.

What is even less understood, however, is the true nature of the anger that pervades the minds of young people. Repeated assertions by those in authority that "Naxalism is dead", for example, are a case in point. Most individuals miss the point that, from its small beginnings, Naxalism grew into a major thorn in India's flesh. The movement, depicted as "spring thunder over India" in the late 1960s, was transformed from its very small beginnings in Naxalbari (North Bengal) into a grave threat, as Home Minister Amit Shah constantly points out. At one time, large parts of India's landmass was convulsed by Naxalite violence. Worse, many of India's best and brightest were inveigled into becoming part of the movement. Not only tribals, but also vast segments of the rural peasantry, the working class, and the intelligentsia were influenced by the malaise of Naxalism. The relevance of this here is that a "single spark" can cause a "prairie fire". Keeping an eye on protests is, hence, vital, even as other threats, such as pandemics and cyber threats, may increasingly engage the minds of those in authority. Today, the CJP is hardly a political entity or party, but it does signify the

anger among the youth, and the movement must not be brushed aside as irrelevant or insignificant. Leading political figures, hence, need to keep their eyes firmly on the ball and take note of the several protests being organised by students and young people across the nation. The recent arc of protests does not necessarily signify an erosion of public trust, for the middle ground of Indian politics remains relatively intact. Nevertheless, failing to recognise the simmering anger among large sections of the youth over aspects of public performance and the quality of governance could be dangerous. It behoves those in authority to ensure that these different forms of protest do not coalesce into a mighty river. The recent reference to "dimagi Naxals", for example, has the potential to be exploited, leading to yet another round of protests with uncertain outcomes.

What is most important at this stage is to prevent any rekindling of the atmosphere of protest that has convulsed the nation in recent months and to determine how best to bring down the surcharged atmosphere that has prevailed for some time. The lull following the CJP's Delhi protest needs to be sustained and maintained, as there is little room for complacency. Additional protests could coalesce into a far more significant wave of unrest, given the residual anger among young people in different parts of the country. Another round of protests could well target not merely corruption in the educational sphere but develop into a broader movement against authority *per se*. The warning signs are already clear: the spokesperson for the 'dimagi Naxals' is already referring to the CJP as their sibling.

The perception of institutional failure

A final word. Ragtag parties or not, anger is writ large across the faces of the youth in different corners of the country. There is a widespread belief that deals are being struck at various levels, at the expense of the country's youth, and that something needs to be done – but those in authority appear to have no answer to this poser. India's political institutions today give the impression that they have reduced salience in dealing with situations of this kind. Hence, the baton has been taken over by the youth.

The growing centralisation of power and authority is aggravating this situation. Rightly or wrongly, many segments of the youth are tending to believe that institutional safeguards are being systematically undermined. They feel there is a need to reset the compass. It behoves every political party, the Opposition, and those in authority to adopt measures that would help stem the sharp decline in faith in the political system among the youth. India's domestic political scene is, to say the least, possibly entering an era of "variable geometry", and it is vital that those in charge recognise the signs and deal with the many problems that have surfaced.

Student unrest signals deeper discontent with governance, authority and democratic institutions

GS 3: SCIENCE AND TECHNOLOGY

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How AI risks can outpace safeguards

A statement that an AI model has 'safeguards' can be true to the extent that AI companies can act on potentially harmful information when they detect it, but false if taken to mean that the safeguards prevent harm altogether, as users can save data offline before their account is terminated

EXPLAINER

Vasudevan Mukunth

The story so far:

In a September 10 report, Anthropic said it had blocked users from using its Claude AI model for a range of potentially harmful activities across cybersecurity, surveillance, and biotechnology between December 2025 and August 2026. However, the report also left undiscussed an older problem that also raises questions about what Claude could really have done, and where Anthropic might itself be caught in a bind.

Sensing danger

Today, AI companies like Google, Anthropic, and OpenAI are mostly policing themselves while also building out a powerful technology. In this context, self-policing should stoke some concerns: for example, that employees who leave these companies proclaiming insufficient attention to safety, like Jacob Coxon did, are probably being more theatrical than constructive; that AI companies could be talking up how beneficial their products can be while continuing to under-protect society against the damage it could wreak in the wrong hands; and that developers of AI models should not release a new capability before they have also engineered adequate safeguards.

Anthropic's report is candid that its earlier Opus 4 and Sonnet 4.5 models had "less stringent" safeguards against use in biology because internal evaluations had concluded they were not capable enough, and that Anthropic decided to control such access only in its newer models, especially Fable 5. The company had also said in August that its filters to block conversations about biological weapons had been inactive on roughly 133 million exchanges for nearly a year.

The report has case studies of users who used the older models for biology research for many weeks. For just two examples: One researcher wished to draft



The input and output classifiers are only on alert when sufficient pattern has accumulated. GETTY IMAGES

a grant proposal for gain-of-function research on the chikungunya virus. And some developers involved Claude in a guided rocket programme, including a field test with Claude-made code. In all cases, Anthropic said it terminated the users' accounts as soon as the potential for illicit use became clear.

AI models require sophisticated hardware and software setups, including software components called input and output classifiers, which respectively check the user's inputs and the model's outputs. As the report put it, a classifier "cannot simultaneously enable benefit and prevent harm" in contexts where some knowledge can be used for good or for bad. This means a user using Claude to design something dangerous, like guidance code for a missile, could have already saved that output offline before Anthropic spotted the misuse and closed the user's account.

Rifle or wheelchair?

If the means and the opportunity both exist, wouldn't an AI company's claim to "having safeguards" become misleading when data can still be exfiltrated before the company closes an account?

This is a useful question because it reveals two details that are often conflated: the company needs to have a checkpoint and the checkpoint needs to be able to recognise that information presented to it is harmful. So, while there is a built-in gap between output generation and output delivery, the checkpoint also needs to be able to tell whether the output is harmful – and it would be reckless to attempt to do so based on single messages.

Say you are watching a worker hand small pieces of metal out of a window to someone on the other side, and your job is to say if the recipient is building a rifle or a wheelchair. At first you will not be able to say much because all you see are pins, springs, plates, and screws going through. But over time, the sequence of parts and the larger parts will reveal if the intended object is a rifle or a wheelchair. Similarly, a user may prompt Claude to write code for a control loop, which appears in guided missiles as well as in air-conditioners, refrigerators, and toilet tanks. The input and output classifiers are only on alert when a sufficient pattern has accumulated. However, the limits of what can be inferred from a single message do

not excuse AI companies, as the limits also reveal what the companies' "safeguards" actually entail. A statement that "there are safeguards" can be true to the extent that the input/output classifiers act on potentially harmful information when they detect it, but false to the extent that the "safeguards" have prevented harm altogether, thanks to data exfiltration before termination.

Export controls

This is not a new problem. Older systems have dealt with similar issues for decades. Curiously, they did not solve the problem; instead, they roughly converged on two alternatives: restricting the people who could access a technology, then tracking patterns of use over time. (This is also the "trusted access programmes" paradigm the Anthropic report mentions later.)

A well-known system with these features is export controls. Neither the Cold-War-era Coordinating Committee for Multilateral Export Controls nor the Wassenaar Arrangement and the Nuclear Suppliers Group of today have inspected individual shipments. Instead, to meet their conditions, participating actors have generally required an export license linked to a specific end-user and an end-use certificate, and have had to steer clear of a list of barred organisations and countries. Without having to track individual shipments of some parts or expecting them to reveal if they're headed for a power plant or a weapons facility, thus, the regime can simply control who can access those parts at all.

Similar events have played out in anti-money-laundering efforts (where banks can monitor single transactions), large ammonium nitrate purchases following the 1995 Oklahoma City bombing, and sales of pseudoephedrine during the American methamphetamine crisis. For different reasons, empowering the classifier has not been the answer.

However, that still leaves the question of completely restricting access to dangerous AI models – operating with the prospect of 'data exfiltration before termination' – open.

THE GIST

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GS 2: INTERNATIONAL RELATIONS

INDIAN EXPRESS PAGE: 9

After BRICS, it's time to navigate the realities of great power rivalries



RAJA MANDALA
By C RAJA MOHAN

AFTER THE BRICS summit in New Delhi, global geopolitical attention shifts to Washington, where Chinese leader Xi Jinping is headed next week. If "multipolarity" was the theme song in Delhi, "bipolarity" will be the signature tune in Washington. The second meeting between presidents Donald Trump and Xi this year is part of an intensive series of exchanges. After Washington, Trump and Xi are likely to meet in Shenzhen, China, on the margins of the APEC summit. If the current buzz of a trilateral summit proves real, Russia's Vladimir Putin could join Trump and Xi there. The focus would then turn from a G2 to a possible G3 world. Further opportunities for great-power diplomacy could present themselves in Miami, where Trump hosts the annual G20 summit in December.

Many of these multilateral gatherings, such as BRICS, APEC, and G20, are routine annual affairs. Despite the political glamour attached to these events in Delhi, significant collective progress in these meetings is rare. But these forums are useful venues where critical bilateral meetings take place. The highlight of the Delhi BRICS summit, for example, was the attempted reset of India-China relations by Prime

Minister Narendra Modi and President Xi.

What gives the multilateral summits some salience this year is the churn in great-power politics triggered by Trump's disruption of US foreign policy, relations with allies and rivals, and the American approach to the burdens of international order. Underlying that churn is the more important structural change in the distribution of global power in favour of China and America.

Both BRICS and the G7 are increasingly marked by the overwhelming economic weight of a single power — China in the first and the United States in the second. China accounted for less than half of BRICS' combined GDP when the original BRIC forum with four members was formed in 2006. Despite subsequent enlargement to eleven members, China now accounts for roughly three-fifths. Whether we like it or not, Beijing continues to outgrow BRICS in economic size and geopolitical influence.

The G7 has seen a comparable shift. America now accounts for close to three-fifths of the group's nominal output, against less than two-fifths three decades ago. Japan's stagnation, Europe's weaker growth and demographic pressures, and American advantages in energy, capital markets and artificial intelligence have widened the gap. Trump's willingness to turn harshly on America's closest partners — whether Canada or Britain in the Anglosphere or NATO and the EU — rests, in part, on this expanding American economic preponderance.

Does China's dominance in BRICS and America's preponderance in the G7 mean we are headed to a G2 world? Not necessarily. But it

is quite evident that the world economy is developing a G2 structure, dominated by America and China. Washington and Beijing are the only states with the scale to shape global economic order, technology standards, and supply chains. They are also deeply interdependent. Each seeks to reduce vulnerability to the other, but neither can readily escape the other's market, technology, capital or industrial capacity.

The Trump-Xi meetings this year are not likely to herald a US-China condominium. Their disputes over trade, technology, and Taiwan are too deep. But they are based on the recognition that Washington and Beijing must manage their rivalry through sustained high-level contact. The nature of that management, however, has implications for the rest of the world.

Unlike the clear pattern in the global economic order, the situation on the strategic front is more complex. Although economically diminished, Russia retains enough military power, geographical reach and diplomatic weight to influence the balance between the two giants across Eurasia. Unsurprisingly, Moscow has drawn Beijing closer than ever before, while Trump has made an American overture to Russia. This does not mean that the US can easily detach Russia from China. Trump's Russian play is

complicated by the conflict between Moscow and Europe over Ukraine. Progress in Trump's peace initiative in Ukraine, however, could set the stage for a US-Russian rapprochement, and a G3 summit as well as Putin's presence at the G20 meeting. Unlike the G7, the G20 includes China, Russia, India, Brazil, Indonesia, Saudi Ara-

bia, South Africa and other consequential non-Western powers. Unlike BRICS, it includes the US, Europe and Japan.

The changing distribution of power has helped America and China loom larger than ever before in the G20. Differences between the US and China at the G20 finance ministers' meeting in Washington this month prevented the forum from issuing a joint statement, with China objecting to language on trade surpluses and export-led growth. When the US and China disagree, they undermine the hope that the G20 is capable of collective action on the economic front. But bilateral deal-making between Washington and Beijing could also come at the expense of other actors in the G20.

India might want a multipolar world, but we are not there yet; arguably, we might even be moving away from it. For now, Delhi must deal with the intensifying great game — whether it is G2 or G3 — that is set to define the future of the international order. Organisations like the APEC, BRICS, EU, G7 and NATO don't shape the world order. They operate within the parameters set by great-power politics. With the BRICS party over in Delhi, the Indian foreign policy elite needs to wake up from its self-indulgent reverie and pay attention to the changing global distribution of power and the geopolitical realignment between America, China, and Russia.

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