



Daily News Analysis

The Hindu Important News Articles & Editorial For UPSC CSE

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Page 01 : GS 2 : Governance / Prelims

The notification of major provisions of the Digital Personal Data Protection (DPDP) Act, 2023 and the DPDP Rules, 2025 marks a crucial milestone in India's attempt to build a rights-based data governance framework. Coming two years after its passage by Parliament, the law seeks to operationalise the Right to Privacy, declared a fundamental right in the landmark K.S. Puttaswamy (2017) judgment. While the legislation aims to safeguard citizens' digital data, concerns remain regarding exemptions granted to the State, dilution of the RTI Act, and delayed enforcement timelines.



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Data privacy law comes into effect, two years after Parliament approval

Aroon Deep

NEW DELHI

The Union government notified large parts of the Digital Personal Data Protection (DPDP) Act, 2023 on Friday, addressing the need for a law to protect the data privacy of Indian citizens.

The DPDP Rules, 2025 are also a significant step forward in compliance with the Supreme Court's 2017 *K.S. Puttaswamy v. Union of India* judgment affirming the right to privacy.

A draft of the Rules was circulated in January and mulled over for a significant period of time.

The law, passed in August 2023 in Parliament, requires firms to safeguard the digital data of citizens, with exemptions for the "State and its instrumentalities", and prescribes penalties for firms that breach these obligations.

'Weakens RTI Act'
Meanwhile, transparency activists have said the law weakens the Right to Information Act, 2005 by removing the obligation of government bodies to provide "personal information" if the public interest

Closer to compliance

With key parts of the DPDP Act now notified, the government edges closer to enforcing the 2017 Supreme Court privacy judgment and strengthening protections for Indians' personal data



Aug. 2017: The Supreme Court rules that privacy is a fundamental right

July 2018: Retd. Justice B.N. Srikrishna-led committee submits its

report and a draft data protection Bill

Dec. 2022: A fresh draft Bill prepared by the IT Ministry

Aug. 2023: Parliament passes the Digital Personal Data Protection Act, 2023

Jan. 2025: Draft rules to enforce the Act are put out for public consultation

outweighs a public official's right to privacy.

That amendment is in force from Friday. However, "data fiduciaries", who collect and use personal data, will have until November 2026 to comply with some provisions, such as putting out the details of their designated Data Protection Officer.

It may take until May 2027 for large tech firms to be subject to the full force of the Act, which also provides for the constitution of the Data Protection Board of India (DPBI) by the Centre.

Another notification – there were a total of four

on Friday – sets the number of members in the DPBI at four. The board can hold inquiries in response to complaints and impose penalties in case of data breaches.

The DPDP Act, 2023, has gone through three major drafts since 2017, with the first draft in 2018 imposing conditions like data localisation that were furiously resisted by technology firms. The latest version of the Act, which strips out many of the requirements of the original draft, has been relatively better received among large Indian and global tech firms, which as "sig-

nificant data fiduciaries," would face additional compliance requirements.

Nasscom, which represents the main IT and technology firms, said in a statement that it welcomed the Rules, but had problems with the Act that could not be solved by "subordinate legislation", such as tight rules around parental consent and short disclosure deadlines for breaches.

"On international data transfers, Nasscom-DESCI recognises the importance of developing mechanisms that support interoperability and facilitate co-operation with India's key trading partners," Nasscom said.

Delhi-based digital rights advocacy Internet Freedom Foundation (IFF) said the notified Rules "do not address key structural concerns repeatedly raised by civil society" and rued the fact that they "[defer] most core obligations and rights" by a year and a half.

The Rules "provides statutory backing for enabling personal data collection by state agencies with scant oversight, thereby entrenching state control over personal data," the IFF said.

Key Provisions Notified

1. Protection of Digital Personal Data

- The Act governs collection, processing, and storage of personal data in digital form.
- It places obligations on Data Fiduciaries (firms handling personal data).



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2. State Exemptions

- Broad exemptions for the government and its agencies "in the interest of national security, public order etc."

3. Penalties for Violations

- Prescribes financial penalties for data breaches and non-compliance.

4. Data Protection Board of India (DPBI)

- Will function as an adjudicatory body for:
 - Complaints
 - Breach inquiries
 - Penalty imposition
- Government notified 4 members for the Board.

5. Delayed Compliance Window

- Data Fiduciaries get time till Nov 2026 for full compliance (e.g., appointing Data Protection Officer).
- Large tech companies may face complete obligations only by May 2027.

Concerns Raised

1. Weakening of RTI Act

- Removal of obligation to disclose "personal information" even when public interest outweighs privacy.
- RTI activists fear reduced transparency and accountability.

2. Civil Society Concerns

- Internet Freedom Foundation (IFF) highlights:
 - Deferment of key rights for citizens
 - Broader State powers for data collection
 - Limited oversight mechanisms

3. Industry Concerns

- Nasscom:



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- Tight requirements for parental consent
- Short timelines for breach reporting
- Need for smooth global data transfer frameworks

4. Broad Government Powers

- Critics argue the Act permits:
 - Wide-ranging collection without adequate safeguards
 - No independent data protection authority (DPBI is under Centre's control)

Static Portion Linkages

1. Right to Privacy

- Declared a Fundamental Right under Article 21 (Puttaswamy judgment).
- DPDP Act is India's attempt to give statutory backing to privacy protection.

2. Comparison with Global Models

- EU's GDPR: strict, rights-based, independent regulator
- US Model: sectoral and market-driven
- India's DPDP Act: mixed model, but more State-friendly

3. Evolution of Data Protection in India

- Justice B.N. Srikrishna Committee (2018)
- Drafts of 2019, 2021, 2022
- Current Act diluted several earlier provisions like data localisation and independent regulator model.

Implications

1. For Citizens

- Pros: Better digital rights enforcement (consent, grievance redressal).
- Concerns: Reduced transparency under amended RTI, State surveillance possibilities.

2. For Industry

- Clarity on compliance expectations.



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- Long transition period helpful.
- Still concerns about operational burden and global data transfer rules.

3. For Governance

- Strengthening digital trust ecosystem.
- But increases centralised control over data, risking conflict with federal principles and privacy rights.

Conclusion

The operationalisation of the DPDP Act and its Rules represents a significant step towards establishing India's long-awaited data protection regime. While the law is intended to uphold the constitutional right to privacy, its broad exemptions to the State and dilution of RTI safeguards raise important concerns about accountability and oversight. As India accelerates its digital transformation, balancing privacy, transparency, national security, and innovation will determine whether the Act becomes a robust guardian of citizens' data rights or a tool for expanded State power. For UPSC aspirants, the DPDP framework offers vital insights into India's evolving digital governance landscape and its constitutional implications.

UPSC Prelims Practice Question

Ques: With reference to the Digital Personal Data Protection (DPDP) Act, 2023, consider the following statements:

1. The Act recognises the Right to Privacy as a Fundamental Right under Article 21.
2. The Act provides exemptions to the State and its instrumentalities in certain circumstances.
3. The Data Protection Board of India will function as an independent constitutional body.

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

Ans: a)



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UPSC Mains Practice Question

Ques: Examine how the DPDP Act, 2023 and DPDP Rules, 2025 aim to balance individual privacy with the functional requirements of the State. Are current safeguards adequate? **(150 Words)**

Page 12 : GS 2 : Social Justice / Prelims

The recent incident in Kerala where a 19-year-old woman, Sreekutty, was pushed out of a moving train has once again highlighted the persisting vulnerabilities faced by women travelling on Indian Railways. Despite being one of the world's largest railway networks and a lifeline for millions, railway safety—especially women's safety—remains a systemic challenge.



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- Second similar incident in Kerala in a short span.
- Past cases like the 2011 Shoranur rape–murder case show recurring patterns.
- Despite announcements of safety initiatives, implementation gaps persist.
- The reportage from Kerala Express provides firsthand accounts of fear, precautionary behaviour, and lack of reliable protective infrastructure.

Key Issues Highlighted in the Report

1. Persistent Sense of Fear Among Women

Women travellers adopt "self-defence strategies":

- Avoid jewellery and attention-attracting accessories
- Prefer upper berths
- Remain half-awake even during long journeys
- Avoid isolated compartments

This reflects a structural failure of institutional safety, pushing the burden of security onto individuals.

2. Insufficient Police Presence

- RPF/GRP presence is inconsistent.
- Many passengers say they "rarely" see police on trains.
- Crime-prone routes lack dedicated deployment.
- Kerala deploys 105 RPF and 57 GRP personnel daily, which is inadequate for the number of trains.

Static Linkage:

- RPF: Central force under Ministry of Railways
- GRP: State police under State Home Departments
- Coordination issues affect real-time response.

3. Rising Crimes on Trains

- Shift from petty theft to crimes linked to alcohol and drug misuse.
- Instances of harassment, assault, molestation rising.
- Drug peddling inside trains is becoming common on long routes.

4. Infrastructure & Design Gaps



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- Manual doors allow assailants to push victims out and flee easily.
- Poor lighting in platforms and waiting rooms.
- Emergency alarm chains are outdated and often non-functional.
- Overcrowding in general coaches increases vulnerability.

Solutions discussed:

- Automatic doors on all long-distance trains
- Upgraded emergency communication systems
- Surveillance cameras and real-time monitoring

5. Emotional and Social Dimensions

The mother of a past victim recalled repeated promises but little follow-up. Shows:

- Trauma of survivors' families
- Institutional apathy
- Lack of long-term systemic reforms

Key Analysis

1. Governance & Administrative Gaps

- No standardised national protocol for women's safety on trains.
- Lack of coordinated deployment between RPF (Centre) and GRP (States).
- Absence of independent safety audits.

2. Social View

- Women rely on "crowd safety" rather than institutions.
- Regular commuters develop informal support networks—showing gaps in formal mechanisms.

3. Technology as a Solution

India's railways are upgrading, yet:

- CCTVs not universally functional
- Emergency systems outdated
- Lack of real-time panic buttons in general compartments



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- No integrated monitoring room covering all coaches

4. Policy-Level Concerns

Safety measures are often reactive:

- Measures announced after incidents
- No sustained implementation
- No accountability mechanism for states/railways failing to act

Government Efforts

Existing Initiatives

- Meri Saheli programme for women's safety
- Nirbhaya Fund for CCTV cameras, automatic doors
- Rail Madad App and 139 helpline
- RailWire Wi-Fi enables digital reporting

Gaps

- Inconsistent implementation across zones
- Lack of personnel
- Inadequate funding utilisation

What More Needs to Be Done?

1. Increase Security Personnel

- Dedicated RPF/GRP presence on all night trains
- Random surprise checks
- Special women's safety squads

2. Modernise Infrastructure

- Automatic doors on all long-distance trains
- Panic buttons linked to guard/driver
- Functional CCTV with live feed
- Better lighting in stations and coaches



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3. Institutional Reforms

- Coordination framework between Centre and States
- Mandatory safety audits every 6 months
- Predictive policing using crime data

4. Social Measures

- Awareness campaigns
- Encourage community reporting
- SOS helplines made more responsive

Conclusion

The Kerala incident underscores the urgent need for a holistic, technology-enabled and human-centric security ecosystem within Indian Railways. While the network is expanding rapidly under modernisation drives, passenger safety—particularly women's safety—must become a non-negotiable priority. Ensuring safe mobility is not merely a transport issue but a reflection of India's constitutional commitment to dignity, freedom of movement, and equal opportunity. Sustainable reforms, not episodic responses, will build citizens' trust and make India's rail journeys truly safe.

UPSC Prelims Practice Question

Ques : Consider the following provisions related to women's safety in Indian Railways:

1. "Meri Saheli" initiative is aimed at monitoring and ensuring the security of women passengers.
2. Emergency alarm chains in coaches are connected directly to the central security control room.
3. Automatic doors are mandatory in all long-distance express trains.

Which of the above statements is/are correct?

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

Ans : a)



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UPSC Mains Practice Question

Ques : How can technological interventions such as automatic doors, real-time surveillance, and panic buttons transform railway safety in India? Evaluate the challenges in their deployment. (150 Words)

Page : 13 : GS 2 & 3 : IR and Economy / Prelims

India and Canada have decided to deepen their economic cooperation through a renewed focus on critical minerals, clean energy, and high-tech investment, as part of a broader strategic reset. This move comes amid India's ambition for a secure, future-oriented industrial base and Canada's desire to diversify its export markets.



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India, Canada cement ties on trade, critical minerals, investment

Both countries agreed to 'identify and expand investment and trading opportunities in aerospace and dual-use capabilities partnerships'

The Hindu Bureau
NEW DELHI

India and Canada agreed to bolster long-term supply chain partnerships in critical minerals and expand investment and trade opportunities, the two countries said in a joint statement.

The statement, issued on Friday, followed a visit to New Delhi by Maninder Sidhu, Canada's Minister of Export Promotion, International Trade, and Economic Development, from November 11 to 14 at the invitation of Minister for Commerce and Industry Piyush Goyal.

According to the statement, the two Ministers "agreed to encourage long-term supply chain partnerships in critical minerals and clean energy collaboration essential for energy transition, and new-age in-



Trade diplomacy: Union Minister Piyush Goyal with Canada's Minister of International Trade Maninder Sidhu in New Delhi. ANI

dustrial expansion".

Mr. Goyal and Mr. Sidhu also agreed to "identify and expand investment and trading opportunities in aerospace and dual-use capabilities partnerships".

The engagement between the two countries has gained momentum again following the direction provided by the Prime Ministers of India and Canada during their bilateral

meeting on the sidelines of the G7 meeting in Kananaskis, Canada.

Renewing momentum

The foreign ministers of both countries had earlier issued a statement aimed at "renewing momentum towards a stronger partnership", and which identified trade as the cornerstone of bilateral economic growth and resilience.

Key Analysis



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1. Critical Minerals Collaboration

- The two countries have agreed to promote long-term supply chain partnerships in minerals like lithium, nickel, cobalt, and rare earths.
- This is highly relevant for India's energy transition (EVs, hydrogen) and its push for strategic autonomy from China.
- Canada, which has abundant mineral reserves, is a potentially reliable partner to meet India's critical mineral needs.

2. Trade & Investment Growth

- Bilateral trade reached US\$23.66 billion in 2024, with merchandise trade alone rising to ~US\$8.98 billion. The Economic Times
- There is also a growing two-way investment flow: Canadian institutional investors are active in India, while Indian firms are expanding into Canada.
- New areas of cooperation include aerospace and dual-use technologies, which combine civilian and defence applications. The Economic Times

3. Strategic & Geopolitical Implications

- The renewed engagement follows direction given during the G7 meeting in Kananaskis by both Prime Ministers, adding political momentum.
- Canada is pushing a G7 Critical Minerals Action Plan to reduce dependence on China for rare earths and other strategic minerals.
- For India, this cooperation strengthens supply-chain resilience and supports its National Critical Minerals Mission, reducing strategic risk.

Conclusion

This India–Canada economic reset is more than symbolic: it reflects mutually aligned strategic interests centered on critical minerals and future industries. For India, partnering with Canada helps reduce reliance on conflicted supply chains and supports its industrial ambitions. For Canada, engaging with a fast-growing economy like India opens up fresh markets as it pushes its own critical minerals agenda. If sustained, this partnership could become a cornerstone of both nations' green and technological transformation.

UPSC Prelims Practice Question

Ques : Consider the following minerals:

1. Lithium
2. Nickel



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- 3. Cobalt
- 4. Rare Earth Elements

Which of the above are classified as “Critical Minerals” for India’s Energy Transition Mission?

- (A) 1 and 2 only
- (B) 1, 2 and 3 only
- (C) 1, 2, 3 and 4
- (D) 2, 3 and 4

Ans : c)

UPSC Mains Practice Question

Ques : What are critical minerals? Examine their importance for India’s green energy transition and evaluate whether partnerships like the one with Canada can help secure India’s supply chain resilience.



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In news : GS 1 : History / Prelims

India's socio-political evolution has been profoundly shaped by its tribal communities, whose struggles—from early colonial-era uprisings to contemporary demands for rights—reflect a persistent assertion of identity, land, culture, and autonomy. In recent years, the national spotlight on tribal heritage has intensified, particularly with the observance of **Janjatiya Gaurav Divas** and large-scale empowerment schemes aimed at bridging historical gaps.



Why in the News?

Birsa Munda's birth anniversary has gained renewed national significance as India marks the conclusion of the **150th birth anniversary cycle (2021–2024)** of major Janjatiya icons during the **Janjatiya Gaurav Varsh**.



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For the first time, tribal leaders, their movements, and cultural heritage are commemorated through a dedicated national day—**Janjatiya Gaurav Divas**—reflecting a transformative shift from long-standing marginalisation to formal national recognition.

This recognition coincides with a broader policy push through initiatives like the **PM-JANMAN Mission**, infrastructure projects, and cultural preservation programmes that are enabling the transition of tribal communities from isolation to empowered participation in the democratic process.

How Did the Tribal Freedom Movement Shape India's Socio-Political Fabric?

1. Historical Resistance

Tribal societies mounted several organised and ideologically significant revolts against:

- British colonial expansion
- Exploitative zamindari practices
- Moneylenders and contractors

Key movements: Tilka Manjhi, Sidhu-Kanhu (Santhal), Rani Gaidinliu (Zeliangrong), Tantia Bhil, Shaheed Veer Narayan Singh, etc.

2. Collective Assertion

These movements demonstrated that tribal revolts were not isolated insurgencies but:

- Collective responses against structural injustices
- Early expressions of political consciousness
- Crucial precursors to India's freedom struggle

3. Cultural and Land Protection

Tribal resistance emphasised:

- Defence of jal-jungle-jameen
- Preservation of cultural identity and community autonomy
- Rejection of forced assimilation

These values continue to influence land rights debates and the tribal rights framework today.



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Why is Birsa Munda Central to Janjatiya Identity?

1. Symbol of Resistance and Dignity

Birsa led the **Ulgulan (The Great Tumult)**, challenging colonial governance, missionary intervention, and exploitative intermediaries. He articulated the ideals of:

- Tribal self-rule
- Cultural pride
- Protection of land rights

2. National Recognition

In 2021, the Government of India designated his birth anniversary as **Janjatiya Gaurav Divas**—the **first national day dedicated exclusively to tribal heritage**.

3. Political and Administrative Legacy

The region associated with Birsa Munda became the nucleus for the formation of:

- **Jharkhand**
- **Chhattisgarh**
- **Uttarakhand**

These reorganisations enhanced tribal political representation and administrative autonomy.

Recent Government Initiatives for Tribal Empowerment

1. PM-JANMAN Mission

A pivotal initiative aimed at **transformational development** of 75 Particularly Vulnerable Tribal Groups (PVTGs):

- Housing, roads, drinking water, electricity
- Health and nutrition services
- Quality education and livelihood support

It marks a shift from welfare assistance to sustained empowerment.



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2. Dhani Aaba Janjatiya Gaurav Ashram Abhiyan

- Establishes community-centric development spaces
- Strengthens local governance, skills, and cultural preservation

3. Expansion of EMRS

- **728** Eklavya Model Residential Schools sanctioned
- **479** already operational
- Addresses structural educational inequalities among tribal children

4. Tribal Business Conclaves

- Market linkages for tribal products
- Geotagging for transparency and fair pricing
- Supports entrepreneurship and MSME inclusion

Political Leadership and Cultural Recognition

1. Greater Representation in Governance

Continuous prioritisation through:

- Ministry of Tribal Affairs
- Enhanced budget allocations
- Rights-based laws (FRA 2006, PESA 1996)

2. Heritage Preservation

- **10 tribal freedom fighter museums** sanctioned
- **4** inaugurated
- Focus on documenting neglected histories of tribal heroes

3. Symbolic Acknowledgment

The Prime Minister's visit to **Ulihatu**, Birsa Munda's birthplace, reflects national-level recognition of tribal icons and histories.

From Isolation to Mainstream Participation



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1. Governance Inclusion

Institutional mechanisms and targeted schemes have improved:

- Political inclusion
- Access to welfare schemes
- Representation in local bodies

2. Socio-Economic Integration

Rapid improvements in:

- Connectivity
- Digital access
- Healthcare and education infrastructure
- Skill and livelihood opportunities

3. Cultural Revival

National celebrations like **Janjatiya Gaurav Varsh** strengthen:

- Inter-generational awareness of tribal culture
- Respect for linguistic and cultural diversity
- Integration without assimilation

Conclusion

Birsa Munda's legacy transcends history—his ideals of justice, dignity, and community autonomy remain central to India's democratic journey. With renewed national recognition and transformative missions such as PM-JANMAN, tribal communities are transitioning from historic marginalisation to empowered participation. The evolving approach—from mere welfare delivery to institutional empowerment—marks a crucial step in building an inclusive and culturally respectful development paradigm in India.

UPSC Mains Practice Question

Ques How did colonial rule affect the tribals in India and what was the tribal response to colonial oppression? **(150 Words)**



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In news : Prelims



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The Geographical Indications (GI) Registry under the Ministry of Commerce and Industry granted GI recognition to multiple traditional products across India, including Ambaji Marble (Gujarat), Panna Diamond (Madhya Pradesh), and Lepcha Instruments (Sikkim).

GI Tag/Product	Details
Ambaji White Marble (Gujarat)	 <ul style="list-style-type: none"> Known for pure white color, high calcium content, and durability Sourced from Ambaji Shaktipeeth, Banaskantha Used in Dilwara Temples and Ayodhya Ram Temple Applied by Ambaji Marbles Quarry and Factory Association Contains calcium oxide and silicon oxide, enhancing strength Exported for temple use in USA, New Zealand, and UK
Panna Diamond (Madhya Pradesh)	 <ul style="list-style-type: none"> Application by Collectorate (Diamond Branch), Panna Features a light green tint and weak carbon line Managed by NMDC's Diamond Mining Project Supported by Padma Shri Rajni Kant (GI Man of India) Enhances traceability, authenticity, and export potential
Sikkim Lepcha Tungbuk	<ul style="list-style-type: none"> Traditional three-string musical instrument of Lepcha tribe Holds cultural and spiritual importance in Lepcha music



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	<ul style="list-style-type: none"> GI granted on Nov 5, 2025 under Musical Instrument category
<p>Sikkim Lepcha Pumtong Pulit</p> 	<ul style="list-style-type: none"> Bamboo flute central to Lepcha folk traditions Symbol of Lepcha cultural identity and heritage Preserves traditional instrument-making and youth cultural continuity
<p>Kannadippaya (Kerala)</p> 	<ul style="list-style-type: none"> Traditional bamboo mat crafted by Kerala artisans Recognized for eco-friendly material and handwoven design Boosts rural cooperative income and craft heritage branding



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<p>Apatani Textile (Arunachal Pradesh)</p> 	<ul style="list-style-type: none"> Handwoven by Apatani tribe of Ziro Valley Features geometric motifs and natural dye usage Represents sustainable tribal textile craftsmanship
<p>Marthandam Honey (Tamil Nadu)</p>	<ul style="list-style-type: none"> Produced in Kanyakumari district Known for unique floral aroma, high medicinal value Supports local beekeeping and biodiversity-based livelihoods
<p>Bodo Aronai (Assam)</p> 	<ul style="list-style-type: none"> Traditional handwoven scarf of the Bodo community Symbol of honor, identity, and ceremonial respect Made using handspun cotton/silk with tribal patterns
<p>Bedu & Badri Cow Ghee (Uttarakhand)</p>	<ul style="list-style-type: none"> Produced from indigenous hill cow breeds Known for nutritional richness and purity from high-altitude regions



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- Promotes **mountain organic economy** and **heritage dairy products**

UPSC Prelims Practice Question

Ques: Consider the following pairs:

Craft.	Heritage of
--------	-------------

1. Puthukkuli shawls	Tamil Nadu
2. Sujni embroidery	Maharashtra
3. Uppada Jamdani saris	Karnataka

Which of the pairs given above is/are correct?

- (a) 1 only
- (b) 1 and 2
- (c) 3 only
- (d) 2 and 3

Ans : a)



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Flexible inflation targeting, a good balance

The present Flexible Inflation Targeting (FIT) framework in India as a mandate for monetary policy to manage inflation at 4% (+/- 2%) is ending in March 2026 and is under review. In this regard the Reserve Bank of India (RBI) has brought out a well-researched discussion paper, and has several questions for which views have been sought. Here, this article addresses three questions: headline versus core (excluding food), acceptable level of inflation, and inflation band.

Controlling inflation

Before responding to these questions, it is pertinent to highlight that inflation control by itself is an important objective of monetary policy. High inflation, above a tolerable level, is a regressive consumption tax that affects poorer households more disproportionately than the rich and households whose incomes are hedged. Indeed, high and volatile inflation hurts savings and misdirects investments. The issue of acceptable level of inflation came up first before the Chakravarty Committee which was of the opinion that "...the acceptable rise in prices is 4 per cent (reflecting changes in relative prices necessary to attract resources to growth sectors)...." The reasoning given is somewhat opaque.

The RBI has been focusing on inflation management all along, and more explicitly since the dismantling of automatic monetisation in 1994 that gave functional autonomy to the RBI in conducting monetary policy. In 2016, India adopted the FIT framework that also gave, in a broad sense, institutional autonomy. Since 2016,



C. Rangarajan
is Chairman, Madras School of Economics, Chennai



N.R. Bhanumurthy
is Director, Madras School of Economics, Chennai

Deriving acceptable rates of inflation that are consistent with growth prospects and macro conditions is worth undertaking

India's inflation is range-bound, by and large, despite facing multiple shocks. This is an achievement for a framework that is still evolving.

What to target

An issue that keeps recurring is the issue of what to target – headline or core inflation. If the overall objective of inflation control is to promote savings and investments and to protect the poor from shocks, then headline inflation should be the appropriate target. The assumption that 'food inflation' is only the result of supply shocks is not necessarily true. As some episodes in the past have shown, 'food inflation' in an environment of expansionary monetary policy will be much higher than in an environment of contractionary monetary policy.

There is also a mistaken conclusion that the behaviour of individual prices adds up to the increase in general price level (and, hence, inflation). As Milton Friedman famously said to an Indian audience in Mumbai in 1963, "If the Government is committed to a full employment policy, it may in response thereto expand the money supply by printing more money for Government expenditures or for other purposes. In that case, it is true that the upward push in wages produced inflation, not because it was necessarily inflationary but because it happened to be the mechanism which forced an increase in the stock of money."

Without an expansion in overall liquidity or money supply, the general price level cannot rise. The present debate in India between headline versus core inflation appears to miss the distinction between changes in relative prices and general price level. When there is no change in aggregate demand, food inflation results only in changes in relative prices. The general price level is not affected. However, Indian data show second round impacts of food inflation on core inflation through upward pressure on wages and other channels. This could lead to a change in the general price level, if the aggregate demand is allowed to expand, as Friedman warned. In such a situation, the scope of monetary policy must include 'food inflation'.

Acceptable level of inflation

Some studies, using Phillips Curve, have argued that there is a trade-off between growth and inflation. Empirically, the Phillips Curve argument did not stand the test of time. As Friedman and others argued, there is only a short-run trade-off, at best, and in the long run,

with the expectations built-in, there will be no trade-off.

However, even in the short-run, low levels of inflation may even facilitate growth. But beyond a level, high inflation does hurt growth and this is how the concept of threshold inflation emerged. This may be noted in the graph where annual data for both inflation and growth since the 1991 period (excluding the COVID-19 year) is presented. A simple quadratic line between the two variables gives a non-linear relationship. The point of inflection is estimated at 3.98, suggesting that acceptable inflation for India could be about 4%.

Ideally, as the monetary policy is largely forward looking and the present review of FIT is to suggest the framework for the next five years, up to 2030-31, deriving acceptable rates of inflation consistent with growth prospects and macro conditions is worth undertaking. A preliminary simulation exercise in this direction does suggest inflation of below 4% as the acceptable rate. While this needs some robustness checks, especially about what the fiscal and external pressures could be in the next five years, this suggests that there is a very limited case for arguing for a higher inflation target above 4%.

On inflation band

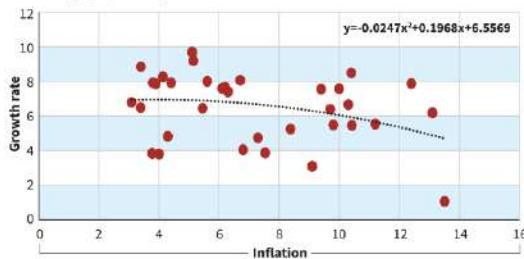
The present limit of +/- 2% has delivered enough flexibility for the monetary authorities to navigate. But what is not prescribed is how long the central bank can stay closer to the upper limit. In fact, staying close to the upper limit will defeat the spirit of the framework. The graph also suggests that beyond 6% inflation, the growth rate declines sharply.

It also depends on how we navigate the fiscal policy going forward. If we look back at the history of inflation in India, a major cause of high inflation in the 1970s and 1980s is the monetisation of fiscal deficit. That is why one major element in the reform process in the early 1990s was to abolish the system of issuing ad hoc treasury bills, which had the effect of an automatic monetisation of deficit. This was followed up later by the Fiscal Responsibility and Budget Management (FRBM) Act. A natural follower of this is FIT. FRBM provisions and FIT must go together. Slipping on any one of the two frameworks will have consequences on the other, thus, risking overall macroeconomic stability.

The views expressed are personal

Relationship between inflation and growth

As in the graph, the acceptable level of inflation for India is around 4%



GS. Paper 3 Indian Economy

UPSC Mains Practice Question : PYQ : What are the causes of persistent high food inflation in India? Comment on the effectiveness of the monetary policy of the RBI to control this type of inflation. (150 Words)



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Context :

India adopted the Flexible Inflation Targeting (FIT) framework in 2016, granting statutory autonomy to the RBI to prioritise price stability. The current target of 4% inflation \pm 2% tolerance band is set for review in 2026, triggering fresh debate on whether this range remains appropriate in an economy facing structural supply shocks, climate-driven food volatility, and evolving growth-inflation dynamics. With RBI publishing its most detailed inflation-growth analysis since 1991, the FIT review has become central to shaping the next decade of India's macroeconomic stability.

Why in the News?

- RBI is conducting the second quinquennial review of FIT (due in 2026).
- Newly released RBI research maps 32 years of inflation-growth data, excluding COVID distortions—first such empirical exercise.
- Inflation has frequently stayed near the upper tolerance band, raising questions on whether the 4% target needs revision or reinforcement.
- The review will influence monetary autonomy, fiscal coordination, and long-term growth stability.

Why is Inflation Control Central to Monetary Policy?

1. Inflation as a regressive tax – hurts poor households most by eroding real incomes.
2. Resource misallocation – high inflation distorts investment and savings decisions.
3. Historical benchmarks – Chakravarty Committee (1985) suggested 5% as acceptable; but structural conditions have changed.
4. Institutional evolution – post-1994 end of deficit monetisation and FIT (2016) strengthened RBI's autonomy and credibility.

How Does the FIT Framework Operate?

- Target: 4% CPI inflation with \pm 2% band.
- Headline CPI is targeted (not core), as food inflation affects majority households.
- India has broadly maintained range-bound inflation despite supply shocks (pandemic, oil spikes).
- Framework remains young but contributes to expectation-anchoring and reduced fiscal dominance.



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Headline Inflation vs Core Inflation: What Should India Target?

- Headline CPI reflects food and fuel shocks, essential in India's consumption structure.
- Inflation = rise in general price level, different from relative price changes.
- Friedman's insight: inflation requires excess liquidity; relative price changes alone cannot generate persistent inflation.
- Therefore, targeting headline CPI captures broader macroeconomic pressures more effectively.

What Does Long-Term Data Show?

- RBI's data (1991–2023): Inflation–growth relationship is quadratic.
- Growth maximises at ~3.98% inflation, i.e., near the current central target of 4%.
- Beyond ~4%, growth declines—indicating that persistently high inflation is growth-reducing.

How Flexible Should the Band Be?

- FIT has provided flexibility, but inflation has often hovered around 6%.
- Constant operation near upper band risks credibility loss.
- India's historical experience (1970s-80s) shows that uncontrolled inflation, especially under deficit monetisation, harms growth and external stability.
- FIT helps prevent return to such fiscal dominance.

What Determines Acceptable Inflation for India?

- Phillips Curve empirical reality: developing economies tolerate slightly higher inflation levels.
- India-specific vulnerabilities:
 - food supply shocks
 - climate variability
 - global commodity cycles
 - currency fluctuations and imported inflation
- RBI's research reinforces that 4% remains consistent with long-term growth maximisation.

Conclusion

India's Flexible Inflation Targeting framework has strengthened monetary credibility, reduced fiscal dominance, and anchored inflation expectations. Empirical evidence suggests that 4% remains an appropriate central target, though India must improve supply-side resilience and fiscal-monetary coordination to prevent repeated breaches of the upper band. A calibrated FIT—flexible yet credible—remains essential for maintaining macroeconomic stability and supporting India's long-term growth trajectory.



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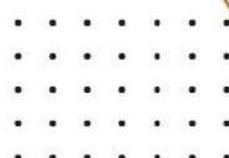


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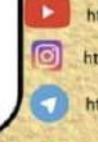




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