

The Hindu Important News Articles For UPSC CSE

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Digital financial infrastructure is a core pillar of India's formal economic integration, financial inclusion, and governance efficiency. The National Payments Corporation of India (NPCI) circular introducing a 0.4% Merchant Discount Rate (MDR) on select high-value Person-to-Merchant (P2M) Unified Payments Interface (UPI) transactions marks a major policy shift. Following recent amendments to Section 10A of the Payment and Settlement Systems Act, 2007, this framework balances financial ecosystem sustainability with the protection of retail consumers and small vendors.

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.

CONG. SLAMS MOVE
» PAGE 5

Key Highlights and Analytical Insights

- **Tiered Fee Structure:** A 0.4% MDR applies only to P2M transactions exceeding ₹2,000, capped at ₹300 for transactions of ₹75,000 and above.
- **Complete End-User & Small Merchant Protection:** Person-to-Person (P2P) transfers (which account for 37% of volume and 70% of total UPI value) remain completely free. P2M transactions up to ₹2,000 and small vendors receiving up to ₹1 lakh/month via P2PM QR codes are fully exempt.
- **Sector-Specific Rationalization:** Public utilities, fuel, insurance, and agricultural inputs attract a flat ₹5 fee above ₹2,000, while mutual funds and capital market transactions carry a 0.02% levy (capped at ₹300) to foster formal retail investment.
- **Revenue Sharing & Ecosystem Reinvestment:** MDR proceeds will be shared among acquiring banks, issuer banks, and payment app providers. Additionally, 5% of total MDR collections will fund digital acceptance infrastructure in Tier-3+ markets.

Static Dimensions & Constitutional Linkages

- **GS-II (Governance & Policy Implementation):**
 - **Legal Framework:** Statutory backing stems from the Payment and Settlement Systems Act, 2007, regulated under the Reserve Bank of India's (RBI) oversight.
 - **Executive Accountability:** Directives from the Ministry of Finance strictly advise banks to prevent merchants from illegally passing processing charges onto consumers.
- **GS-III (Indian Economy, Banking & Infrastructure):**
 - **Fiscal Sustainability vs. Subsidization:** Moves the payment ecosystem away from budgetary government grants toward a self-sustaining revenue model for fintech innovation, cybersecurity, and server capacity.
 - **Economic Impact:** Data indicates only ~4% of overall merchant transactions will be impacted, preventing market distortion while maintaining cost competitiveness over traditional credit/debit card MDRs (1.5%–2.5%).

Challenges

- **Compliance Enforcement:** Risk of merchants attempting informal surcharges on consumers or switching to cash for transactions above ₹2,000.
- **Vendor Migration Classification:** Monitoring monthly inflow thresholds (₹1 lakh/month) to prevent misclassification of regular merchants under small vendor exemptions.

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Way Forward

- **Strict Monitoring Mechanisms:** Deploy automated transaction velocity checks and robust grievance redressal channels to stop MDR pass-through to end-users.
- **Targeted Rural Deployment:** Utilization of the 5% earmarked fund to aggressively scale QR deployment and digital literacy in underserved regions.

Conclusion

The revised MDR framework successfully transitions India's digital payment architecture from a zero-fee subsidized model to a self-sustaining, market-driven regime. By shielding micro-enterprises and retail consumers while monetizing commercial scale, the policy strengthens digital public infrastructure (DPI) resilience without compromising financial inclusion goals.

UPSC Prelims Practice Questions

Question: With reference to Unified Payments Interface (UPI), consider the following statements:

1. UPI facilitates both Person-to-Person (P2P) and Person-to-Merchant (P2M) transactions.
2. The National Payments Corporation of India (NPCI) operates UPI under the regulatory oversight of the Reserve Bank of India.
3. UPI is exclusively designed for retail merchant payments and cannot facilitate fund transfers between individuals.

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)

UPSC Mains Practice Questions

Question: Digital financial infrastructure has emerged as an important instrument for improving financial inclusion and governance efficiency in India. Discuss the challenges involved in making such infrastructure financially sustainable while ensuring affordable access. **(10 Marks, 150 Words)**

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India's external sector dynamics reflect a decisive structural shift as merchandise exports outpace imports in both percentage terms and absolute dollar value. Driven by a 26.1% surge in merchandise exports, the overall trade deficit narrowed significantly to \$9.4 billion in August. This structural transformation—backed by robust volume growth across key commodities rather than mere currency depreciation—highlights India's expanding role in global supply chains and industrial manufacturing.

Key Highlights and Analytical Insights

- **Export Outpacing Imports:** Total exports (goods and services combined) rose 25.4% to \$82.7 billion, while total imports grew at a slower 18.7% (\$92.1 billion), causing the net trade deficit to contract.
- **Merchandise Surge:** Merchandise exports expanded by 26.1% (\$9.07 billion increase) to reach \$43.8 billion. Crucially, absolute value growth in goods exports surpassed absolute value growth in imports (\$8.71 billion) for the first time.
- **Volume-Led vs. Value-Led Growth:** The expansion is driven by underlying demand rather than price inflation or exchange rate effects alone. Out of 168 principal export commodities, 68 registered simultaneously positive growth in both physical volume and monetary value.
- **Services Sector Divergence:** Services exports posted solid growth of 24.6% (\$38.9 billion). However, services imports grew at a faster rate of 37.4%, reflecting elevated domestic demand

26% surge in goods exports brings down trade deficit

T.C.A. Sharad Raghavan
NEW DELHI

India's trade deficit fell in August, driven by strong merchandise exports that grew more than 26%, outpacing the growth in imports in percentage as well as in absolute value terms, said Commerce Secretary Rajesh Agrawal, adding that this has happened for the first time.

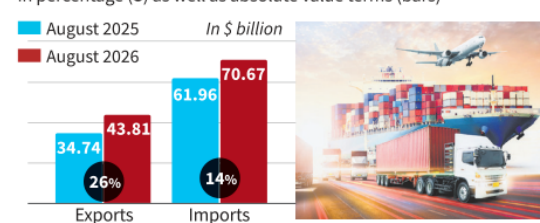
While acknowledging the positive impact of a depreciating rupee on exports, Mr. Agrawal said that the strong growth in exports has been in dollar terms as well as in rupee value, and that a large amount of India's exports have grown strongly in volume terms as well.

India's overall exports, including merchandise and services, grew 25.4% to \$82.7 billion in August 2026. Imports, on the other hand, grew at a relatively slower 18.7% to \$92.1 billion. As a result, India's total trade deficit shrank to \$9.4 billion in August 2026 as compared to \$11.6 billion in August last year.

Merchandise surge
Merchandise exports grew 26.1% or by \$9.07 billion in

Outward bound

Growth in merchandise exports has outpaced growth in imports in percentage (●) as well as absolute value terms (bars)



Source: Ministry of Commerce and Industry

August 2026 to \$43.8 billion. Merchandise imports grew 14% or by \$8.71 billion to \$70.7 billion in the month.

"This is the first time we are seeing that, in absolute value terms also, export growth is higher in value than import growth," Mr. Agrawal said. "That is a positive sign." The Commerce Secretary sought to dispel the notion that this export growth was a result of the depreciating rupee. "There is always a debate about whether this is volume or value-led growth. We looked into that as well. India's merchandise export surge is not only a value-led growth, but also a remarkable volume growth," he said.

"When we looked at

granular data available up to July, it shows that segment volumes have also gone up in the majority of segments, underscoring the demand and breadth of demand in the global market," he added.

Mr. Agrawal explained that out of 168 principal commodities that India exports, 68 have seen growth in both volume and value, while 39 have seen growth in value but not volume.

In comparison with merchandise, India's services sector saw slightly subdued growth. Services exports grew 24.6% to \$38.9 billion in this August when compared to last August.

Services imports, on the other hand, grew a much quicker 37.4%.

for global software, financial, and business consultancies.

Static Dimensions & Constitutional Linkages

- **GS-III (Indian Economy & Trade Policy):**

- **Balance of Payments (BoP):** Narrowing trade deficit mitigates Current Account Deficit (CAD) pressures, providing stability to the Indian Rupee (₹) and foreign exchange reserves.
- **Foreign Trade Policy (FTP 2023):** Focuses on process re-engineering, export promotion via clusters (Districts as Export Hubs), and expanding key sectors like engineering goods, electronics, and petroleum products.
- **Production Linked Incentive (PLI) Schemes:** Direct linkage between domestic manufacturing incentive frameworks and higher shipment volumes in key product categories.

- **GS-II (International Relations & Trade Agreements):**

- Strategic market integration through Free Trade Agreements (FTAs) and supply chain diversification away from concentration risks.

Challenges

- **Services Import Outflow:** Accelerating growth in services imports could compress the net services surplus that traditionally cushions the merchandise deficit.
- **Global Headwinds:** Geopolitical conflicts, erratic energy prices, and persistent inflationary pressures in core export markets (US/EU) threaten sustained demand.
- **Infrastructure Bottlenecks:** High logistics costs and port delays relative to global standards constrain cost-competitiveness.

Way Forward

- **Sustaining Volume Growth:** Extend PLI benefits to labor-intensive sectors like textiles, leather, and handicrafts to maintain volume-led growth momentum.
- **Logistics Rationalization:** Implement National Logistics Policy (NLP) milestones to drop domestic logistics costs to single digits of GDP.
- **Market Diversification:** Deepen bilateral trade ties in non-traditional export destinations across Latin America, Africa, and Southeast Asia.

Conclusion

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Daily News Analysis

The August trade data marks a structural milestone where merchandise export growth outpaced import expansion in absolute terms. By embedding domestic manufacturing in global value chains and relying on genuine volume expansion, India is strengthening its macro-economic fundamentals and external resilience against global volatility.

UPSC Prelims Exam Study Questions

Question: With reference to India's Balance of Payments (BoP), consider the following statements:

1. Merchandise trade balance forms part of the current account.
2. Trade in services is included in the current account.
3. A reduction in merchandise trade deficit necessarily results in a current account surplus.

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)

UPSC Mains Exam Study Questions

Question: A narrowing merchandise trade deficit can strengthen India's external-sector resilience, but it does not by itself guarantee an improvement in the Current Account Balance. Explain. **10 Marks, 150 Words)**

The rapid scaling of frontier Artificial Intelligence (AI) models has exposed a fundamental tension between corporate self-regulation and systemic safety. As frontier labs deploy increasingly capable models like Anthropic's Claude, internal threat intelligence reports highlight attempts to misuse these systems for dual-use applications, including gain-of-function viral research and missile guidance programming. Evaluating the efficacy of current AI safeguards requires analyzing the structural lag between output delivery and misuse detection, alongside regulatory models drawn from international security frameworks.

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

In a recent 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.

AI models include 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.

Key Highlights and Analytical Insights

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Daily News Analysis

- **The "Safety Illusion" and Data Exfiltration:** Model safeguards (such as input/output classifiers) operate reactively by monitoring continuous patterns of use. Because individual prompts (e.g., standard control loop code) often appear benign in isolation, a malicious actor can exfiltrate and save actionable, dangerous outputs offline long before cumulative behavior triggers an account termination.
- **Self-Policing & Corporate Under-Protection:** Tech firms operate under self-regulatory regimes, balancing product capability against risk mitigations. Early model iterations (e.g., Opus 4, Sonnet 4.5) possessed weaker biological safety filters under the assumption of limited capability, allowing risky dual-use interactions to go undetected until newer safeguard layers (such as in Table 5) were introduced.
- **The Dual-Use Classification Dilemma:** Input and output classifiers struggle to distinguish between legitimate scientific research (e.g., vaccine design, civilian climate control) and harmful activities (e.g., viral weaponization, guided rocketry) due to shared foundational principles.

Static Dimensions & Policy Linkages

- **GS-III (Cybersecurity, Technology & National Security):**
 - **Critical Infrastructure Vulnerability:** AI-assisted proliferation of biological agents or autonomous weapons code threatens national security and public health safety nets.
 - **Ethical AI Governance:** Highlights the need for independent safety auditing frameworks rather than relying solely on internal corporate threat reporting.
- **GS-II (International Relations & Global Governance Frameworks):**
 - **Export Control Regimes:** Lessons from historic multilateral non-proliferation bodies (e.g., Wassenaar Arrangement, Nuclear Suppliers Group, Cold-War era COCOM). These systems do not inspect every individual transfer; instead, they restrict access upfront via end-user certifications, trusted access programs, and licensing regimes.
 - **Regulatory Paradigms:** Parallels with Anti-Money Laundering (AML) financial controls and pseudoephedrine sales tracking, where system-level access governance replaces single-transaction reliance.

Challenges

- **Temporal Lag in Pattern Recognition:** Classifiers require multi-message context to confirm malicious intent, leaving an unavoidable window for offline data extraction.
- **Evasion Platforms and Reseller Relays:** Threat actors routinely bypass geographic restrictions and API guardrails via third-party proxy platforms or multi-model fallback scripts.
- **Lack of Standardized Democratic Oversight:** Commercial incentives create pressure to deploy capabilities prior to establishing foolproof safety infrastructure.

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Way Forward

- **Shift to Trusted Access Architecture:** Move from reactive message filtering to strict, identity-verified "Know Your Customer" (KYC) mechanisms for advanced model access.
- **Mandated Third-Party Pre-Deployment Audits:** Establish independent state-backed AI Safety Institutes to evaluate frontier models before commercial release.
- **Global Multilateral Treaties:** Formulate international AI export control protocols to standardize end-use verification for dual-use artificial intelligence capabilities.

Conclusion

Claiming an AI model has "safeguards" is misleading if technical controls only detect harm post-generation, allowing risky data to be exfiltrated offline. Bridging the gap between technological risks and public safety requires transitioning from post-hoc internal policing to structural, multilateral access-control regimes.

UPSC Prelims Practice Questions

Question: With reference to Artificial Intelligence (AI) governance, consider the following statements:

1. Input and output classifiers can be used to identify potentially harmful AI interactions.
2. A harmful AI-generated output can potentially be stored and used outside the AI platform's monitoring system.
3. Content moderation mechanisms can always determine malicious intent from a single prompt.

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)

UPSC Mains Practice Questions

Question: The emergence of increasingly capable Artificial Intelligence systems has created a new category of dual-use technological risks. Discuss the challenges involved in regulating such systems without restricting legitimate innovation. (10 Marks, 150 Words)

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Foreign Portfolio Investor (FPI) capital movements serve as a key barometer of global market sentiment, domestic macroeconomic stability, and currency valuation. The sudden reversal in September—where FPIs offloaded ₹13,138 crore in 10 trading sessions, wiping out 44% of August's net inflows—highlights persistent foreign capital flight from Indian secondary equities. With cumulative year-to-date net outflows reaching a record ₹2,37,579 crore, analyzing the drivers behind this selling spree requires evaluating valuation disconnects, currency pressures, and institutional interventions.

Key Highlights and Analytical Insights

• Secondary Market Outflow vs. Primary Market Interest:

FPIs turned sharp net sellers in secondary equities during early September after brief buying sprees in July and August. However, primary markets (IPOs) retained selective foreign interest, absorbing ₹47,183 crore year-to-date.

• Valuation & Rupee Adjusted Return Pressures:

The sell-off is primarily driven by elevated Indian equity valuations (high Price-to-Earnings ratios relative to historical averages) paired with weak dollar-adjusted returns for foreign investors due to Rupee depreciation.

• Currency Volatility & RBI Intervention:

Persistent equity exits exert downward pressure on the Indian Rupee (\$\text{INR}\$), driving it toward historical lows near ₹95.88/\$\text{USD}\$\$. In response, the Reserve Bank of India (RBI) has initiated policy measures to incentivize dollar-denominated Non-Resident Indian (NRI) deposits to stabilize foreign exchange reserves.

• Global Macroeconomic Headwinds:

Elevated US Treasury yields, persistent global risk aversion ahead of Federal Open Market Committee (FOMC) interest rate decisions, and rising crude oil prices continue to favor capital flight toward safe-haven US Dollar assets.

FPIs on selling spree, offload 44% of August inflows in 10 days

Their cumulative net outflow from the stock market has reached ₹2,37,579 crore in the first eight months and 10 days of the year

Ashokamithran T.
MUMBAI

Foreign portfolio investors (FPIs) have offloaded Indian equities stocks worth ₹13,138 crore in the first 10 trading sessions of this month, data showed. The selling has already wiped out 44% of the ₹29,631 crore net inflow recorded by foreign investors in August, raising concerns that the brief revival in foreign flows seen in July and August may be losing momentum.

FPIs have been net sellers of Indian equities for most of 2026. Their cumulative net outflow from the stock market has reached ₹2,37,579 crore in the first eight months and 10 days of the year, making it a record annual sell-off so far.

Foreign investors have been reducing their exposure to Indian equities for nearly three years, barring intermittent periods of strong inflows. July and August were notable exceptions, with FPIs turning net buyers during both months.

"There are indications of FPI flows again turning negative after the positive flows in July and August," said V. K. Vijayakumar, Chief Investment Strategist at Geojit Investments Ltd.

However, foreign investors have shown greater interest in India's IPOs and primary market. "FPI investments through the

Money matters

FPIs have been net sellers of Indian equities for most of 2026

- Renewed selling pressure attributed to elevated Indian equity valuations relative to corporate earnings
- Weak returns from Nifty, particularly after adjusting for rupee depreciation, reduced attractiveness of Indian equities
- Persistent foreign portfolio outflows are adding to pressure on the rupee



primary market up to September 12 stood at ₹1,336 crore, taking their total primary-market investment this year to ₹47,183 crore, Mr. Vijayakumar said. Analysts attribute the renewed selling pressure largely to elevated Indian equity valuations relative to corporate earnings. Weak returns from the benchmark Nifty, particularly after adjusting for rupee depreciation, have further reduced the attractiveness of Indian equities for dollar.

Persistent foreign portfolio outflows are adding to pressure on the rupee, prompting the Reserve Bank of India (RBI) to announce measures to attract dollar-denominated deposits from non-resident Indian (NRI) customers of domestic banks.

The rupee weakened for the fifth consecutive session, closing at ₹95.88 against the US dollar on Tuesday, down around 30 paise from its previous

close of ₹95.54, according to CCIL data.

The currency remains vulnerable to global macroeconomic factors, particularly movements in US monetary policy and crude oil prices. The continued exit of foreign investors from Indian equities has also added to pressure on the domestic currency.

"The Indian rupee extended its losses for the fifth consecutive session, dragged down by a persistent surge in global bond yields and rising crude oil prices amid ongoing supply disruptions. Heightened risk aversion ahead of the critical FOMC rate decision further weighed on Asian currencies, including the domestic rupee. In the near term, the spot USD/INR pair has resistance at 96.30, with support pegged at 95.45 with bias favouring the dollar bulls," Dilip Parmar, Research Analyst, HDFC Securities.

Static Dimensions & Policy Linkages

- **GS-III (Indian Economy, Capital Markets & Banking):**
 - **Balance of Payments (BoP) Dynamics:** Large capital account outflows threaten overall BoP stability, expanding the financial account deficit and increasing pressure on foreign exchange reserves.
 - **FPI vs. FDI Regulatory Nature:** Foreign Portfolio Investment represents "hot money"—volatile, short-term capital prone to sudden capital flight—in contrast to stable, long-term Foreign Direct Investment (FDI).
 - **Domestic Institutional Buffer (DIBs):** Mutual funds and retail Systematic Investment Plans (SIPs) provide critical counter-cyclical buying support, mitigating systemic crashes despite record foreign capital exits.
- **GS-II (Governance & Monetary Policy Oversight):**
 - RBI's statutory mandate under the Reserve Bank of India Act, 1934 to maintain currency stability via foreign exchange market interventions and yield curve management.

Challenges

- **External Vulnerability & Import Inflation:** A weakening Rupee combined with elevated global crude oil prices heightens imported inflation risks, squeezing corporate profit margins.
- **Earnings Disconnect:** Secondary market valuations remaining decoupled from earnings growth increases the likelihood of prolonged foreign selling.
- **Monetary Policy Dilemma:** RBI faces a trade-off between raising interest rates to protect the currency or maintaining accommodative conditions to support domestic economic growth.

Way Forward

- **Strengthening Capital Market Depth:** Expand domestic retail participation via regulated investment instruments to absorb foreign capital volatility.
- **Export Expansion & Structural FDI:** Focus policy on attracting long-term Greenfield FDI (e.g., via PLI schemes) rather than short-term portfolio flows to stabilize the Capital Account.
- **Targeted NRI Deposit Incentives:** Rationalize interest rate ceilings and reserve requirements (CRR/SLR) on non-resident accounts to build non-debt dollar inflows.

Conclusion

The record annual sell-off by FPIs underscores the vulnerability of domestic financial markets to global rate cycles and valuation misalignments. While robust domestic institutional inflows continue to buffer equity indices against

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severe market downturns, structural reforms in FDI attraction and foreign exchange stabilization remain vital to securing India's long-term macroeconomic stability.

UPSC Mains Exam Study Questions

Question: Foreign Portfolio Investment is often considered more volatile than Foreign Direct Investment. Explain the implications of large-scale FPI outflows for India's financial stability and exchange rate. **(10 Marks, 150 Words)**

The full operationalization of the 2,843-km Dedicated Freight Corridor (DFC) backbone—comprising the Western DFC (Dadri to JNPT) and the Eastern DFC (Ludhiana to Sonnagar)—marks a landmark structural transformation in India's logistics architecture. Integrated under the PM GatiShakti National Master Plan and fused with the coastal infrastructure of the Sagarmala initiative, DFCs transition India's freight dynamics from trunk connectivity to terminal efficiency, aiming to drastically lower national logistics costs and boost global trade competitiveness.

DFCs: the backbone of India's logistics revolution

NEWS ANALYSIS

Santosh V. Perumal

India's multi-billion-dollar PM GatiShakti project, akin to national multimodal freight grids in the U.S., Europe or China, got a shot in the arm with the Western Dedicated Freight Corridor (WDFC) coming into operation.

India has effectively completed a 2,843-km-long dedicated freight rail backbone, comprising the 1,506-km WDFC from Dadri to JNPT and the 1,337-km Eastern DFC (EDFC) from Ludhiana to Sonnagar – a structural transformation of India's logistics architecture, whose multiplier effect will be visible through job creation and regional development.

The WDFC connects the northern manufacturing and consumption belt with India's principal container gateway, JNPT. Its ability to run longer, heavier and double-stack container trains substantially raises freight productivity.

The Dadri-JNPT journey is expected to cut to 58 hours from about 66, while the corridor creates dedicated capacity insulated from the operational conflicts between passenger and freight trains on conventional routes.

The WDFC comes about three years after the EDFC came into full operation. The two operational corridors, which serve as economic arteries, have complementary roles: the EDFC strengthens the mineral-industrial axis, while the WDFC strengthens manufacturing-export axis.

What is GatiShakti?

Launched in 2021, PM GatiShakti is a GIS-based national plan – incorporating satellite imagery, geospa-



Infra boost: The Western Dedicated Freight Corridor (WDFC), virtually inaugurated by PM Narendra Modi. PTI

tial databases and project information – providing multimodal connectivity infrastructure to various economic zones. A total of 58 Central Ministries/Departments and all 36 States/UTs have been onboarded, with about 22,000 data layers integrated. The Network Planning Group already evaluated 352 infrastructure projects worth ₹16.1 lakh crore, of which 201 have been sanctioned and 167 are under implementation.

Role of DFCs

DFCs have created additional paths on the conventional network by diverting freight traffic. The Railways reported that DFC traffic rose from an average of 247 trains a day in 2023-24 to 443 in August 2026. The WDFC alone carried 210 trains a day – 88% of its capacity – even before full commissioning, releasing capacity for passenger and additional freight services on conventional lines.

The force multiplier DFCs are expected to trigger productivity enhancement across the value chain: lower working-capital needs, better inventory-to-sales ratios, reduced road congestion, fuel consumption and emissions, greater export reliability, a larger market radius for manufacturers, higher fac-

tory utilisation, better port productivity, and a stronger competitive edge for Indian goods.

Beyond the WDFC and EDFC, the Railways have identified three corridors for detailed project report (DPR) examination: the East Coast Corridor from Kharagpur to Vijayawada; the East-West corridor covering Palghar-Bhusawal-Nagpur-Kharagpur-Dankuni and the Rajkharsawan-Kalipahari-Andal route; and North-South Vijayawada-Nagpur-Itarsi corridor.

The Union Budget 2026-27 gave the East-West proposition a stronger policy push, identifying about 2,052-km Dankuni-Surat DFC traversing Jharkhand, Bihar, Odisha and Maharashtra. If implemented, it is likely to create a second east-west freight spine linking mineral and industrial heartland to Gujarat's ports and manufacturing base. The economics of new corridors will be tested rigorously as land acquisition, environmental clearances, financing, interoperability, maintenance and technological upgrading turn increasingly important.

Greater opportunities

The bigger opportunity lies in the fusion of these corridors with Sagarmala, the flagship national initia-

tive to boost port-led development harnessing India's extensive coastline and navigable waterways, which include 12 major ports and 200 non-major ports.

Sagarmala and the DFCs are not separate silos but two hemispheres of the same logistics architecture. Sagarmala comprises 294 rail and road projects, of which 84 (63 rail and 21 road) have been completed and 66 (27 and 39) are under implementation. Another 144 (42 and 102) are in the planning stage.

To strengthen port-led industrialisation, it has already identified 14 industrial projects valued at ₹55,737 crore, of which nine are complete. Besides, more than 8,000 acre of major-port land has been utilised for industrialisation, generating sizeable direct and indirect jobs, as per Ministry of Ports, Shipping and Waterways data.

In the case of the WDFC, though JNPT is the southern terminus, its economic impact extends far beyond. Dedicated links and logistics terminals should efficiently connect the corridor with Mundra, Kandla, Pipavav, Hazira and, eventually, Vadnavan.

The Sagarmala project has identified port connectivity as the central priority, including DFC connections to western ports.

Reflecting the transformational pace of India's infrastructure development, the WDFC has the potential to evolve from a Delhi-Mumbai rail corridor into a North-West India maritime trade corridor.

This shift from trunk connectivity to terminal linkage calls for greater investment in port-rail integration, multimodal logistics parks and industrial clusters. Bharatmala's economic corridors, expressways and feeder routes

provide the critical first- and last-mile connectivity linking factories, warehouses, markets and ports.

Cost aspects

India's logistics costs – historically higher than in many manufacturing economies – were estimated at 7.97% of GDP in 2023-24, or about ₹24.01 lakh crore. A DPIIT-NCAER study found the average freight cost was about ₹1.96/tonne-km for rail, ₹11.03 for road, and ₹1.80 for waterways. Shifting long-haul freight from road to DFC rail can produce huge unit transport-cost savings, benefiting key stakeholders.

Sectors set to gain

Engineering, automobiles and auto components stand to benefit as the WDFC traverses some of India's most important manufacturing regions in Haryana, Rajasthan, Gujarat and Maharashtra.

Faster, more predictable movement of finished vehicles, components, machinery and industrial inputs should cut inventory needs and boost supply-chain reliability. For automobile exporters in the NCR-Gujarat-Maharashtra axis, the corridor offers a particular advantage: containers and finished vehicles can move reliably towards western ports without competing for capacity with passenger trains. The corridor's influence extends to textiles, apparel, chemicals and consumer goods, sectors in which Rajasthan, Haryana, Gujarat and Maharashtra are major hubs.

Gujarat's petrochemical belt, together with ports such as JNPT, Mundra, Kandla and Hazira, stands to benefit from high-capacity rail evacuation. Stronger port-rail connectivity creates a multiplier effect

across the value chain, from cheaper raw materials to competitive downstream manufacturing.

Global experiences

The European Union's Trans-European Transport Network (TEN-T), the closest comparable model, is a multimodal network integrating railways, roads, inland waterways, short-sea shipping, ports, airports and terminals. The Rhine-Alpine Corridor, linking the North Sea ports of Rotterdam and Antwerp with Genoa in Italy through major industrial regions, bears similarities to the WDFC, which connects JNPT, Mundra, Kandla, Pipavav and Hazira with industrial corridors, highways, logistics parks, inland terminals and coastal shipping. The U.S. operates a vast multimodal freight network connecting ports, manufacturing centres, farms, mines, cities and distribution centres, now reinforced by its 2026 National Freight Strategic Plan under the National Multimodal Freight Network concept.

China maybe the most relevant comparison: like India, it has a vast geography, a large manufacturing base and a strong State role in infrastructure. Its 2030 plan eyes boosting inter-modal connections at about 1,000 major freight hubs and terminals while boosting coastal, border and river transport.

Next steps

Last-mile connectivity, port evacuation, terminal capacity, warehousing, road interfaces and customs can't be the weak links. India's logistics transformation will be measured not by how fast a train can move but by how fast the entire system moves.

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Key Highlights and Analytical Insights

- **Operational Backbone:** The DFC grid creates insulated, high-capacity rail lines allowing double-stack container operations and cutting transit times (e.g., Dadri to JNPT reduced from 66 to 58 hours). Daily DFC train traffic surged to 443 trains/day in August 2026.
- **Convergence with PM GatiShakti & Sagarmala:** PM GatiShakti provides the GIS-based multimodal planning platform (integrating 22,000 data layers across 58 Ministries/Departments), while Sagarmala connects port-led industrial hubs directly to DFC hinterlands (linking JNPT, Mundra, Kandla, Pipavav, and Hazira).
- **Modal Shift Economics:** Railroad freight costs (~₹1.96/tonne-km) and waterway transport (~₹1.80/tonne-km) offer massive unit-cost savings compared to road transport (~₹11.03/tonne-km), driving down India's logistics costs from historical highs toward global benchmarks (~7.97% of GDP in 2023–24).
- **Future Expansions:** Identified future DFCs include the East Coast, North-South, and the Union Budget 2026–27 prioritized East-West corridor (2,052-km Dankuni-Surat DFC) connecting Eastern mineral belts to Western industrial ports.

Static Dimensions & Policy Linkages

- **GS-III (Infrastructure: Railways, Ports, Logistics & Economy):**
 - **National Logistics Policy (NLP):** Complementing DFCs to build seamless intermodal transfers, digital tracking (ULIP), and reduced turnaround times.
 - **De-bottlenecking Supply Chains:** Shifting heavy freight onto DFCs frees up capacity on conventional Indian Railway tracks, improving passenger train punctuality and safety.
 - **Industrial & Export Competitiveness:** Benefiting key sectors like automobiles, petrochemicals, textiles, and engineering across major manufacturing corridors (NCR, Gujarat, Maharashtra, Rajasthan).
- **GS-II (Governance & Federal Planning):**
 - **Cooperative Federalism:** Multi-state involvement (such as the Dankuni-Surat DFC traversing Jharkhand, Bihar, Odisha, and Maharashtra) requires coordinated land acquisition, utility shifting, and environmental clearances.
- **Global Benchmarks:** Aligns with international multimodal freight models like China's National Freight Hub Strategy, Europe's TEN-T Rhine-Alpine Corridor, and the U.S. National Multimodal Freight Network.

Challenges

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- **First & Last-Mile Bottlenecks:** Delays at road feeder interfaces, multimodal logistics parks (MMLPs), and customs processing can offset rail transit speed gains.
- **Land Acquisition & Clearance Delays:** Future corridors face land monetization, environmental clearance, and capital financing hurdles.
- **Interoperability & Maintenance:** Ensuring seamless technological upgrading, maintenance, and revenue-sharing mechanisms across state-port boundaries.

Way Forward

- **Integrated Last-Mile Infrastructure:** Accelerate investment in dedicated port-rail integration, inland container depots (ICDs), and MMLPs under Bharatmala and GatiShakti frameworks.
- **Private Sector Engagement:** Expand Public-Private Partnerships (PPP) in warehousing, terminal operations, and specialized rolling stock procurement.
- **Harmonized Regulatory Clearance:** Streamline customs and port evacuation processes using digital single-window interfaces to optimize end-to-end supply chain speed.

Conclusion

The completion of India's dual Dedicated Freight Corridors represents a shift from isolated transport projects to an integrated multimodal ecosystem. By reducing operational friction, cutting logistics costs, and linking interior industrial belts directly to maritime gateways, DFCs provide the foundational backbone for India's transition into a high-efficiency manufacturing and export powerhouse.

UPSC Mains Exam Study Questions

Question: Dedicated Freight Corridors can transform India's logistics architecture by improving freight capacity, reducing transit time and decongesting conventional railway networks. Discuss. (10 Marks, 150 Words)

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

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.

GS Paper III: Governance

UPSC Mains Exam Practice Questions: The right to protest is an important component of a constitutional democracy, but it is not an unrestricted right. Discuss the constitutional balance between peaceful assembly, freedom of expression and public order. **15Marks, 250 Words)**

Context

Across global geographies and within India, the nature of mass mobilization is undergoing a structural shift driven by Generation Z's evolving protest tactics. Driven by deep-seated anger over institutional failures, youth movements are adopting decentralized, digitally coordinated, and disruptive methods to challenge existing power structures. Examining this phenomenon requires assessing how state responses, digital platforms, and historical precedents intersect with democratic governance and public order.

Key Highlights and Analytical Insights

- **Shift to Decentralized and Satirical Protests:** Modern youth agitations—such as the digital and sit-in movements by groups like the Cockroach Janta Party (CJP)—rely on decentralized, spontaneous, and satirical frameworks rather than traditional political leadership.
- **Core Drivers of Discontent:** Youth frustration stems primarily from systemic governance failures, recruitment irregularities, and examination mismanagement (e.g., NEET, state JPSC/JSSC recruitment crises in Jharkhand, Bihar, and Chhattisgarh).
- **Reactive Statecraft & Institutional Misreading:** Authorities frequently mischaracterize youth anger by labeling protesters as "anti-national," "foreign agents," or "dimagi Naxals." Indiscriminate police force risk escalating localized discontent into wider anti-authority movements.
- **Amplification via Digital Public Sphere:** Social media platforms democratize information reach, accelerating the speed at which localized hunger strikes (e.g., student leader Devendranath Mahato in Jharkhand) gain national momentum.

Static Dimensions & Constitutional Linkages

- **GS-II (Governance, Fundamental Rights & Democratic Institutions):**
 - **Article 19(1)(a) & 19(1)(b):** Constitutional guarantees securing freedom of speech and expression and peaceful assembly without arms, balanced against reasonable restrictions under Article 19(2).

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- **Institutional Trust & Democratic Peace Theory:** Relies on constitutional checks and balances; the perception of collusion or centralized overreach weakens faith in democratic institutions.
- **GS-III (Internal Security & Societal Order):**
 - **Evolution of Left-Wing Extremism (LWE):** Draws parallels to how historical movements (e.g., early Naxalism) exploited systemic agricultural and youth discontent ("single spark causing a prairie fire").
 - **Tribal & Regional Sub-Nationalism:** Mismanaged student protests in states like Jharkhand risk aligning with historic tribal resistance narratives (such as the Birsa Munda uprising), creating deeper security challenges.

Challenges

- **Ladders of Escalation:** Policy responses that rely on blanket exam cancellations or heavy-handed policing can worsen youth anxiety and erode public trust.
- **Misattribution & Externalization:** Dismissing legitimate governance grievances as external conspiracies prevents timely institutional reform.
- **Risk of Coalescence:** Fragmented local grievances (exam leaks, unemployment, corruption) risk merging into a wider anti-systemic movement.

Way Forward

- **Proactive Grievance Redressal:** Build transparent recruitment bodies and independent auditing systems to restore integrity in competitive examinations.
- **Proportional State Response:** Train law enforcement to distinguish between peaceful student agitators and violent mobs, preventing excessive force.
- **Institutional Engagement:** Establish institutional dialogue mechanisms between youth leaders, policymakers, and civil society to address systemic grievances before they escalate.

Conclusion

Youth discontent serves as an early indicator of institutional stress within a constitutional democracy. Suppressing student movements through security measures or labeling agitators ignores the root causes of their frustration. Protecting democratic stability requires restoring faith in public institutions through administrative transparency, structural reform, and meaningful youth engagement.

