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Headlines:

- Retail Inflation Rises to 19-Month High of 4.45%
- Draft National Food Security (Amendment) Bill, 2026: From Food Security to Nutrition Security
- Military Reform in India: From Jointness to Intellectual Transformation
- Mines & Minerals Amendment Bill, 2026: Balancing Mining Reform and Fiscal Federalism
- UPI Financial Sustainability: Balancing Zero-MDR and Digital Inclusion

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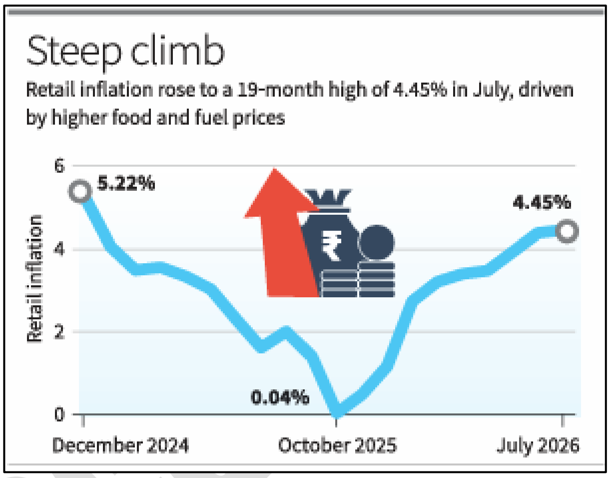
1. Retail Inflation Rises to 19-Month High of 4.45%

GS Paper III – Indian Economy

Why in News?

- India's retail inflation, measured by the Consumer Price Index (CPI), rose to 4.45% in July 2026, a 19-month high, driven mainly by food, fuel and transport-related price pressures.



Key Trends & Drivers

- **Food & beverages inflation:** Rose to 5.2%, with onion, garlic and ginger prices contributing to the increase.
- **Restaurants & accommodation:** Increased to 7.7%, reflecting higher fuel and input costs.
- **Transport:** Rose to 4.4%.
- Excess rainfall and crop damage may disrupt agricultural supplies, while elevated global edible-oil prices can transmit into domestic markets.
- Rising input costs indicate elements of cost-push inflation.

Key Inflation Concepts

- **Inflation:** Rate at which the general price level rises; a fall in inflation does not necessarily mean prices are falling.
- **Headline Inflation:** Overall CPI inflation, reflecting price changes across the entire CPI basket.
- **Core Inflation:** Inflation excluding food and fuel, used to assess underlying and relatively persistent price pressures.
- **Demand-Pull Inflation:** Occurs when aggregate demand exceeds the economy's productive capacity.
- **Cost-Push Inflation:** Results from rising input costs such as fuel, food and raw materials.
- **Disinflation:** Decline in the rate of inflation while prices continue to rise.
- **Deflation:** Sustained decline in the general price level.
- **Base Effect:** Year-on-year inflation is influenced by the price level recorded in the corresponding period of the previous year.

CPI vs WPI

- **CPI:** Measures changes in prices of goods and services acquired by households for consumption and serves as the key inflation measure for India's monetary-policy framework.
- **WPI:** Measures wholesale-level price movements and has a different commodity basket and weighting structure.

CPI Framework:

- CPI is compiled and released by the National Statistical Office (NSO), MoSPI.
- The revised CPI series uses 2024=100 as the base year, replacing 2012=100.
- Weights are derived from the Household Consumption Expenditure Survey (HCES) 2023–24.
- The revised series adopts the COICOP 2018 classification and reflects changing consumption patterns.

RBI & Monetary Policy Linkage

- Under the Flexible Inflation Targeting (FIT) Framework, the RBI targets 4% CPI inflation, with a ±2 percentage-point tolerance band (2–6%).
- The Monetary Policy Committee (MPC) determines the policy rate to achieve the inflation target.
- Persistent inflation erodes real purchasing power and can constrain consumption and investment.
- Monetary tightening can moderate demand through higher borrowing costs, but interest rates alone cannot effectively address supply-side food inflation.

Way Forward

- Strengthen agricultural storage, logistics and supply chains.
- Promote climate-resilient agriculture, crop diversification and better forecasting.
- Improve domestic production and supply security of pulses and edible oils.
- Combine monetary measures with targeted supply-side interventions to control inflation without unnecessarily compromising economic growth.

Persistent food inflation highlights the need to complement monetary policy with supply-side measures, climate-resilient agriculture and efficient food supply chains.

2. Draft National Food Security (Amendment) Bill, 2026: From Food Security to Nutrition Security

GS Paper II – Governance & Social Justice; GS Paper III – Food Security, Agriculture & Nutrition

Why in News?

- The Government has released the Draft National Food Security (Amendment) Bill, 2026 for consultation. It seeks to rationalise Antyodaya Anna Yojana (AAY) entitlements while addressing inequities arising from differences in household size.

Existing Framework & Proposed Change

- Under NFSA, 2013, AAY households receive 35 kg of foodgrains per household/month, while Priority Households (PHH) receive 5 kg per person/month.
- The flat AAY entitlement means per-capita support declines as household size increases.
- The draft proposes 7 kg per person, capped at 35 kg per household, seeking greater per-capita equity.
- However, smaller vulnerable households could face reduced entitlements, necessitating a no-loss safeguard.

Food Security → Nutrition Security

- **Food Security:** Assured access to sufficient food.
- **Nutrition Security:** Access to adequate, diverse and nutritious diets meeting nutritional needs.
- India faces a double burden of malnutrition: declining stunting alongside persistent wasting and underweight, while diabetes and other NCDs are rising.
- Hence, cereal security should be complemented with pulses, millets, vegetables, milk, eggs and other protein-rich foods.

Coverage & PDS Challenges

- NFSA permits coverage of up to 75% of rural and 50% of urban populations, with the beneficiary ceiling historically linked to Census 2011.
- Census 2027 provides an opportunity to reassess coverage and reduce exclusion errors.
- ONORC, e-PoS and portability improve access, but authentication failures and last-mile barriers remain concerns.

Constitutional & Legal Linkages

- **Article 21:** Right to life has been interpreted to encompass the right to food.
- **Article 47:** Directs the State to raise nutrition levels and improve public health.

- **NFSA, 2013:** Provides a statutory framework for food and nutritional security.

Key Challenges

- Rising food-subsidy fiscal burden.
- Inclusion and exclusion errors in beneficiary identification.
- Cereal-centric food distribution.
- Regional diversity in dietary preferences and food habits.
- Balancing access, nutritional adequacy and fiscal sustainability.

Way Forward

- Preserve existing AAY benefits through an explicit no-loss guarantee.
- Periodically review the 35-kg ceiling based on household size, dependency and nutritional needs.
- Finance dietary diversification separately, without reducing cereal entitlements.
- Integrate PDS, Anganwadi Services, PM-POSHAN and primary healthcare.
- Use State-level pilots, transparent fiscal costing and outcome-based evaluation before wider implementation.

India's food-security policy must evolve from merely ensuring "foodgrain access" to enabling "affordable, adequate and nutritious diets", while ensuring that vulnerable households do not lose their existing entitlements.

3. Military Reform in India: From Jointness to Intellectual Transformation

GS Paper III – Internal Security & Defence

Why in News?

- The debate on India's military transformation highlights that operational effectiveness requires both structural integration and intellectual transformation within the armed forces.

Jointness → Integration → Theatreisation

- **Jointness:** Services operate together while retaining their individual organisational structures.
- **Integration:** Greater integration of structures, resources and decision-making across the three services.
- **Theatreisation:** Organising forces under integrated theatre commands for unified operational planning and execution.
- Greater jointness can reduce duplication, improve interoperability and optimise manpower, equipment and logistics.

Higher Defence Organisation

- The Chief of Defence Staff (CDS) serves as the Government's principal military adviser and promotes greater jointness among the three services.
- The Department of Military Affairs (DMA) within the Ministry of Defence provides an institutional mechanism for advancing military integration and jointness.
- Defence reform should adopt a whole-of-government approach, integrating military, diplomatic, technological, economic and intelligence capabilities.

Multi-Domain Operations & Intellectual Transformation

- Multi-Domain Operations (MDO) involve coordinated employment of land, maritime, air, space, cyber and information capabilities.
- Modern warfare requires strategic thinking alongside operational competence, particularly in AI, autonomous systems, cyber and space warfare.
- Stronger Professional Military Education (PME) and evidence-based professional debate can foster innovation and strategic foresight.

Key Challenges

- Service silos: Differences in doctrines, procurement priorities, organisational cultures and resource interests can impede integration.
- Hierarchical structures may discourage constructive dissent and intellectual risk-taking.
- Operational commitments can constrain sustained research, writing and strategic reflection.

Way Forward

- Strengthen joint training, PME and integrated operational planning.
- Promote defence research and stronger links with academia and strategic institutions.
- Create institutional channels for bottom-up innovation and professional debate.
- Pursue theatreisation through consensus, phased implementation and capability-based planning.

4. Mines & Minerals Amendment Bill, 2026: Balancing Mining Reform and Fiscal Federalism

GS Paper II – Federalism & Governance; GS Paper III – Mineral Resources, Mining & Critical Minerals

Why in News?

- The Lok Sabha passed the Mines and Minerals (Development and Regulation) Amendment Bill, 2026, seeking to restrict States from imposing additional taxes, cesses or levies on mineral rights and mineral-bearing lands. The Bill seeks greater predictability in the mineral-sector fiscal regime.

Key Provisions

- Seeks to address multiple, non-uniform and unpredictable State levies that may increase mining costs and create uncertainty.
- Aims to strengthen domestic mineral supply chains, investment and ease of doing business.
- The MMDR Act, 1957 remains the principal legislation governing the development and regulation of mines and minerals.

Constitutional & Federalism Dimension

- Entry 50, State List: States have the power to tax mineral rights, subject to limitations imposed by Parliament relating to mineral development.
- Thus, the Bill represents an exercise of Parliament's constitutional power to limit State taxation, rather than simply transferring the entire taxing field to the Centre.
- Entry 54, Union List: Provides for Union control over regulation of mines and mineral development to the extent declared by Parliament.
- The issue therefore raises questions of fiscal federalism, State revenue autonomy and national mineral policy.

Supreme Court Linkage

- In Mineral Area Development Authority v. Steel Authority of India Ltd. (2024), the Supreme Court held that States possess the constitutional power to tax mineral rights under Entry 50, List II, subject to limitations imposed by Parliament through a law relating to mineral development.

Royalty vs Tax

- Royalty: Payment associated with mineral extraction under the mining regime.
- Tax on mineral rights: A distinct constitutional taxing power of States under Entry 50, subject to Parliamentary limitations.

Economic & Strategic Significance

- A predictable regime can promote investment, domestic mining and mineral security.
- Stronger mineral supply chains are important for EVs, batteries, semiconductors, renewable energy and defence technologies, particularly in the context of critical minerals.

Key Challenges

- Possible erosion of State fiscal autonomy.
- Balancing national uniformity with interests of mineral-rich States.
- Preventing regulatory simplification from weakening environmental and social safeguards.

Way Forward

- Promote cooperative federalism through structured Union–State consultation.
- Ensure transparent and predictable mineral taxation.
- Combine mining reforms with environmental sustainability, local community participation and responsible resource extraction.

5. UPI Financial Sustainability: Balancing Zero-MDR and Digital Inclusion

GS Paper III – Indian Economy & Digital Economy

Why in News?

- The Standing Committee on Finance has urged the government to address the financial sustainability of the Unified Payments Interface (UPI). The government is examining selective MDR and a tiered incentive structure to reduce dependence on public support.

UPI Architecture & Significance

- UPI, developed by the National Payments Corporation of India (NPCI), enables real-time, interoperable bank-to-bank digital payments through a common platform.
- It has emerged as a major component of India's Digital Public Infrastructure (DPI), supporting low-cost payments and financial inclusion.
- However, rising costs of cybersecurity, fraud prevention, network infrastructure and transaction processing raise questions about long-term sustainability.

What is MDR?

- Merchant Discount Rate (MDR) is a fee paid by the merchant, rather than directly by the consumer, for processing digital payments.
- It is distributed among relevant participants such as acquiring/payment banks and payment processors, depending on the transaction arrangement.

Zero-MDR Regime

- Since January 2020, UPI and RuPay debit-card transactions have operated under a zero-MDR regime to encourage digital payments.

- While this reduces costs for merchants, it limits direct transaction-based revenue for payment ecosystem participants.

Sustainability Challenge

- The Committee highlighted a gap between the ₹2,000 crore government allocation and the industry's estimated ₹20,700 crore operational cost.
- This creates a policy dilemma involving affordability, financial inclusion and ecosystem sustainability.
- Zero-MDR can encourage adoption, but may increase dependence on government incentives and alternative revenue streams.

Government Options

- Selective MDR: Charges on certain high-value transactions or high-turnover merchants.
- Tiered incentives: Gradual withdrawal of government compensation based on transaction categories.

Way Forward

- Protect small-value and small-merchant transactions from MDR.
- Consider threshold- or turnover-based pricing for larger transactions and merchants.
- Link incentives transparently to actual processing costs and service quality.
- Strengthen fraud detection, cybersecurity and payment-system resilience.