

Editorial of the Day – 27.11.2025

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1. Rupee Depreciation, Oil Dependence, and the Need for Structural Reforms–(TH)

General Studies 3 – Economy

Topic – Indian Economy and issues relating to

planning, mobilization of resources, growth, development and employment.

1. Introduction

The Indian Rupee has witnessed a significant depreciation of approximately 7% recently, driven by a confluence of global headwinds and domestic vulnerabilities. While the Reserve Bank of India (RBI) has actively intervened using its strong foreign exchange reserves, the persistent volatility highlights the limitations of monetary tools. The situation underscores the urgent need for India to pivot from short-term stabilization measures to long-term structural reforms, specifically in energy security (reducing oil reliance) and trade policy formulation.

2. Current Context & Historical Parallels

The Depreciation – From late November 2024 to November 2025, the Rupee has slid from ₹83.4/\$ to approximately ₹89.2/\$.

Comparison with 2018 – The current economic landscape mirrors the 2018 period (under the first term of U.S. President Donald Trump).

Similarities – A strong U.S. Dollar, rising U.S. interest rates, and escalating global trade tensions.

Severity – In 2018, the Rupee weakened by 11–12%, suggesting that the current decline, while sharp, is not unprecedented.

3. Role of RBI and Currency Swaps

The RBI operates a "Managed Float" regime, meaning it does not fix the exchange rate but intervenes to smooth out "disorderly" volatility.

Strategic Interventions –

2019 – Conducted a \$5 billion, three-year dollar/rupee swap.

Feb 2025 – Executed a \$10 billion buy-sell swap to infuse long-term rupee liquidity during global stress.

Direct Intervention – Since November, the RBI has sold approximately \$50 billion in forex markets to defend the currency.

Objective of Swaps – To supply liquidity to banks, bolster forex reserves, and manage volatility caused by capital flow reversals or dollar surges.

4. Factors Driving the Depreciation

The steep fall is attributed to both external and domestic pressure points –

Widening Current Account Deficit (CAD) – The gap between the value of imports and exports is increasing.

Safe-Haven Hedging – There is a surge in bullion (gold) imports as investors seek safety amidst global uncertainty.

Tariff Wars – Exporters are facing high U.S. tariffs, forcing a currency adjustment to maintain competitiveness.

Import Costs – A shift in crude oil sourcing is occurring—moving away from cheaper Russian crude back to costlier U.S. imports.

5. Strengths and Stabilizing Factors

Despite the currency slide, India possesses strong macroeconomic buffers –

Forex Reserves – Remains robust at approximately \$693 billion, providing significant firepower for the RBI.

Low Inflation – Retail inflation (CPI) dropped to a record low of 0.25% in October 2025.

Significance – This is far below the RBI's target band of 2%–6%.

Policy Room – Ultra-low inflation allows the RBI to tolerate some currency depreciation (which is inflationary) without needing aggressive interest rate hikes that could stifle growth.

6. The Oil-Inflation Nexus

Dependency – Crude oil constitutes over 20% of India's imports in FY25.

The Risk – As the rupee weakens, the landed cost of oil increases (Imported Inflation).

Sourcing Shift – The transition from discounted Russian oil to market-rate U.S. oil exacerbates this cost, creating a vulnerability that monetary policy cannot fix.

7. Structural Reforms Required (The Way Forward)

To achieve lasting currency stability, India must move beyond RBI interventions and address core structural weaknesses –

A. Energy Security & Diversification

Electrification – Urgent acceleration of transport electrification (EV adoption) to decouple economic growth from oil demand.

Diversification – Expanding the energy basket to include more renewables and alternative fuels to reduce the import bill.

B. Trade Policy Overhaul

Coherence – India needs a cohesive trade strategy rather than a "patchwork" of bilateral deals.

Review of FTAs – The text notes that existing agreements with Japan, UAE, and ASEAN have actually worsened India's trade balance. A review is essential to ensure these deals aid rather than harm macro stability.

8. Conclusion

While the RBI's management has provided a buffer against extreme volatility, currency resilience cannot be built on forex reserves alone. The current crisis serves as a reminder that structural reforms—specifically reducing the economy's addiction to imported oil and crafting a trade policy that boosts net exports—are the only path to long-term macroeconomic stability. With low inflation and high reserves, India currently has the policy space to enact these difficult reforms, but it must act with urgency.

Source – <https://www.thehindu.com/opinion/editorial/limited-room-on-the-indian-rupee/article70326823.ece>

2. As a STEM researcher and student, I would leave India – and that breaks my heart-(IE)

General Studies 2 – Governance

Topic – Issues relating to development and

management of Social Sector/Services relating to Education, Human Resources; Effect of policies and politics of developed and developing countries on India's interests, Indian diaspora.

Reversing Brain Drain – Repatriation of Indian-Origin Talent

1. Introduction

The Indian government has proposed a comprehensive scheme to repatriate Indian-origin faculty and researchers currently working abroad. This initiative represents a paradigm shift from merely acknowledging the diaspora to actively integrating them into India's growth story. The objective is to transform the phenomenon of "Brain Drain" into "Brain Gain" by offering a combination of financial

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incentives, institutional autonomy, and cultural reforms to foster a world-class Research and Development (R&D) ecosystem.

2. Significance of the Initiative

Reversing Historical Brain Drain – India has long been a net exporter of talent, particularly in STEM (Science, Technology, Engineering, and Mathematics) fields. Top talent often migrated to the West for better remuneration, superior research infrastructure, and greater academic freedom. This scheme aims to arrest and reverse this outflow.

Fueling the Global Knowledge Economy – As India aspires to become a Global Knowledge Hub (Vishwa Guru), the influx of experienced researchers with global exposure is critical. Their return will accelerate innovation, enhance scientific output, and improve India's competitiveness in the global market.

Strategic STEM Focus – The initial focus on priority STEM areas aligns with national capacity-building needs (e.g., Semiconductors, AI, Quantum Computing). This will strengthen India's strategic edge in critical and emerging technologies.

Leveraging Diaspora Capital – The policy acts as a tribute to the intellectual prowess of the Indian diaspora. It seeks to leverage their expertise, global networks, and cross-cultural experience for nation-building.

3. Key Challenges and Structural Hurdles

Huge Financial Disparities –

Salary Gap – There is a stark contrast in remuneration. Senior faculty in India earn approx. \$40,000, whereas counterparts in the US earn \$130,000–\$200,000 and in China approx. \$100,000.

Incentive Limitation – While purchasing power parity matters, monetary incentives alone are insufficient without a supportive ecosystem.

Institutional & Cultural Barriers –

Rigidity – Indian academic institutions are often characterized by rigid hierarchies and bureaucracy ("Babu culture").

Operational Friction – Procedural delays in grant approvals, procurement of equipment, and lack of administrative support hinder research.

Short-termism – Previous schemes like VAJRA (Visiting Advanced Joint Research Faculty) facilitated short-term visits but failed to secure long-term commitment or full relocation.

Intense Global Competition – India is competing with nations like China (Thousand Talents Plan), Taiwan, and European countries that offer aggressive, structured incentives and guarantee academic freedom. India must match these global standards in systemic support, not just intent.

Family and Social Considerations –

The "Two-Body Problem" – Returning faculty often struggle to find suitable employment for their spouses.

Logistics – Challenges regarding high-quality schooling for children, housing, and pollution in major cities significantly influence relocation decisions.

4. Way Forward – Policy Recommendations

To make this scheme successful, a holistic approach covering three pillars is required –

A. Institutional Reforms

Administrative Autonomy – Grant researchers freedom in research management, procurement of lab equipment, and hiring of research staff without bureaucratic interference.

Tenure-Track Systems – Establish clear, transparent tenure-track pathways to ensure job security and long-term career stability, mirroring Western university systems.

IP Rights – Clearly define policies regarding Intellectual Property (IP) ownership to incentivize commercialization of research.

B. Cultural Transformation

Meritocracy – Shift from a seniority-based hierarchy to a merit-based advancement culture.

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Collaboration – Foster an environment that encourages interdisciplinary collaboration and academic freedom, allowing researchers to pursue high-risk, high-reward projects.

Integration – Actively integrate international faculty into institutional governance, mentoring roles, and curriculum design to modernize the academic culture.

C. Operational & Social Support

"Red Carpet" Services – Create dedicated cells to handle logistics, visa processing, housing, and banking for returning scholars.

Family Support – Assist with spousal employment and school admissions for children to ease the transition.

Orientation – Conduct orientation programs to help returning scholars navigate the nuances of the Indian academic landscape.

D. Broad-Based Engagement

Inclusivity – The scheme should not be limited to elite institutes (like IITs/IISc). It must include Central Universities, State Universities, and reputable Private Institutions to maximize impact.

5. Conclusion

The initiative to repatriate Indian-origin faculty is a strategic inflection point for Indian higher education. However, its success depends on execution. It requires a move beyond financial grants to deep structural and cultural reforms. By creating a stable, meritocratic, and globally competitive academic environment, India can effectively utilize its diaspora to catalyze innovation and secure its position as a global research powerhouse.

Source – <https://indianexpress.com/article/opinion/columns/stem-iit-india-america-brain-dreain-research-10387484/>

